

(5) Employment and training services activities in accordance with §§ 309.65(b) and 309.121.

* * * * *

■ 12. Amend § 309.155 by:

■ a. Removing the word “and” at the end of paragraph (e);

■ b. Redesignating paragraph (f) as paragraph (g); and

■ c. Adding a new paragraph (f).

The addition reads as follows:

§ 309.155 What uses of Tribal IV–D program funds are not allowable?

* * * * *

(f) Any expenditures under § 309.121 for subsidized employment or payment of cash, checks, reimbursements, or any other form of payment that can be legally converted to currency provided to the noncustodial parent; and

* * * * *

[FR Doc. 2024–29081 Filed 12–11–24; 8:45 am]

BILLING CODE 4184–41–P

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: Final rule.

SUMMARY: In accordance with the statutory provisions enacted by the Great Lakes Pilotage Act of 1960, the Coast Guard is issuing new pilotage rates for 2025. This rule adjusts the pilotage rates to account for changes in district operating expenses, an increase in the number of pilots, and anticipated inflation. These changes, when combined, result in a 7-percent net increase in pilotage costs compared to the 2024 season.

DATES: This final rule is effective January 13, 2025.

ADDRESSES: To view documents mentioned in this preamble as being available in the docket, go to www.regulations.gov, type USCG–2024–0406 in the search box and click “Search.” Next, in the Document Type column, select “Supporting & Related Material.”

FOR FURTHER INFORMATION CONTACT: For information about this document, call or email Mr. Brian Rogers, Commandant, Office of Waterways and Ocean Policy—

Great Lakes Pilotage Division (CG–WWM–2), Coast Guard; telephone 410–360–9260, email Brian.Rogers@uscg.mil.

SUPPLEMENTARY INFORMATION:

Table of Contents for Preamble

I. Abbreviations
 II. Basis and Purpose, and Regulatory History
 III. Background
 IV. Final Pilotage Rates for 2025
 V. Discussion of Comments and Changes
 VI. Summary of the Rulemaking Methodology
 VII. Discussion of the Rate Adjustments

District One

A. Step 1: Recognize Previous Operating Expenses
 B. Step 2: Project Operating Expenses, Adjusting for Inflation or Deflation
 C. Step 3: Estimate Number of Registered Pilots and Apprentice Pilots
 D. Step 4: Determine Target Pilot Compensation Benchmark and Apprentice Pilot Wage Benchmark
 E. Step 5: Project Working Capital Fund
 F. Step 6: Project Needed Revenue
 G. Step 7: Calculate Initial Base Rates
 H. Step 8: Calculate Average Weighting Factors by Area
 I. Step 9: Calculate Revised Base Rates
 J. Step 10: Review and Finalize Rates

District Two

A. Step 1: Recognize Previous Operating Expenses
 B. Step 2: Project Operating Expenses, Adjusting for Inflation or Deflation
 C. Step 3: Estimate Number of Registered Pilots and Apprentice Pilots
 D. Step 4: Determine Target Pilot Compensation Benchmark and Apprentice Pilot Wage Benchmark
 E. Step 5: Project Working Capital Fund
 F. Step 6: Project Needed Revenue
 G. Step 7: Calculate Initial Base Rates
 H. Step 8: Calculate Average Weighting Factors by Area
 I. Step 9: Calculate Revised Base Rates
 J. Step 10: Review and Finalize Rates

District Three

A. Step 1: Recognize Previous Operating Expenses
 B. Step 2: Project Operating Expenses, Adjusting for Inflation or Deflation
 C. Step 3: Estimate Number of Registered Pilots and Apprentice Pilots
 D. Step 4: Determine Target Pilot Compensation Benchmark and Apprentice Pilot Wage Benchmark
 E. Step 5: Project Working Capital Fund
 F. Step 6: Project Needed Revenue
 G. Step 7: Calculate Initial Base Rates
 H. Step 8: Calculate Average Weighting Factors by Area
 I. Step 9: Calculate Revised Base Rates
 J. Step 10: Review and Finalize Rates

VIII. Regulatory Analyses

A. Regulatory Planning and Review
 B. Small Entities
 C. Assistance for Small Entities
 D. Collection of Information
 E. Federalism
 F. Unfunded Mandates
 G. Taking of Private Property
 H. Civil Justice Reform
 I. Protection of Children
 J. Indian Tribal Governments

K. Energy Effects
 L. Technical Standards
 M. Environment

I. Abbreviations

2023 final rule Great Lakes Pilotage Rates—2023 Annual Rulemaking and Review of Methodology
 2024 final rule Great Lakes Pilotage Rates—2024 Annual Review
 2025 Rulemaking NPRM Great Lakes Pilotage Rates—2025 Annual Review notice of proposed rulemaking
 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
 MOU Memorandum of Understanding
 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 Pilots Association
 U.S.C. United States Code
 WGLPA Western Great Lakes Pilots Association

II. Basis and Purpose, and Regulatory History

The legal basis of this rulemaking is 46 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 final rule is to issue new pilotage rates for 2025 by revising a base rate established in 2023.

¹ 46 U.S.C. 9301–9308.

² 46 U.S.C. 9302(a)(1).

³ Department of Homeland Security 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.

The Coast Guard believes that the new rates will continue to promote our goal, as outlined in 46 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.

III. 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 \$440 to \$986 per pilot hour, depending on which of the specific six areas pilotage service is provided, and 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.”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 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.

For this final rule, we conducted 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 final rule is an interim ratemaking under 46 CFR 404.100(b).

IV. Final Pilotage Rates for 2025

In this final rule, we set new pilotage rates for 2025. We conducted this 2025 ratemaking as an interim ratemaking, as we did with the “Great Lakes Pilotage Rates—2024 Annual Review” final rule (hereafter the 2024 final rule) (89 FR 9038, published February 9, 2024). Thus, the Coast Guard adjusts 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).

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

TABLE 1—CURRENT AND 2025 PILOTAGE RATES ON THE GREAT LAKES

Area	Name	Final 2024 pilotage rate	Final 2025 pilotage rate
District One: Designated	St. Lawrence River	\$927	\$986
District One: Undesignated	Lake Ontario	608	643
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	667	753
District Two: Undesignated	Lake Erie	597	576
District Three: Designated	St. Marys River	836	825
District Three: Undesignated	Lakes Huron, Michigan, and Superior	430	440

This final rule affects 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 final rule will 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 will be a net increase of \$2,879,028 in payments made by the foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage service, which is a 7-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.

⁴ The Saint Lawrence Seaway Pilots Association provides pilotage services in District One, which includes all U.S. waters of the St. Lawrence River and Lake Ontario. The Lakes Pilots Association 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 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>; accessed 10/25/2024.

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 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.

This final rule establishes the 2025 yearly target compensation for Pilots on the Great Lakes at \$464,317 per Pilot (a \$23,659, or 5.37 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 VIII., Regulatory Analyses, in this preamble, provides the regulatory impact analyses of this final rule.

V. Discussion of Comments and Changes

We received three comments in response to the notice of proposed rulemaking (NPRM) for this final rule, titled “Great Lakes Pilotage Rates—2025 Annual Review” (hereafter 2025 Ratemaking NPRM) (89 FR 63334, published August 5, 2024). We made no changes to the rates in response to those comments.

One anonymous commenter was concerned that the ratemaking methodology was not accurately capturing trends in demand, citing this year’s rate increase in District One as surprising, given that transits and time on task have gone down over the past couple of seasons. While the ratemaking methodology itself is not included in the scope of this rule, we note that the 10-year rolling average is designed to minimize volatility in the ratemaking. This decision has been confirmed by the courts as a “rational choice.” *Am. Great Lake Ports Assn. v. United States Coast Guard*.⁸

Another commenter, representing three trade associations, suggested that the Coast Guard should use Federal Open Market Committee (FOMC) Projections for the inflation numbers used in Step 2 of the methodology. Modifying the ratemaking methodology is outside the scope of this rule—since this is an interim ratemaking—but we will consider this suggestion in the next full ratemaking.⁹

The same commenter supported the elimination of the Working Capital Fund in Step 5 of the ratemaking process. We appreciate the commenter’s support, but elimination of the Working Capital Fund is outside the scope of this rule and will be addressed in next year’s full ratemaking.

This commenter also supported District One’s efforts to improve their dispatch operations and suggested that

Districts Two and Three make similar efforts. Pilotage association dispatch operations are outside the scope of this rulemaking, but we will take the comment under advisement for potential future rulemakings.

This commenter suggested that the Coast Guard should update the Memorandum of Understanding (MOU) between the U.S. Coast Guard and the Canadian Great Lakes Pilotage Authority because that “document provides for the coordination of services, including the division of dispatch activity and the sharing of work assignments.” The MOU is outside the scope of this rulemaking, but we will take this comment under advisement and communicate it to the relevant parties.

The commenter urged the Coast Guard to make individual pilot compensation publicly available. The Coast Guard will not accommodate this request. Compensation of individual pilots is not included in the expense base or methodology, and, therefore, we decline to add a regulatory requirement for pilot associations to publicly report the compensation of individual pilots. The Coast Guard does not use actual earnings or average earnings; instead, we use target pilot compensation (described in Step 4 of the existing methodology), which the Coast Guard has determined to be reasonable and necessary. Because actual individual salary values are not used in the ratemaking, the Coast Guard believes that a requirement to report pilot compensation is not in the public interest or necessary to provide for the costs of services. Concerns about equity among the pilots are outside the scope of this rulemaking.

The commenter’s last suggestion was that the Coast Guard should conduct a line-by-line inspection of pilot association expenses to determine if they meet the “necessary and reasonable” standard. This is a suggested change to the methodology, which is outside the scope of this rule. We will consider this comment for the next full ratemaking.

The last comment, from the Western Great Lakes Pilots Association (WGLPA), contained three requests for the Coast Guard. First, WGLPA requested an upward adjustment of \$47,924 based on legal expenses related to negotiations of the collective bargaining agreement between the WGLPA and the International Longshoremen’s Association. However, the only evidence of these charges was a letter from WGLPA’s outside counsel. In order to make a change to the expenses, the Coast Guard would need

to see verifiable and detailed evidence that explains those charges. For legal work, a detailed record of an attorney’s billable hours would be sufficient. Even with this information, we may not be able to recognize this expense as the other pilot associations perform this function without incurring substantial legal expenses. We would also need additional justification to determine if this was a necessary expense, and if so, whether all or some portion of the expense is a reasonable amount to include in the association’s expense base.

Second, WGLPA requested an upward adjustment of \$45,296 based on a 2023 arbitration ruling that found that wages were owed for work performed by their dispatch team. These are 2023 expenses and, therefore, cannot be added to this year’s ratemaking. If properly submitted next year to CohnReznick (the third-party firm under contract to create revenue and expense reports for the three pilot association expenses), the expenses will be evaluated in next year’s ratemaking.

Last, WGLPA alleged that they did not have sufficient opportunity to engage with the Coast Guard and CohnReznick to adequately provide explanation or documentation for certain expenses. The Coast Guard disagrees with this assertion. According to our records, the opportunity to provide documentation and information to CohnReznick commenced on August 10, 2023, and concluded on January 24, 2024, a day before the draft report was generated. We believe WGLPA had sufficient time to organize and segregate records to comply with the Coast Guard contract to perform this work. Additionally, the Director confirmed with CohnReznick personnel that they verbally communicated the project timeline to WGLPA personnel during the initial “prepared by client” phone call on August 10, 2023, and, on the same day, emailed the WGLPA with a list of documents and information the WGLPA would need to provide in order to successfully produce the report.

The only change from the NPRM results from updated inflation data becoming available since the publication of the proposed rule. Table 2 summarizes the changes between the 2025 Ratemaking NPRM and this final rule. This table includes changes from the proposed rule that are not based on comments from the NPRM.

⁸ 443 F. Supp. 3d 44 (D.D.C. 2020).

⁹ This commenter also submitted an earlier comment requesting an extension for the comment period.

TABLE 2—CHANGES BETWEEN THE NPRM AND FINAL RULE

Change	Reasoning
Updates 2023 Employment Cost Index (ECI) inflation from 5.1%, listed in the NPRM, to 5.6%. Updates 2024 Personal Consumption Expenditures (PCE) inflation from 2.4%, listed in the NPRM, to 2.8%. Updates 2025 PCE inflation from 2.2%, listed in the NPRM, to 2.3%.	More recent figures were published since the Coast Guard conducted the analysis for the NPRM.

VI. 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 final rule, we began 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.

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 adjusters 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 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 Great Lakes Pilotage Advisory Committee (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.¹⁰ 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; 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 resigns, and has been counted in the rate, the proceeding rate may be adjusted accordingly 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

¹⁰ Transcript of United States Coast Guard GLPAC Meeting at 97 (Sept. 7, 2023), <https://www.regulations.gov/document/USCG-2023-0438-0009>; accessed 10/25/2024.

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 ECI for the Transportation and Materials sector and the FOMC median economic projections for PCE 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 PCE 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 target 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.

VII. Discussion of the Rate Adjustments

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. 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 rulemaking, where indicated under the **ADDRESSES** portion of this preamble.

The recognized operating expenses for District One are shown in table 3.

TABLE 3—2022 RECOGNIZED EXPENSES FOR DISTRICT ONE

Reported operating expenses for 2022	District One		
	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
<i>Applicant Pilot Compensation:</i>			
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
<i>Other Pilotage Cost:</i>			
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
<i>Pilot Boat and Dispatch Costs:</i>			
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
<i>Administrative Expenses:</i>			
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	23,399	38,497
Depreciation/Auto leasing/Other	108,836	72,558	181,394
Interest	20,257	13,504	33,761

TABLE 3—2022 RECOGNIZED EXPENSES FOR DISTRICT ONE—Continued

Reported operating expenses for 2022	District One		
	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
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

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.¹¹ Because the BLS does

not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2024 and 2025 inflation modification.¹² Based on that information, the calculations for Step 2 are as presented in table 4.

TABLE 4—ADJUSTED OPERATING EXPENSES FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Total Operating Expenses (Step 1)	\$2,519,791	\$1,679,862	\$4,199,653
2023 Inflation Modification (@3.8%)	95,752	63,835	159,587
2024 Inflation Modification (@2.8%)	73,235	48,824	122,059
2025 Inflation Modification (@2.3%)	61,842	41,228	103,070
Adjusted 2025 Operating Expenses	2,750,620	1,833,749	4,584,369

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. 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.¹³ Additionally, the previous staffing model's maximum is now considered the minimum in regard to the number of Pilots needed in each district.¹⁴

We determine the number of fully registered Pilots based on data provided by the St. Lawrence Seaway Pilots Association (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 5.

TABLE 5—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

¹¹ The CPI is defined as "All Urban Consumers (CPI-U), All Items, 1982=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; accessed 10/25/2024.

¹² The 2024 and 2025 inflation rates are available at <https://www.federalreserve.gov/monetarypolicy/>

<files/fomcproftabl20240918.pdf>. We used the Core PCE June Projection found in table 1; accessed 10/02/2024.

¹³ Transcript, *supra* note 8, at 89–90.

¹⁴ *Id.* at 57–58.

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 rulemaking 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 3.0 percent for a value of \$453,878. This accounts for the difference in

actual third quarter 2024 ECI inflation, which is 5.6 percent, and the 2024 PCE estimate of 2.6 percent.^{15 16}

The second step accounts for projected inflation from 2024 to 2025, which is 2.3 percent.¹⁷ Based on the projected 2025 inflation estimate, the target compensation benchmark for 2025 is \$464,317 per pilot. The Apprentice Pilot wage benchmark is 36 percent of the target Pilot compensation, or \$167,154 ($\$464,317 \times 0.36$).

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 One, as shown in table 6. 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 designated area and 40 percent for the undesignated area, in accordance with the allocation for operating expenses.

TABLE 6—TARGET COMPENSATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Target Pilot Compensation	\$464,317	\$464,317	\$464,317
Number of Pilots	11	9	20
Total Target Pilot Compensation	5,107,487	4,178,853	9,286,340
Target Apprentice Pilot Compensation	167,154	167,154	167,154
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	100,292	66,862	167,154

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.¹⁸ By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 7.

TABLE 7—WORKING CAPITAL FUND CALCULATION FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	\$2,750,620	\$1,833,749	\$4,584,369
Total Target Pilot Compensation (Step 4)	5,107,487	4,178,853	9,286,340
Total Target Apprentice Pilot Compensation (Step 4)	100,292	66,862	167,154
Total 2025 Expenses	7,958,399	6,079,464	14,037,863
Working Capital Fund (4.8100%)	382,799	292,422	675,221

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 8.

¹⁵ 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>; accessed 10/31/2024.

¹⁶ 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](https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf); accessed 05/31/2024.

¹⁷ Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf>; accessed 10/02/2024.

¹⁸ 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>; accessed 10/25/2024.

TABLE 8—REVENUE NEEDED FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	\$2,750,620	\$1,833,749	\$4,584,369
Total Target Pilot Compensation (Step 4)	5,107,487	4,178,853	9,286,340
Total Target Apprentice Pilot Compensation (Step 4)	100,292	66,862	167,154
Working Capital Fund (Step 5)	382,799	292,422	675,221
Total Revenue Needed	8,341,198	6,371,886	14,713,084

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. Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 9.

TABLE 9—TIME ON TASK FOR DISTRICT ONE
 [Hours]

Year	District One	
	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 10.

TABLE 10—INITIAL RATE CALCULATIONS FOR DISTRICT ONE

	Designated	Undesignated
Revenue needed (Step 6)	\$8,341,198	\$6,371,886
Average time on task (hours)	6,559	7,673
Initial rate	\$1,272	\$830

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 11 and 12.

TABLE 11—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits*
Class 1 (2014)	31	1	31
Class 1 (2015)	41	1	41
Class 1 (2016)	31	1	31
Class 1 (2017)	28	1	28
Class 1 (2018)	54	1	54
Class 1 (2019)	72	1	72

TABLE 11—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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 12—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, UNDESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 1 (2014)	25	1	25
Class 1 (2015)	28	1	28
Class 1 (2016)	18	1	18
Class 1 (2017)	19	1	19
Class 1 (2018)	22	1	22
Class 1 (2019)	30	1	30
Class 1 (2020)	3	1	3
Class 1 (2021)	19	1	19
Class 1 (2022)	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

TABLE 12—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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.

I. Step 9: Calculate Revised Base Rates

After considering the impact of the weighting factors, we revise the base

rates in this step so that the total costs of pilotage will be equal to the revenue needed. 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 13.

TABLE 13—REVISED BASE RATES FOR DISTRICT ONE

Area	Initial rate (Step 7)	Average weighting factor (Step 8)	Revised rate (initial rate ÷ average weighting factor)
District One: Designated	\$1,272	1.29	\$986
District One: Undesignated	830	1.29	643

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

rates incorporate appropriate compensation for Pilots to handle heavy traffic periods and whether there are enough Pilots to handle those heavy traffic periods. The Director also considers whether the rates will cover operating expenses and infrastructure

costs, including average traffic and weighting factors. Based on these considerations, the Director did not propose any alterations to the rates in this step. We modified § 401.405(a)(1) and (2) to reflect the final rates shown in table 14.

TABLE 14—FINAL RATES FOR DISTRICT ONE

Area	Name	Final 2024 pilotage rate	Final 2025 pilotage rate
District One: Designated	St. Lawrence River	\$927	\$986
District One: Undesignated	Lake Ontario	608	643

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. For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs generally accrued by the pilot associations, such as employee benefits, the cost is divided between the designated and undesignated areas on a pro rata basis. Adjustments have been made by the

auditors and are explained in the auditor's reports, which are available in the docket for this rulemaking, where indicated under the ADDRESSES portion of the preamble.

The recognized operating expenses for District Two are shown in table 15.

TABLE 15—2022 RECOGNIZED EXPENSES FOR DISTRICT TWO

Reported operating expenses for 2022	District Two		
	Undesignated	Designated	Total
	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

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.¹⁹ Because the BLS does

not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2024 and 2025 inflation modification.²⁰ Based on that information, the calculations for Step 2 are presented in table 16.

TABLE 16—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 (@2.8%)	34,905	52,357	87,262
2025 Inflation Modification (@2.3%)	29,474	44,212	73,686

¹⁹CPI, *supra* note 10.

²⁰Core PCE June Projection, *supra* note 11.

TABLE 16—ADJUSTED OPERATING EXPENSES FOR DISTRICT TWO—Continued

	District Two		
	Undesignated	Designated	Total
Adjusted 2025 Operating Expenses	1,310,973	1,966,459	3,277,432

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. 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.²¹ Additionally, the previous staffing model’s maximum is now considered the minimum in regard to the number of Pilots needed in each district.²²

We determine the number of fully registered Pilots based on data provided by the Lakes Pilots Association (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 17.

TABLE 17—AUTHORIZED PILOTS FOR DISTRICT TWO

Item	District Two
2025 Authorized Pilots (total)	17
Pilots Assigned to Designated Areas	10
Pilots Assigned to Undesignated Areas	7
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 3.0 percent for a value of \$453,878.

This accounts for the difference in actual third quarter 2024 ECI inflation, which is 5.6 percent, and the 2024 PCE estimate of 2.6 percent.²³ ²⁴ The second step accounts for projected inflation from 2024 to 2025, which is 2.3 percent.²⁵ Based on the projected 2025 inflation estimate, the target compensation benchmark for 2025 is \$464,317 per Pilot. The Apprentice Pilot wage benchmark is 36 percent of the target Pilot compensation, or \$167,154 ($\$464,317 \times 0.36$).

In accordance with § 404.104(c), we used 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 Two, as shown in table 18. 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.

TABLE 18—TARGET COMPENSATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Target Pilot Compensation	\$464,317	\$464,317	\$464,317
Number of Pilots	7	10	17
Total Target Pilot Compensation	\$3,250,219	\$4,643,170	\$7,893,389
Target Apprentice Pilot Compensation	\$167,154	\$167,154	\$167,154
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	\$66,862	\$100,292	\$167,154

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.²⁶ By multiplying the two figures, we obtain the working capital fund contribution for each area, as shown in table 19.

²¹ Transcript, *supra* note 8 at 89–90.

²² *Id.* at 57–58.

²³ ECI, *supra* note 14.

²⁴ Median Core PCE Inflation June Projection, *supra* note 15.

²⁵ Median Core PCE Inflation June Projection, *supra* note 16.

²⁶ Moody’s Seasoned Aaa Corporate Bond Yield, *supra* note 17.

TABLE 19—WORKING CAPITAL FUND CALCULATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	\$1,310,973	\$1,966,459	\$3,277,432
Total Target Pilot Compensation (Step 4)	3,250,219	4,643,170	7,893,389
Total Target Apprentice Pilot Compensation (Step 4)	66,862	100,292	167,154
Total 2025 Expenses	4,628,054	6,709,921	11,337,975
Working Capital Fund (4.8100%)	222,609	322,747	545,356

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 20.

TABLE 20—REVENUE NEEDED FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	\$1,310,973	\$1,966,459	\$3,277,432
Total Target Pilot Compensation (Step 4)	3,250,219	4,643,170	7,893,389
Total Target Apprentice Pilot Compensation (Step 4)	66,862	100,292	167,154
Working Capital Fund (Step 5)	222,609	322,747	545,356
Total Revenue Needed	4,850,663	7,032,668	11,883,331

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. Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 21.

TABLE 21—TIME ON TASK FOR DISTRICT TWO [Hours]

Year	District Two	
	Undesignated	Designated
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

TABLE 21—TIME ON TASK FOR DISTRICT TWO—Continued [Hours]

Year	District Two	
	Undesignated	Designated
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 22.

TABLE 22—INITIAL RATE CALCULATIONS FOR DISTRICT TWO

	Undesignated	Designated
Revenue needed (Step 6)	\$4,850,663	\$7,032,668
Average time on task (hours)	6,426	7,133
Initial rate	\$755	\$986

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 23 and 24.

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 1 (2014)	31	1	31
Class 1 (2015)	35	1	35
Class 1 (2016)	32	1	32
Class 1 (2017)	21	1	21
Class 1 (2018)	37	1	37
Class 1 (2019)	54	1	54
Class 1 (2020)	1	1	1
Class 1 (2021)	7	1	7
Class 1 (2022)	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 24—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 1 (2014)	20	1	20
Class 1 (2015)	15	1	15
Class 1 (2016)	28	1	28
Class 1 (2017)	15	1	15
Class 1 (2018)	42	1	42
Class 1 (2019)	48	1	48
Class 1 (2020)	7	1	7
Class 1 (2021)	12	1	12
Class 1 (2022)	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

TABLE 24—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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.

I. Step 9: Calculate Revised Base Rates
 After considering the impact of the weighting factors, we revise the base rates in this step so that the total costs of pilotage will be equal to the revenue needed. To do this, we divide the initial base rates calculated in Step 7 by the average weighting factors calculated in Step 8, as shown in table 25.

TABLE 25—REVISED BASE RATES FOR DISTRICT TWO

Area	Initial rate (Step 7)	Average weighting factor (Step 8)	Revised rate (initial rate ÷ average weighting factor)
District Two: Undesignated	\$755	1.31	\$576
District Two: Designated	986	1.31	753

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 rates incorporate appropriate compensation for Pilots to handle heavy traffic periods and whether there are enough Pilots to handle those heavy traffic periods. The Director also considers whether the rates will cover operating expenses and infrastructure costs, including average traffic and weighting factors. Based on these considerations, the Director did not propose any alterations to the rates in this step. We modified § 401.405(a)(3) and (4) to reflect the final rates shown in table 26.

TABLE 26—FINAL RATES FOR DISTRICT TWO

Area	Name	Final 2024 pilotage rate	Final 2025 pilotage rate
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	\$667	\$753
District Two: Undesignated	Lake Erie	597	576

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. 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 in the ADDRESSES portion of the preamble.

The recognized operating expenses for District Three are shown in table 27.

TABLE 27—2022 RECOGNIZED EXPENSES FOR DISTRICT THREE

Reported Operating Expenses for 2022	District Three			
	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Marys River	Lake Superior	
<i>Applicant Cost:</i>				
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
<i>Other Pilotage Costs:</i>				
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
<i>Pilot Boat and Dispatch Costs:</i>				
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
<i>Administrative Cost:</i>				
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

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.²⁷ Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal

²⁷ CPI, *supra* note 10.

Reserve for the 2024 and 2025 inflation information, the calculations for Step 2 modification.²⁸ Based on that are as presented in table 28.

TABLE 28—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 (@2.8%)	94,957	24,653	119,610
2025 Inflation Modification (@2.3%)	80,184	20,818	101,002
Adjusted 2025 Operating Expenses	3,566,457	925,928	4,492,385

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. 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.²⁹ Additionally, the previous staffing model’s maximum are now considered the minimum regarding the number of Pilots needed in each district.³⁰

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 29.

TABLE 29—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 3.0 percent for a value of \$453,878. This accounts for the difference in

actual third quarter 2024 ECI inflation, which is 5.6 percent, and the 2024 PCE estimate of 2.6 percent.³¹ ³² The second step accounts for projected inflation from 2024 to 2025, which is 2.3 percent.³³ Based on the projected 2025 inflation estimate, the target compensation benchmark for 2025 is \$464,317 per pilot. The apprentice pilot wage benchmark is 36 percent of the target Pilot compensation, or \$167,154 (\$464,317 × 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 30. 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.

TABLE 30—TARGET COMPENSATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Target Pilot Compensation	\$464,317	\$464,317	\$464,317
Number of Pilots	19	5	24
Total Target Pilot Compensation	\$8,822,023	\$2,321,585	\$11,143,608
Target Apprentice Pilot Compensation	\$167,154	\$167,154	\$167,154
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	\$132,052	\$35,102	\$167,154

²⁸ Core PCE June Projection, *supra* note 11.

²⁹ Transcript, *supra* note 8, at 89–90.

³⁰ *Id.* at 57–58.

³¹ ECI, *supra* note 14.

³² Median Core PCE Inflation June Projection, *supra* note 15.

³³ Median Core PCE Inflation June Projection, *supra* note 16.

E. Step 5: Project Working Capital Fund target Pilot compensation, and total number is 4.8100 percent, rounded.³⁴
 By multiplying the two figures, we
 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 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 contribution for each area, as shown in table 31.

TABLE 31—WORKING CAPITAL FUND CALCULATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	\$3,566,457	\$925,928	\$4,492,385
Total Target Pilot Compensation (Step 4)	8,822,023	2,321,585	11,143,608
Total Target Apprentice Pilot Compensation (Step 4)	132,052	35,102	167,154
Total 2025 Expenses	12,520,532	3,282,615	15,803,147
Working Capital Fund (4.8100%)	602,238	157,894	760,132

F. Step 6: Project needed revenue revenue needed for each area. These Step 4), and the working capital fund
 In this step, the Coast Guard adds all the expenses accrued to derive the total expenses include the projected operating expenses (from Step 2), the contribution (from Step 5). The calculations are shown in table 32.
 total target Pilot compensation (from

TABLE 32—REVENUE NEEDED FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	\$3,566,457	\$925,928	\$4,492,385
Total Target Pilot Compensation (Step 4)	8,822,023	2,321,585	11,143,608
Total Target Apprentice Pilot Compensation (Step 4)	132,052	35,102	167,154
Working Capital Fund (Step 5)	602,238	157,894	760,132
Total Revenue Needed	13,122,770	3,440,509	16,563,279

G. Step 7: Calculate Initial Base Rates Step 7 is a two-part process. The first data from SeaPro. Because we calculate
 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. 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 separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 33.

TABLE 33—TIME ON TASK FOR DISTRICT THREE
 [Hours]

Year	District Three	
	Undesignated	Designated
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

³⁴ Moody's Seasoned Aaa Corporate Bond Yield, *supra* note 17.

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 34.

TABLE 34—INITIAL RATE CALCULATIONS FOR DISTRICT THREE

	Undesignated	Designated
Revenue needed (Step 6)	\$13,122,770	\$3,440,509
Average time on task (hours)	22,952	3,208
Initial rate	\$572	\$1,073

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 35 and 36. 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.

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits*
Area 6			
Class 1 (2014)	45	1	45
Class 1 (2015)	56	1	56
Class 1 (2016)	136	1	136
Class 1 (2017)	148	1	148
Class 1 (2018)	103	1	103
Class 1 (2019)	173	1	173
Class 1 (2020)	4	1	4
Class 1 (2021)	8	1	8
Class 1 (2022)	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

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits*
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 36—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits*
Class 1 (2014)	27	1	27
Class 1 (2015)	23	1	23
Class 1 (2016)	55	1	55
Class 1 (2017)	62	1	62
Class 1 (2018)	47	1	47
Class 1 (2019)	45	1	45
Class 1 (2020)	15	1	15
Class 1 (2021)	15	1	15
Class 1 (2022)	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

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits*
Class 3 (2014)	15	1.3	20
Class 3 (2015)	0	1.3	0
Class 3 (2016)	6	1.3	8
Class 3 (2017)	14	1.3	18
Class 3 (2018)	6	1.3	8
Class 3 (2019)	3	1.3	4
Class 3 (2020)	1	1.3	1
Class 3 (2021)	2	1.3	3
Class 3 (2022)	5	1.3	7
Class 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.

I. Step 9: Calculate Revised Base Rates
After considering the impact of the weighting factors, we revise the base

rates in this step so that the total costs of pilotage will be equal to the revenue needed. To do this, we divide the initial

base rates calculated in Step 7 by the average weighting factors calculated in Step 8, as shown in table 37.

TABLE 37—REVISED BASE RATES FOR DISTRICT THREE

Area	Initial rate (Step 7)	Average weighting factor (Step 8)	Revised rate (initial rate ÷ average weighting factor)
District Three: Undesignated	\$572	1.30	\$440
District Three: Designated	1,073	1.30	825

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

rates incorporate appropriate compensation for Pilots to handle heavy traffic periods and whether there are enough Pilots to handle those heavy traffic periods. The Director also considers whether the rates will cover operating expenses and infrastructure

costs, including average traffic and weighting factors. Based on these considerations, the Director did not propose any alterations to the rates in this step. We modified § 401.405(a)(5) and (6) to reflect the rates shown in table 38.

TABLE 38—FINAL RATES FOR DISTRICT THREE

Area	Name	Final 2024 pilotage rate	Final 2025 pilotage rate
District Three: Designated	St. Marys River	\$836	\$825
District Three: Undesignated	Lakes Huron, Michigan, and Superior	430	440

VIII. Regulatory Analyses

We developed this final 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 final rule a significant regulatory action under section 3(f) of Executive Order 12866, as amended by Executive Order 14094. Accordingly, OMB has not reviewed this regulatory action. The purpose of this final rule is to establish new

pilotage rates, as 46 U.S.C. 9303(f) requires that rates be established or reviewed and adjusted each year. The statute also requires that base rates be established by a full ratemaking at least once every 5 years, and, in years when base rates are not established, they must be reviewed and, if necessary, adjusted. The Coast Guard concluded the last full ratemaking in February of 2023.³⁵ For this final rule, the Coast Guard estimates an increase in cost of approximately

\$2.88 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. Primarily driving this 7-percent increase is the addition of 3 pilots compared to the 2024 season, as well as general increases in inflation and the rate of return used for the working capital fund. See table 39.

TABLE 39—ECONOMIC IMPACTS DUE TO RATE CHANGES

Change	Description	Affected population	Costs	Benefits
Rate changes	In accordance with 46 U.S.C. Chapter 93, the Coast Guard is required to review and adjust pilotage rates annually.	Owners and operators of 280 vessels transiting the Great Lakes system annually, 61 United States Great Lakes Pilots, 3 Apprentice Pilots, and 3 pilot associations.	Increase of \$2,879,028 due to change in revenue needed for 2025 (\$43,159,694) 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.

The Coast Guard is required to review and adjust pilotage rates on the Great Lakes annually. See Section II., Basis and Purpose, and Regulatory History, 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 is an increase in rates for both areas in District One, the designated area for District Two, and the undesignated area in District Three. There is also a decrease in rates for the undesignated area for District Two and the designated area for District Three. These changes lead to a net increase in the cost of service to shippers. The change in per-unit cost to each individual shipper depends on their area of operation.

A detailed discussion of our economic impact analysis follows.

Affected Population

This final rule affects United States Great Lakes Pilots and Apprentice Pilots, the 3 pilot associations, and the owners and operators of 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, an increase of three Pilots from the 2024 season. The shippers affected by these rate changes are those owners and operators of domestic vessels operating “on register” (engaged in foreign trade) and the owners and operators of non-Canadian foreign vessels on routes within the Great Lakes system. These owners and operators must have Pilots or pilotage service as required by 46 U.S.C. 9302. There is no minimum tonnage limit or exemption for these vessels. The statute applies only to commercial vessels, not to recreational vessels. United States-flagged vessels not operating on register, and Canadian “lakers,” which account for most commercial shipping on the Great Lakes, are not required by 46 U.S.C. 9302 to have pilots. However, these United States- and Canadian-flagged lakers may voluntarily choose to engage a Great Lakes Registered Pilot. Vessels that are U.S.-flagged may opt to have a Pilot for varying reasons, such as unfamiliarity with designated waters and ports, or for insurance purposes.

The Coast Guard used billing information from the years 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 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. 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 final rule. From 2021 through 2023, an average of 280 vessels used pilotage services annually.³⁶ 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).

³⁵ 88 FR 12226.

³⁶ 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.

Total Cost to Shippers

The rate changes resulting from this adjustment to the rates result in a net increase in the cost of service to shippers. However, the change in per-unit cost to each individual shipper depends 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 rule.

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 8, 20, and 32 of this preamble). The Coast Guard estimates that, for 2025, the projected revenue needed for all three districts is \$43,159,694.

To estimate the change in cost to shippers from this final 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 \$40,280,666.³⁷ This is the best approximation of 2024 revenues, as, at the time of publication of this final rule, the Coast Guard does not have enough audited data available for 2024 to revise these projections. Table 40 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 40—EFFECT OF THE FINAL 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	\$14,713,084	\$1,017,149
Total, District Two	10,830,491	11,883,331	1,052,840
Total, District Three	15,754,240	16,563,279	809,039
System Total	40,280,666	43,159,694	2,879,028

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

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 in this final rule. The effect of the rate changes to shippers varies by area and district. After considering the change in pilotage rates, the rate changes will lead to affected shippers operating in District One experiencing an increase in payments of \$1,017,149 over the previous year. Affected shippers operating in District Two and District Three will experience an increase in

payments of \$1,052,840 and \$809,039, respectively, when compared with 2024. The overall adjustment in payments will increase payments by shippers of \$2,879,028 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 41 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, 26 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 2023.³⁸

TABLE 41—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	\$12,354,186	29	\$160,376	1
Total Target Pilot Compensation	25,558,164	63	28,323,337	66	2,765,173	11
Total Target Apprentice Pilot Compensation	951,822	2	501,462	1	(450,360)	(47)
Working Capital Fund	1,576,870	4	1,980,709	5	403,839	26
Total Revenue Needed	40,280,666	100	43,159,694	100	2,879,028	7

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

As stated previously, we estimate that there will be a total increase of

\$2,879,028 in revenue needed by the pilot associations. This represents an

increase in revenue needed for target Pilot compensation of \$2,765,173; a

³⁷ 2024 final rule (89 FR 9066), Table 43.

³⁸ Moody's Seasoned Aaa Corporate Bond Yield, *supra* note 17.

decrease in revenue needed for the total target Apprentice Pilot wage benchmark of (\$450,360); an increase in the revenue needed for adjusted operating expenses of \$160,376; and an increase in the revenue needed for the working capital fund of \$403,839.

The change in revenue needed for Pilot compensation, \$2,765,173, is due to three factors: (1) The changes to adjust 2024 pilotage compensation to

account for the difference between actual ECI inflation ³⁹ (5.6 percent) and predicted PCE inflation ⁴⁰ (2.6 percent) for 2024; (2) projected inflation of pilotage compensation in Step 2 of the methodology, using predicted inflation through 2025; ⁴¹ and (3) an increase of three authorized Pilots.

The target compensation is \$464,317 per Pilot in 2025, compared to \$440,658 in 2024. The changes modify the 2024

Pilot compensation to account for the difference between predicted and actual inflation and will increase the 2024 target compensation value by 3.0 percent. As shown in table 42, this inflation adjustment increases total compensation by \$13,220 per Pilot, and the total revenue needed by \$806,404, when accounting for all 61 Pilots.

TABLE 42—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 × 1.03)	453,878
Difference between Adjusted Target 2024 Compensation and Target 2024 Compensation (\$453,878 – \$440,658)	13,220
Increase in total Revenue for 61 Pilots (\$13,220 × 61)	806,404

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

Similarly, table 43 shows the impact of the difference between predicted and actual inflation on the target Apprentice

Pilot compensation benchmark. The inflation adjustment increases the compensation benchmark by \$4,759 per

Apprentice Pilot, and the total revenue needed by \$14,277 when accounting for all three Apprentice Pilots.

TABLE 43—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 × 1.03)	163,396
Difference between Adjusted Target 2024 Compensation and Target Compensation (\$163,396 – \$158,637)	4,759
Increase in total Revenue for Apprentices (\$4,759 × 3)	14,277

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

The Coast Guard predicts that 61 Pilots will be needed for the 2025 season. This is an increase of three Pilots from the 2024 season. Table 44

shows the increase of \$1,353,292 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 44—CHANGE IN REVENUE RESULTING FROM INCREASE OF THREE PILOTS

2025 Target Compensation	\$464,317
Total Number of New Pilots	3
Total Cost of new Pilots (464,317 × 3)	\$1,392,951
Difference between Adjusted Target 2024 Compensation and Target 2024 Compensation (453,878 – 440,658)	\$13,220
Increase in total Revenue for 3 Pilots (13,220 × 3)	\$39,659
Net Increase in total Revenue for 3 Pilots (1,392,951 – 39,659)	\$1,353,292

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

³⁹ ECI, *supra* note 14.

⁴⁰ Median Core PCE Inflation June Projection, *supra* note 15.

⁴¹ Median Core PCE Inflation June Projection, *supra* note 16.

Similarly, the Coast Guard predicts that three Apprentice Pilots will be needed for the 2025 season. This will be a decrease of three Apprentice Pilots from the 2024 season. Table 45 shows the decrease of (\$487,185) in revenue needed solely for Apprentice Pilot compensation. 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 45—CHANGE IN REVENUE RESULTING FROM DECREASE OF THREE APPRENTICE PILOTS

2025 Apprentice Target Compensation	\$167,154
Total Number of New Apprentices	-3
Total Cost of new Apprentices (\$167,154 × -3)	(\$501,462)
Difference between Adjusted Target 2024 Compensation and Target 2024 Compensation (\$163,396 – \$158,637)	\$4,759
Increase in total Revenue for -3 Apprentices (\$4,759 × -3)	(\$14,277)
Net Increase in total Revenue for -3 Apprentices (- \$501,462 – - \$14,277)	(\$487,185)

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

Another \$605,477 increase is the result of increasing compensation for the 61 Pilots, to account for future inflation of 2.3 percent in 2025. This increases total compensation by \$10,439 per Pilot, as shown in table 46.

TABLE 46—CHANGE IN REVENUE RESULTING FROM INFLATING 2024 COMPENSATION TO 2025

Adjusted 2024 Compensation	\$453,878
2025 Target Compensation (\$453,878 × 1.023)	464,317
Difference between Adjusted 2024 Compensation and Target 2025 Compensation (\$464,317 – \$453,878)	10,439
Increase in total Revenue for 58 Pilots (\$10,439 × 58)	605,477

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

Similarly, a \$22,548 increase is the result of increasing compensation for the three Apprentice Pilots, to account for future inflation of 2.3 percent in 2025. This increases total compensation by \$3,758 per Apprentice Pilot, as shown in table 47.

TABLE 47—CHANGE IN REVENUE RESULTING FROM INFLATING 2024 APPRENTICE PILOT COMPENSATION TO 2025

Adjusted 2024 Compensation	\$163,396
2025 Target Compensation (\$163,396 × 36%)	167,154
Difference between Adjusted Compensation and Target Compensation (\$167,154 – \$163,396)	3,758
Increase in total Revenue for 6 Apprentices (\$3,758 × 6)	22,548

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

Table 48 presents the percentage change in revenue by area and revenue-component, excluding surcharges, as they are applied at the district level.⁴²

⁴² The 2024 projected revenues are from the 2024 final rule (89 FR 9038), tables 11, 23, and 35. The 2025 projected revenues are from tables 8, 20, and 32 of this final rule.

TABLE 48—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	Percent-age change	2024	2025	Percent-age change	2024	2025	Percent-age change	2024	2025	Percent-age change
District One: Designated	\$2,851,215	\$2,750,620	(4)	\$4,406,580	\$5,107,487	16	\$285,547	\$307,331	\$382,799	\$7,850,673	\$8,341,198	6.2
District One: Undesignated	1,900,809	1,833,749	(4)	3,525,264	4,178,853	19	190,364	228,825	292,422	5,845,262	6,371,886	9.0
District Two: Undesignated	1,102,673	1,310,973	19	3,525,264	3,250,219	(8)	63,455	191,137	222,609	4,882,529	4,850,663	(0.7)
District Two: Designated	1,654,014	1,966,459	19	3,965,922	4,643,170	17	95,182	232,845	322,747	5,947,963	7,032,668	18.2
District Three: Undesignated	3,679,209	3,566,457	(3)	7,931,844	8,822,023	11	250,646	483,269	602,238	12,344,968	13,122,770	6.3
District Three: Designated	1,005,891	925,928	(8)	2,203,290	2,321,585	5	66,628	133,463	157,894	3,409,272	3,440,509	0.9

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

Benefits

This final rule allows the Coast Guard to meet the requirements in 46 U.S.C. 9303 to review the rates for pilotage services on the Great Lakes. The rate changes promote safe, efficient, and reliable pilotage service on the Great Lakes by (1) ensuring that rates cover an association’s operating expenses; (2) providing fair Pilot compensation, adequate training, and sufficient rest periods for Pilots; and (3) ensuring 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 considered whether this final rule will have a significant economic impact on a substantial number of small entities. The term “small entities” comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

For this final rule, the Coast Guard reviewed recent company size and ownership data for the vessels identified in SeaPro, and we reviewed business revenue and size data provided by publicly available sources such as ReferenceUSA.⁴³ As described in Section VIII., 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.⁴⁴ Table 49 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 49—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	\$24,500,000.
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 final rule and the 2024 final rule. We estimated the change in cost to these entities resulting from this final rule by subtracting their estimated 2024 pilotage costs from their estimated 2025 pilotage costs and found the average costs to small firms are approximately \$13,643, with a range of \$1,411 to \$42,691. 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 will be below 1 percent of revenues. For one entity, the impact will be 6.9 percent of revenues.

In addition to the owners and operators discussed previously, three U.S. entities that receive revenue from pilotage services will be affected by this final rule. These are the three pilot associations that provide and manage pilotage services within the Great Lakes districts. District One, SLSPA, uses the NAICS code “Inland Water Freight Transportation” with a small-entity size standard of 1,050 employees. District Two, “LPA” uses the NAICS code, “Business Associations” with a small-entity size standard of \$15,500,000 in revenue. District Three, “WGLPA” 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 will be impacted by this final rule. We also did not find any small governmental jurisdictions with

populations of fewer than 50,000 people that will be impacted by this final rule. Based on this analysis, we conclude this final rule will 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 final rule will not have a significant economic impact on a substantial number of small entities.

C. Assistance for Small Entities

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

Small businesses may send comments on the actions of Federal employees

⁴³ See *Resources for Reference Solutions Users*, ReferenceUSA, <https://resource.referenceusa.com/>; accessed 04/22/2024.

⁴⁴ See *Table of Size Standards*, <https://www.sba.gov/document/support-table-size>

standards; accessed 05/01/24. 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.

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 final rule calls for no new collection of information under the Paperwork Reduction Act of 1995, 44 U.S.C. 3501-3520.

E. Federalism

A final 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 final 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 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 final rule is consistent with the fundamental federalism principles and preemption requirements described in Executive Order 13132.

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 final rule will not result in such an expenditure, we do discuss the effects of this final rule elsewhere in this preamble.

G. Taking of Private Property

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

H. Civil Justice Reform

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

J. Indian Tribal Governments

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

K. Energy Effects

We have analyzed this final 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, and the Administrator of OMB's Office of Information and Regulatory Affairs has not designated it as a significant energy action.

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 final rule does not use technical standards. Therefore, we did not consider the use of voluntary consensus standards.

M. Environment

We have analyzed this final 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 determined that this action is one of a category of actions that do not individually or cumulatively have a significant effect on the human environment. A Record of Environmental Consideration supporting this determination is available in the docket. For instructions on locating the docket, see the **ADDRESSES** section of this preamble. This final rule is 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 final 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.

List of Subjects in 46 CFR Part 401

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

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

PART 401—GREAT LAKES PILOTAGE REGULATIONS

■ 1. The authority citation for part 401 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 (I)(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 \$986;

(2) Lake Ontario is \$643;

(3) Lake Erie is \$576;

(4) The navigable waters from Southeast Shoal to Port Huron, MI is \$753;

(5) Lakes Huron, Michigan, and Superior is \$440; and

(6) The St. Marys River is \$825.

* * * * *

Dated: December 6, 2024.

A.M. Beach,

Captain, U.S. Coast Guard, Acting, Assistant Commandant for Prevention Policy.

[FR Doc. 2024-29128 Filed 12-12-24; 8:45 am]

BILLING CODE 9110-04-P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 1, 90, 95, and 97

[ET Docket No. 19-138; FCC 24-123; FR ID 265055]

Use of the 5.850–5.925 GHz Band

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In this document, the Federal Communications Commission (Commission) adopts rules and takes other steps to further address the transition of 5.9 GHz Intelligent Transportation System (ITS) operations from Dedicated Short Range Communications (DSRC)-based technology to cellular-vehicle-to-everything (C-V2X)-based technology. Specifically, the Commission adopts technical and operational rules governing devices using C-V2X-based technology, eliminates the DSRC requirement for communications zone designations, finalizes the timeline for sunsetting the use of DSRC-based technology, addresses the issue of

additional spectrum allocations for ITS use, addresses the issue of reimbursing the transition costs of DSRC incumbents, and encourages the development of industry standards.

DATES: This final rule is effective February 11, 2025. Existing licenses for DSRC systems may be renewed as necessary following this effective date but only for a period not to exceed December 14, 2026.

FOR FURTHER INFORMATION CONTACT:

Jamie Coleman of the Office of Engineering and Technology, at Jamie.Coleman@fcc.gov or 202-418-2705.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's *Second Report and Order*, ET Docket No. 19-138, FCC 24-123, adopted on November 20, 2024, and released on November 21, 2024. The full text of this document is available for public inspection and can be downloaded at <https://docs.fcc.gov/public/attachments/FCC-24-123A1.pdf>. Alternative formats are available for people with disabilities (Braille, large print, electronic files, audio format) by sending an email to fcc504@fcc.gov or calling the Commission's Consumer and Governmental Affairs Bureau at (202) 418-0530 (voice), (202) 418-0432 (TTY).

Procedural Matters

Regulatory Flexibility Act. The Regulatory Flexibility Act of 1980, as amended (RFA), requires that an agency prepare a regulatory flexibility analysis for notice and comment rulemakings, unless the agency certifies that “the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities.” Accordingly, we have prepared a Final Regulatory Flexibility Analysis (FRFA) concerning the possible impact of the rule changes contained in the *Second Report and Order* on small entities. The FRFA is set forth in Appendix B of the FCC document, <https://docs.fcc.gov/public/attachments/FCC-24-123A1.pdf>.

Congressional Review Act. The Commission has determined, and the Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget concurs, that this rule is “major” under the Congressional Review Act, 5 U.S.C. 804(2). The Commission will send a copy of this *Second Report and Order* to Congress and the Government Accountability Office pursuant to 5 U.S.C. 801(a)(1)(A).

Synopsis

Introduction

The Intelligent Transportation System (ITS) holds promise to improve transportation safety and mobility by integrating advanced communications technologies into vehicles and infrastructure. The connected vehicle ecosystem of the future will make the nation's transportation system more flexible, resilient, and safe. This ecosystem requires technical and operational rules governing devices using C-V2X (cellular-vehicle-to-everything) based technology. In the *First Report and Order* of the Federal Communications Commission's (FCC) proceeding, 86 FR 23281 (May 1, 2021), the Commission retained the upper 30 megahertz portion (5.895–5.925 GHz) of the 5.850–5.925 GHz (5.9 GHz) band for ITS operations. The Commission also required the ITS service to transition from Dedicated Short Range Communications (DSRC)-based technology to C-V2X-based technology as the connected mobility platform for implementing the future of ITS communications in the United States. In the *Second Report and Order*, the Commission further addresses the transition of 5.9 GHz ITS operations from DSRC to C-V2X by codifying C-V2X technical parameters in the Commission's rules, including band usage, message priority, and channel bandwidth. The Commission promulgates rules governing equivalent isotropically radiated power (EIRP) and out-of-band emissions (OOBE) limits for C-V2X on-board units (OBUs) and roadside units (RSUs), and antenna height limits for RSUs. In addition, the Commission encourages the development of industry standards and finalizes the timeline for sunsetting the use of DSRC-based technology. Finally, the Commission addresses the issues of additional spectrum allocations for ITS use and reimbursing the transition costs of DSRC incumbents.

Background

The Commission adopted the *First Report and Order* in 2020, wherein it concluded that the most efficient use of the 75 megahertz of spectrum in the 5.9 GHz band would be achieved by expanding unlicensed operations in the lower 45 megahertz of the band (5.850–5.895 GHz), and designating the upper 30 megahertz of the band (5.895–5.925 GHz) for the ITS service using C-V2X technology. Among other considerations, the Commission made this decision because (1) the DSRC services once contemplated for operations across the full 5.9 GHz band