comments that oppose it. We have explained the reasons for this authorization in the preamble of the direct final rule. Unless EPA receives adverse written comments that oppose this authorization during the comment period, the direct final rule will become effective on the date it establishes, and EPA will not take further action on this proposal. If EPA receives comments that oppose this action, we will withdraw the direct final rule, and it will not take effect. EPA will then respond to public comments in a later final rule based on this proposal. You may not have another opportunity for comment. If you want to comment on this action, you must do so at this time. For additional information, please see the direct final rule published in the ''Rules and Regulations'' section of this **Federal Register**.

Authority: This proposed action is issued under the authority of Sections 2002(a), 3006 and 7004(b) of the Solid Waste Disposal Act, as amended, 42 U.S.C. 6912(a), 6926, 6974(b).

Dated: August 13, 2025.

Mark Sanborn,

Regional Administrator, U.S. EPA Region I.

[FR Doc. 2025–17052 Filed 9–4–25; 8:45 am]

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DEPARTMENT OF HOMELAND SECURITY

Coast Guard

46 CFR Parts 401 and 404

[Docket No. USCG–2025–0252]

RIN 1625–AD03

Great Lakes Pilotage Rates—2026 Annual Review and Revisions to Methodology

AGENCY: Coast Guard, DHS.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard is proposing new base Great Lakes pilotage rates for the 2026 shipping season while facilitating commerce and supply chains. The Coast Guard estimates that this proposed rule would result in an approximately 7-percent decrease in operating costs compared to the 2025 season. The Coast Guard is also proposing one change to the ratemaking methodology: the removal of Step 5 regarding the working capital fund. In accordance with the requirement to conduct a full ratemaking at least every 5 years, we are conducting a full ratemaking for 2026 and accepting comments on the Great Lakes pilotage ratemaking methodology.

DATES: Comments and related material must be received by the Coast Guard on or before October 8, 2025.

ADDRESSES: You may submit comments identified by docket number USCG–2025–0252 using the Federal Decision-Making Portal at *www.regulations.gov.* See the ''Public Participation and Request for Comments'' portion of the **SUPPLEMENTARY INFORMATION** section for further instructions on submitting comments. This notice of proposed rulemaking, with its plain-language, 100-word-or-less proposed rule summary, will be available in this same docket.

FOR FURTHER INFORMATION CONTACT: For information about this document, call or email Mr. Brian Rogers, Commandant, Office of Waterways and Ocean Policy—Great Lakes Pilotage Division (CG–WWM–2), Coast Guard; telephone 571–608–8418 or email *Brian.Rogers@uscg.mil.*

SUPPLEMENTARY INFORMATION:

Table of Contents for Preamble

I. Abbreviations

2021 final rule Great Lakes Pilotage Rates—2021 Annual Review and Revisions to Methodology final rule
2023 final rule Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology
2025 final rule Great Lakes Pilotage Rates—2025 Annual Review
APA American Pilots' Association
BLS Bureau of Labor Statistics
CFR Code of Federal Regulations
CPI Consumer Price Index
DHS Department of Homeland Security
Director U.S. Coast Guard's Director of the Great Lakes Pilotage
ECI Employment Cost Index
FOMC Federal Open Market Committee
FR Federal Register
GLPAC Great Lakes Pilotage Advisory Committee
LPA Lakes Pilots Association
NAICS North American Industry Classification System
NPRM Notice of proposed rulemaking
OMB Office of Management and Budget
PCE Personal Consumption Expenditures
§ Section
SBA Small Business Administration
SLSPA Saint Lawrence Seaway Pilots Association

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

II. Basis and Purpose

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 Registered Pilots while transiting the United States waters of the St. Lawrence Seaway and the Great Lakes system.[2] For United States Registered 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.'' [3] The statute requires that rates be established or reviewed and adjusted each year, not later than March 1.[4] 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.[5] The Secretary's duties and authority under 46 U.S.C. Chapter 93 have generally been delegated to the Coast Guard.[6]

The purpose of this rulemaking is to conduct a full ratemaking and issue new pilotage rates for the 2026 shipping season. The full ratemaking includes solicitating feedback regarding the entire methodology and the staffing model. The Coast Guard believes that the new rates and proposed changes to the methodology will continue to promote our goal, as outlined in46 CFR 404.1, to promote safe, efficient, and reliable pilotage service on the Great Lakes by generating for each pilotage association sufficient revenue to reimburse its necessary and reasonable operating expenses and fairly compensate trained and rested Pilots. The Coast Guard believes this ratemaking will continue to meet the other § 404.1 goal of providing an appropriate profit to use for improvements, as explained later in this preamble.

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 2026 season range from a proposed $377 to $966 per pilot hour, depending on which of the specific 6 areas pilotage service is provided. The rates are paid by shippers to the pilot associations.

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

Area	Name	Final 2025 pilotage rate	Proposed 2026 pilotage rate
District One: Designated	St. Lawrence River	$986	$966
District One: Undesignated	Lake Ontario	643	617
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	753	681
District Two: Undesignated	Lake Erie	576	555
District Three: Designated	St. Marys River	825	860
District Three: Undesignated	Lakes Huron, Michigan, and Superior	440	377

There are three American pilotage districts on the Great Lakes, each represented by a pilot association.[7] 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.[8] Undesignated areas are open bodies of water where Pilots must only ''be on board and available to direct the navigation of the vessel'' at the discretion of the vessel Master.[9] The three pilot associations, which are the exclusive source of United States Registered Pilots on the Great Lakes, use the revenue from the shippers to cover operating expenses, maintain infrastructure, compensate United States 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.[10]

The actual demand for service dictates the compensation amount for United States Registered Pilots. We divide that amount by the historic 10-year average for pilotage demand. We recognize that, in years where demand for pilotage services exceeds the 10-year average, pilot associations will accrue more revenue than projected, while, in years where demand is below average, they will take in less. We believe that, over the long term, however, this scheme ensures that infrastructure will be maintained, and that Pilots will receive adequate compensation and work a reasonable number of hours, with adequate rest between assignments, to ensure retention of highly trained personnel. Using a 10-year average also results in less rate volatility.

In this notice of proposed rulemaking (NPRM), we are conducting a full ratemaking under 46 CFR 404.100(a) to establish base pilotage rates for 2026. We are electing to conduct a full ratemaking because the Coast Guard is proposing changes to the methodology. Specifically, 2e are proposing to remove Step 5, which calculates a working capital fund for each pilot association.

[1] 46 U.S.C. 9301–9308.

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

[3] 46 U.S.C. 9303(f).

[4] *Id.*

[5] *Id.*

[6] Department of Homeland Security (DHS) Delegation 00170.1, Revision No. 01.4, paragraph (II)(92)(f).

[7] The Saint Lawrence Seaway Pilots Association (SLSPA) provides pilotage services in District One, which includes all U.S. waters of the St. Lawrence River and Lake Ontario. The Lakes Pilots Association (LPA) provides pilotage services in District Two, which includes all U.S. waters of Lake Erie, the Detroit River, Lake St. Clair, and the St. Clair River. Finally, the Western Great Lakes Pilots Association (WGLPA) provides pilotage services in District Three, which includes all U.S. waters of the St. Mary's River; Sault Ste. Marie Locks; and Lakes Huron, Michigan, and Superior.

[8] 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 08/08/25.

[9] 46 U.S.C. 9302(a)(1)(B).

[10] 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.

We typically propose methodology changes only during full ratemakings, not during an adjustment ratemaking that follows the existing methodology to reach the annual rates. The statute requires us to conduct a full ratemaking at least once every 5 years but allows us the discretion to conduct them more frequently. 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, February 27, 2023). This proposed rule is a full ratemaking under 46 CFR 404.100(a). The Coast Guard has made several changes to the ratemaking over the last several final rules in consideration of the public interest and costs of providing services. The recent changes and their impacts are summarized in the 2023 final rule (88 FR 12226).

III. Discussion of Proposed Methodological Changes and Consideration of Past Comments

The Coast Guard is proposing one change to the ratemaking methodology: to remove Step 5 for calculating a working capital fund. We are accepting comments on the entire ratemaking methodology and staffing model as part of our full ratemaking year. In this section, we also address the public comments on recent interim year ratemakings that we committed to address in the next full ratemaking.

According to 46 U.S.C. 9303(f), and restated in 46 CFR 404.100(a), the Coast Guard must establish base rates by a full ratemaking at least once every 5 years. We have determined that the current base rate and existing methodology in Steps 1 through 4 and 6 through 10 still adhere to the Coast Guard's goals of safety through rate and compensation stability, while promoting recruitment and retention of qualified United States Registered Pilots. Therefore, we are not recommending any methodological changes to Steps 1 through 4. For Steps 6 through 10, the only change we are recommending is that they be redesignated as Steps 5 through 9, and any references to previous steps be renumbered as required.

A. Removal of § 404.105—Ratemaking Step 5: Project Working Capital Fund

We are proposing to remove Step 5 and retain the other 9 steps of the ratemaking methodology. We are proposing this change in response to public comments and upon review of the three pilotage associations' assets and expenses. We also discussed removing the working capital fund at the 2024 Great Lakes Pilotage Advisory Committee (GLPAC) meeting. The discussion of the working capital fund removal begins on page 212 of the 2024 GLPAC meeting transcript. The transcripts are available in the docket for this rulemaking (USCG–2025–0252) and also for the ''Great Lakes Pilotage Rates—2025 Annual Review'' final rule (hereafter the 2025 final rule) (USCG–2024–0406), where indicated under the Public Participation and Request for Comments portion of the preamble. If adopted, existing Steps 6 through 10 would be redesignated as Steps 5 through 9 in the ratemaking methodology.

During the NPRM comment period for the 2025 final rule, we received a comment from industry stakeholders requesting that we remove the working capital fund.[11] In the 2025 final rule, we responded that we would consider it in the next full ratemaking.[12] The commenter stated, in part:

> We support the Coast Guard on this matter and urge that Step 5 of the rate-setting process be eliminated in the future. This position is consistent with our past comments. In our submissions for the 2017, 2018, and 2019 rate-settings, we urged the Coast Guard to eliminate Step 5 for several reasons. First, we believe that pilot associations—like any well-run business—should plan for and reserve a portion of their revenue for routine capital needs. In the past we have supported special surcharges for extraordinary capital expenses, such as new pilot boats. We think a surcharge system is more transparent and easier to track.

The American Great Lakes Ports Association made this same point at the 2024 GLPAC meeting.[13]

We are proposing to remove Step 5 for the following reasons. The working capital fund was primarily put in place so that the three districts could have sufficient proof of funds to receive loans and lines of credit from financial institutions for large projects. The U.S. Coast Guard's Director of the Great Lakes Pilotage (Director) has reviewed and monitored the working capital fund accounts each year and has determined that the pilot associations now have the funds needed and ability to plan ahead for infrastructure maintenance, non-recurring expenses, and credit worthiness. We anticipate, therefore, that the pilot associations will have sufficient revenues to cover most maintenance projects by early planning and setting funds aside.

If a necessary and reasonable expense presents itself as outside the financial means of the organization, the Director may approve the use of a surcharge, as we have done in the past. A surcharge would provide transparency in both the amount and the association's purpose for collecting the funds. If a surcharge is authorized in the future, the amount collected would be included in the revenue reports for the Coast Guard's review. Any surplus in revenue from the surcharge would be deducted from Step 1 expenses, as necessary.

In Section VI., Regulatory Analyses, in this preamble, table 47 shows the difference in rates for the 2026 season between retaining and removing Step 5: Project the working capital fund.

B. Suggestions Related to the Federal Open Market Committee Inflation Adjustment in Step 2

In the same industry comment on the NPRM for the 2025 final rule, we received a request to use the Federal Open Market Committee (FOMC) inflation adjustment in Step 2.[14] During the 2025 final rule discussion of the comments, we indicated that we would address this request in the next full ratemaking.[15] Step 2 of our methodology explains that inflation factors are taken from one of two sources—the Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) for the Midwest Region or the FOMC median economic projections for Personal Consumption Expenditures (PCE) inflation. The commenter was concerned that we used the last 3 years of the BLS source. The commenter reasoned that recent high inflation numbers appear in the average in each of 3 consecutive years leading to a projection that is ''unrealistically and permanently high.'' The commenter asserted that continuing to rely on the BLS gives little prospect of the numbers being corrected by a downswing in inflation as the FOMC projections ''drop highs and lows over the previous years to arrive at its estimates for mean inflation percentages.''

The Coast Guard appreciates the concern that very high inflation measures could lead to a high rate. However, Step 2 does not employ an average at any point when applying the inflation measures for the 3 different years. The goal of the methodology in Step 2 is to adjust the expenses from Step 1 by point estimates of inflation in each of the 3 years so that they are a more accurate representation of what future expenses (and therefore revenue

[11] See docket USCG–2024–0406 on *regulations.gov,* specifically Comment ID USCG–2024–0406–0007. *https://www.regulations.gov/comment/USCG-2024-0406-0007.*

[12] 89 FR 100810, 100812, December 13, 2024.

[13] *Ibid.*

[14] *Ibid.*

[15] 89 FR 100810, 100812. December 13, 2024.

needed) will look like in the year that rates are being set for. That is, the three inflation rates are not averaged; they are compounded. This process can be found in 46 CFR 404.102.

For the 2025 final rule, the base year of expenses was 2022, requiring an adjustment for realized inflation in 2023 and projected inflation that would occur in 2024 and 2025. The three measures used in Step 2 of the 2025 final rule were, as noted in table 4 of this preamble, for inflation from 2022 to 2023 (3.8-percent), inflation from 2023 to 2024 (2.8 percent), and inflation from 2024 to 2025 (2.3 percent). The 3.8 figure is the 2023 12-month percent change in CPI for the categories of All Urban Consumers, All items in Midwest urban, all urban consumers, not seasonally adjusted, while the 2.8 and 2.3 are FOMC projections for 2024 and 2025. As the commenter notes, the FOMC figures are projections for future years for which there is not current data available, which is why the Coast Guard used these figures for 2024 and 2025. At the time of the 2025 final rule, the realized value for inflation in 2023 was available to adjust the 2022 expenses. It is most accurate to adjust the 2022 expenses by the actual value for 2023 rather than an average utilizing other years' data.

As this rulemaking is a full ratemaking, the Coast Guard welcomes any proposals for improvements or changes to Step 2 of the methodology that would better meet the goal of promoting safe, efficient, and reliable pilotage service on the Great Lakes by generating sufficient revenue for each pilotage association to reimburse its necessary and reasonable operating expenses, fairly compensate trained and rested Pilots, and provide appropriate funds to use for improvements.

C. Other Comments To Address in Full Ratemaking

The same industry comment from the NPRM to the 2025 final rule also suggested 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. We stated in the 2025 final rule that we would address this comment in the next full ratemaking.[16]

The Coast Guard does not conduct a line-by-line inspection because it was unanimously voted at a previous GLPAC meeting that it would be best to have a third party conduct a line-by-line inspection of pilot association expenses.[17] Third parties, particularly professionals like auditors or financial advisors, bring unbiased expertise and credibility to the review process. A neutral third-party auditor provides a higher level of transparency in the way the review is conducted. Having a third party review the pilotage expenses can provide confidence to stakeholders that the process is thorough and trustworthy, without potential for bias or manipulation. The third party in this case is CohnReznick, a certified public accounting firm, whose team was mentioned by all three district presidents in the 2023 GLPAC meeting as doing a great job and being the best company to complete this important work. See pages 17–22 of the 2023 GLPAC transcript.

After these line-by-line items are reviewed by a third party, the Coast Guard reviews out-of-the-ordinary findings and determines if the expense is necessary and reasonable. The Coast Guard is open to considering alternative methods or expense reviews, which could be discussed in detail at the next GLPAC meeting or in the docket for this proposed rule.

Lastly, in their comment on the NPRM for the 2025 final rule, the Western Great Lakes Pilotage Association (WGLPA) requested an upward adjustment of $45,296 based on a 2023 arbitration ruling that found that wages were owed for overtime work performed by their dispatch team.[18] Because they were 2023 expenses, they were not included in the 2025 final rule ratemaking methodology. The 2025 final rule used 3-year-old expenses, from 2022, per Step 1 of the ratemaking methodology, because 2022 was the earliest full year of audited data we could obtain in time for the 2025 rulemaking. We explained in the 2025 final rule (89 FR at 100812) that, if WGLPA provided documentation of the expenses, those expenses would be evaluated in this year's ratemaking. The WGPLA did not provide documentation for this year's ratemaking.

The 2023 District 3 audited report included a total amount of $45,296 as an adjusted expense for dispatch related work. However, the audited report does not provide a breakdown of the dispatch related expenses. According to WGLPA, this expense is associated with an arbitration ruling. We are required to determine that an expense is both necessary and reasonable in order to include the amount in the expense base, but the burden is on the pilotage association to provide sufficient documentation to support a determination that an expense is both necessary and reasonable. We find we have insufficient information to make this determination. We are unable to include this expense without more detail from the association.

We also need additional information regarding the ''overtime payments.'' We believe WGLPA dispatchers are salaried employees, and we need a better understanding of these payments and how they compare to the collective agreement between the dispatchers and WGLPA. A more detailed line item expense breakdown would allow us to determine if the court-ordered amount was necessary and reasonable for the services provided. For example, in 2023, the WGLPA attempted to eliminate dispatchers and, instead, required the United States Registered Pilots in their association to monitor and track vessel movements. The Director found this proposal to be unsafe and ordered WGLPA to reinstate the dispatchers. We are unable to determine if the amount paid included overtime pay, such as time-and-a-half or double time, or any other punitive costs that may not have been necessary and reasonable had the association had a sufficient number of dispatchers in the first place.

In order to properly evaluate this expense, we require the following information: (1) the complete invoice for legal fees, with the same level of detail that a Federal court would require to award legal fees to a prevailing party, (2) the arbitrator's full decision with discussion and analysis for the award, and (3) proof of payment of the award. If WGLPA provides this information, it will be included with the final rule with any and all other information WGLPA provides.

The WGLPA was not able to provide us this detailed information by our requested deadline to develop the rates for this proposed rule when we asked on May 7, 2025. The association is welcome to provide this information during the comment period, and the Director will evaluate the claim further. At this time, we do not have sufficient information to determine if the dispatch adjustment expenses are necessary and reasonable expenses to include in Step 1 of this ratemaking.

[16] 89 FR 100810, 100812. December 13, 2024.

[17] See discussion on pp. 17–30 from the 2023 GLPAC transcript at *https://www.regulations.gov/document/USCG-2023-0438-0009.*

[18] See docket USCG–2024–0406 on *regulations.gov,* specifically Comment ID USCG–2024–0406–0007. *https://www.regulations.gov/comment/USCG-2024-0406-0007.*

D. Proposed Rates and Pilot Staffing

Based on the 9-step ratemaking model proposed in this NPRM, we are proposing the rates shown in table 2.

TABLE 2—CURRENT AND PROPOSED PILOTAGE RATES ON THE GREAT LAKES

Area	Name	Final 2025 pilotage rate	Proposed 2026 pilotage rate
District One: Designated	St. Lawrence River	$986	$966
District One: Undesignated	Lake Ontario	643	617
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	753	681
District Two: Undesignated	Lake Erie	576	555
District Three: Designated	St. Marys River	825	860
District Three: Undesignated	Lakes Huron, Michigan, and Superior	440	377

This proposed rule would affect 57 United States Registered Pilots, 5 Apprentice Pilots, 3 pilot associations, and the owners and operators of an average of 258 oceangoing vessels that transit the Great Lakes annually. This proposed rule is not economically significant under Executive Order 12866 and would not affect the Coast Guard's budget or increase Federal spending because foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage pay these rates directly to the respective pilot association.

The estimated overall annual regulatory economic impact of this rate change would be a net decrease of $3,034,653 in estimated payments made by the foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage service, an approximately 7-percent decrease from operating costs in the 2025 shipping season. This represents a decrease in revenue needed for total target Pilot compensation, an increase in revenue needed for the total target Apprentice Pilot wage benchmark, a decrease in the revenue needed for adjusted operating expenses, and a decrease in the revenue needed for the working capital fund because of the proposed removal of Step 5 from the ratemaking.

E. Individual Target Pilot Compensation Benchmark

This NPRM would establish the proposed 2026 yearly base compensation for Pilots on the Great Lakes at $483,548 per Pilot (a $19,231 increase, or 4.14 percent, over their 2025 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 VI., Regulatory Analyses, of this preamble provides the regulatory impact analyses of this proposed rule.

The Coast Guard is proposing to set the target Pilot compensation benchmark at the target compensation for the ratemaking year 2025, adjusted for inflation. This is the same method we used for setting the target compensation benchmark in the previous full ratemaking in 2023. This method resembles the interim ratemaking year requirements in § 404.104(b), where the base target Pilot compensation is adjusted annually for inflation. For a detailed history of how we arrived at the target benchmark in previous years, please see the 2023 final rule. For the reasons discussed in the 2023 final rule, we believe the base compensation as adjusted annually has remained fair.

Based on the information we have exchanged with the Pilots and industry over the past two ratemakings (2024–2025), the Director continues to believe that the level of target Pilot compensation for those years provided an appropriate level of compensation for United States Registered Pilots. According to § 404.104(a), the Director may make necessary and reasonable adjustments to the benchmark based on current information. However, current circumstances do not indicate that an adjustment, other than for inflation, is necessary. The Director bases this decision on the fact that there is no indication that United States Registered Pilots are resigning due to their compensation, or that this compensation benchmark is causing shortfalls in achieving reliable pilotage service. The Coast Guard finds that the Pilot compensation benchmark is appropriate relative to the expertise required to perform the necessary job functions. The compensation will continue to be adjusted annually, in accordance with published inflation rates, which will ensure the compensation remains competitive and current for upcoming years.

Therefore, the Coast Guard does not propose alternative benchmarks for target compensation at this time and, instead, proposes simply adjusting the amount of target Pilot compensation for inflation as our target compensation benchmark for 2025, as shown in Step 4. This target compensation benchmark approach has advanced and would continue to advance the Coast Guard's goals through rate and compensation stability while also promoting recruitment and retention of qualified United States Registered Pilots.

IV. Summary of the Ratemaking Methodology

The ratemaking methodology, outlined in current 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 six areas administered by the Coast Guard.

In Step 1, ''Recognize previous operating expenses,'' (§ 404.101) the 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 the Coast Guard receives audited numbers, this number is 3 years behind the projected year of expenses. Therefore, in calculating the 2026 rates in this proposal, we begin with the audited expenses from the 2023 shipping season.

Of note, CohnReznick labeled District One and District Three salaries incorrectly, using the term ''Applicant'' and not ''Apprentice'' in their independent third-party review of 2023 district expenses. The term Apprentice was introduced in the 2022 final rule, Great Lakes Pilotage Rates—2022 Annual Review and Revisions to Methodology (87 FR 18488, March 20, 2022) under the definition of ''apprentice pilot.'' The incorrectly labeled Applicant salaries are actually Apprentice Pilot salaries that are excluded in District One and District Three. Apprentice salaries are included in Step 4 of the ratemaking methodology of this NPRM and are not to be included in the operating expenses.

While each pilotage association operates in an entire district (including both designated and undesignated areas), the Coast Guard determines costs by area. We allocate certain operating expenses to designated areas and certain operating expenses to undesignated areas. In some cases, we can allocate the costs based on where they are actually accrued. For example, we can allocate the costs for 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 2026 projected operating expenses. To do this, we apply inflation adjustors for 3 years to the operating expense baseline received in Step 1. The inflation factors are from the BLS CPI for the Midwest Region, or, if not available, the FOMC median economic projections for 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 United States Registered Pilots and Apprentice Pilots are needed for each district. To do this, the Director projects, based on the number of persons applying under 46 CFR part 401 to become United States Great Lakes Registered Pilots and on information provided by the district's pilotage association, the number of Pilots expected to be fully working and compensated. The director then employs the staffing model, described in § 401.220, paragraphs (a)(1) through (a)(3), to estimate how many Pilots would be needed to handle shipping during the opening and closing of the season. This number provides guidance to the Director in approving an appropriate number of Pilots. As noted in the 2025 final rule, the maximum number of Pilots is now the maximum amount allowed by the staffing model plus three, following the recommendation from GLPAC in 2023.[19] The minimum is set at the current staffing model, with rounding as amended in the ''Great Lakes Pilotage Rates—2021 Annual Review and Revisions to Methodology final rule'' final rule (hereafter ''the 2021 final rule'') (86 FR 14184, March 12, 2021).

In Step 4 of the ratemaking calculation, we determine the number of Pilots provided by the pilot associations (see § 404.103) and use that figure to determine how many Pilots need to be compensated via the pilotage fees collected. In Step 4, ''Determine target Pilot compensation benchmark and apprentice pilot wage benchmark,'' (§ 404.104(a)(1)), the Director determines base individual target Pilot compensation using a compensation benchmark, set after considering the most relevant currently available non-proprietary information. For supportable circumstances, the Director may make necessary and reasonable adjustments to the benchmark. For this proposed rule, the Director plans to adjust the previous year's individual target Pilot compensation using the same process as in an interim year (§ 404.104(b)).

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 total target Apprentice Pilot wage (derived in Step 4) and 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. For the reasons given in the Section III., Discussion of Proposed Methodological Changes and Consideration of Past Comments, in this preamble, we are proposing to remove Step 5 for projecting the working capital fund. We would redesignate Steps 6 through 10 as Steps 5 through 9. In Section VI., Regulatory Analyses, of this preamble, table 47 shows the difference in the rates for 2026 season between retaining and removing the working capital fund.

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

In proposed redesignated Step 6, previously Step 7, ''Calculate initial base rates,'' (§ 404.107) the Director calculates an hourly pilotage rate to cover the needed revenue, as calculated in redesignated Step 5. This step consists of first calculating the 10-year average hours of traffic for each area. Next, we divide the revenue needed in each area (calculated in redesignated 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 redesignated Step 6, 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 proposed redesignated Step 7, previously 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 10-year average of the applied weighting factors.

In proposed redesignated Step 8, previously 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 redesignated Step 6) by the corresponding average weighting factor (from redesignated Step 7), to produce a revised rate.

In proposed redesignated Step 9, previously Step 10, ''Review and finalize rates,'' (§ 404.110), often referred to informally as ''Director's discretion,'' the Director reviews the revised base rates (from redesignated

[19] See Page 89 of the 2023 GLPAC Transcript at *https://www.regulations.gov/document/USCG-2023-0438-0009.*

Step 8) to ensure that they meet the goals set forth in 46 U.S.C. 9303(f) and 46 CFR 404.1(a), which include promoting efficient, safe, and reliable pilotage service on the Great Lakes; generating sufficient revenue for each pilotage association to reimburse necessary and reasonable operating expenses; compensating trained and rested Pilots fairly; and providing appropriate revenue for improvements.

V. Discussion of Proposed Rate Adjustments

In this NPRM, based on the proposed methodology changes described in the previous section, we are proposing new pilotage rates for 2026. We propose to conduct the 2026 ratemaking as a full ratemaking, as we last did in 2023 (88 FR 12226). Thus, the Coast Guard is proposing to set the target Pilot compensation benchmark at the target compensation for the ratemaking year 2025, adjusted for inflation. This method resembles the interim ratemaking year requirements in § 404.104(b), where the base target Pilot compensation is adjusted annually for inflation.

This section discusses the proposed rate changes using the ratemaking steps provided in 46 CFR part 404, including our proposal to remove the working capital fund calculation in Step 5. The following work demonstrates how we arrived at the proposed rate for each pilotage district.

District One

A. Step 1: Recognize Previous Operating Expenses

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses for the last full year for which figures are available (§ 404.101). To do so, we begin by reviewing the independent accountant's financial reports for each association's 2023 expenses and revenues.[20] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilot associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a pro rata basis. Adjustments have been made by the auditors and are explained in the auditor's reports, which are available in the docket for this rulemaking, where indicated under the Public Participation and Request for Comments portion of the preamble. As noted in the Summary of the Ratemaking Methodology, the 2023 expense report for District One included an expense for $466,144 in ''applicant salaries,'' but the Coast Guard believes that these are Apprentice Pilot salaries that are incorrectly labeled. Apprentice Pilot salaries are accounted for in Step 4 of the methodology; therefore, we excluded this expense from Step 1.

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

TABLE 3—2023 RECOGNIZED EXPENSES FOR DISTRICT ONE

Reported operating expenses for 2023	District One		
	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
Applicant Pilot Compensation:			
Travel	$11,548	$7,699	$19,247
License Insurance	2,872	1,915	4,787
Other Expenses	1,246	830	2,076
Employee Benefits	16,409	10,940	27,349
Total Applicant Pilot Compensation	32,075	21,384	53,459
Operating Expenses:			
Hotel/Lodging	54,912	36,608	91,520
Payroll Taxes	208,891	139,261	348,152
Pilot Subsistence	146,011	97,340	243,351
Travel	654,922	436,614	1,091,536
License Insurance	51,302	34,202	85,504
Total Other Pilotage Costs	1,116,038	744,025	1,860,063
Pilot Boat and Dispatch Costs:			
Dispatch Cost	207,397	138,265	345,662
Employee Benefits	57,739	38,492	96,231
Pilot Boat Cost	19,798	13,198	32,996
Travel	2,732	1,821	4,553
Salaries	243,523	162,348	405,871
Total Pilot and Dispatch Costs	531,189	354,124	885,313
Administrative Expenses:			
Accounting/Professional fees	12,300	8,200	20,500
American Pilots' Association (APA) Dues	29,374	19,583	48,957
Depreciation/Auto Leasing/Other	173,910	115,940	289,850
Depreciation/Auto Leasing/Other—D1–23–03	−68,486	−45,657	−114,143
Dues and subscriptions	5,055	3,370	8,425
Employee benefits	3,685	2,456	6,141
Insurance	48,133	32,089	80,222
Interest	32,274	21,516	53,790
Interest—D1–23–04	−17,344	−11,562	−28,906
Legal—Shared Counsel (K&L Gates)	52,858	35,239	88,097
Legal—Shared Counsel (K&L Gates)—D1–23–05	−3,494	−2,329	−5,824

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

TABLE 3—2023 RECOGNIZED EXPENSES FOR DISTRICT ONE—Continued

Reported operating expenses for 2023	District One		
	Designated	Undesignated	Total
	St. Lawrence River	Lake Ontario	
Legal	6,871	4,581	11,452
Other Expenses	174,482	116,321	290,803
Other Expenses—D1–23–02	8,642	5,761	14,403
Other Taxes	91,261	60,841	152,102
Payroll Taxes	56,253	37,502	93,755
Pilot Training	50,734	33,823	84,557
Real Estate taxes	23,053	15,369	38,422
Salaries	92,117	61,411	153,528
Travel	7,875	5,250	13,125
Travel—D1–23–01	−3,168	−2,112	−5,280
Utilities	29,952	19,968	49,920
Total Administrative Expenses	806,337	537,560	1,343,896
Total Expenses (OpEx + Applicant + Pilot Boats + Admin + Capital)	2,485,639	1,657,093	*4,142,731

* Where the total column for a line from the expense report did not match manual addition, the Coast Guard manually matched to the line total for that expense and continued to sum down the column. As a result, the ending total for each column (designated, undesignated, and total) may not sum across.

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

In accordance with the text in § 404.102, having identified the recognized 2023 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 2024 inflation rate.[21] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2025 and 2026 inflation modification.[22] Based on that information, the calculations for Step 2 are as follows:

TABLE 4—ADJUSTED OPERATING EXPENSES FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Total Operating Expenses (Step 1)	$2,485,639	$1,657,093	$4,142,731
2024 Inflation Modification (@2.7%)	67,112	44,742	111,854
2025 Inflation Modification (@2.5%)	63,819	42,546	106,365
2026 Inflation Modification (@2.2%)	57,565	38,376	95,941
Adjusted 2026 Operating Expenses	2,674,135	1,782,757	4,456,891

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

In accordance with the text in § 404.103, we estimate the number of fully registered Pilots in each district. As established by the 2021 final rule (86 FR 14184), the minimum number of United States Registered Pilots for District One is 18. Then, the 2025 final rule established the maximum number as 21. We determine the number of fully registered Pilots based on data provided by the SLSPA. 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
2026 Authorized United States Registered Pilots (total)	20
Pilots Assigned to Designated Areas	11
Pilots Assigned to Undesignated Areas	9
2026 Apprentice Pilots	1

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

In this step, we determine the total United States Registered Pilot compensation for each area. Because we are proposing a full ratemaking this year, we propose to follow the procedure outlined in paragraph (a) of § 404.104, which requires us to develop a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in *Section III.E., Individual Target Pilot Compensation Benchmark,* of this preamble, the

[21] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUR0200SA0. 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 01/28/2025.

[22] The 2025 and 2026 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf.* We used the Core PCE December Projection value found in table 1; accessed 03/19/2025.

proposed compensation benchmark for 2026 uses the 2025 compensation of $464,317 per United States Registered Pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (b) of § 404.104. First, we adjust the 2025 target compensation benchmark of $464,317 by 1.9 percent, for a value of $473,139. This accounts for the difference in actual fourth quarter 2024 Employment Cost Index (ECI) inflation, which is 4.2 percent, and the 2025 PCE estimate of 2.3 percent. [23 24]

The second step accounts for projected inflation from 2025 to 2026, which is 2.2 percent.[25] Based on the projected 2026 inflation estimate, the target compensation benchmark for 2026 is $483,548 per United States Registered Pilot. In accordance with § 404.104(d), the Apprentice Pilot wage benchmark is 36 percent of the target United States Registered Pilot compensation, or $174,077 ($483,548 × 0.36).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total United States Registered Pilot compensation by multiplying the individual target compensation by the estimated number of United States 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 2026 season. 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 United States Registered Pilot Compensation	$483,548	$483,548	$483,548
Number of United States Registered Pilots	11	9	20
Total Target United States Registered Pilot Compensation	$5,319,028	$4,351,932	$9,670,960
Target Apprentice Pilot Compensation	$174,077	$174,077	$174,077
Number of Apprentice Pilots			1
Total Target Apprentice Pilot Compensation	$104,446	$69,631	$174,077

E. Redesignated Step 5: Project Needed Revenue (Previously Step 6)

In this step, we add all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total target United States Registered Pilot compensation (from Step 4), and total target Apprentice Pilot wage (also from Step 4). We show these calculations in table 7.

TABLE 7—REVENUE NEEDED FOR DISTRICT ONE

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	$2,674,135	$1,782,757	$4,456,891
Total Target United States Registered Pilot Compensation (Step 4)	5,319,028	4,351,932	9,670,960
Total Target Apprentice Pilot Compensation (Step 4)	104,446	69,631	174,077
Total Revenue Needed	8,097,609	6,204,320	14,301,928

F. Redesignated Step 6: Calculate Initial Base Rates (Previously Step 7)

Having determined the revenue needed for each area in the previous five steps, we develop an hourly rate by dividing that number by the expected number of hours of traffic. Step 6 is a two-part process. In the first part, we calculate the 10-year average of traffic in District One, using the total time on task or Pilot bridge hours. To calculate the time on task for each district, the Coast Guard uses billing data from SeaPro.[26] Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 8.

[23] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average (December 2024), Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm;* accessed 01/31/2025.

[24] 2.3 percent was the latest figure available for the 2025 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf;* accessed 10/02/2024.

[25] Table 1, Summary of Economic Projections, Median Core PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf;* accessed 03/19/2025.

[26] SeaPro, used by all three pilot districts, is the approved dispatch and invoicing system that tracks pilot and vessel transits.

TABLE 8—TIME ON TASK FOR DISTRICT ONE

[Hours]

Year	District One	
	Designated	Undesignated
2024	6,232	8,075
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
Average	6,501	7,795

Next, we derive the initial hourly rate by dividing the revenue needed by the average number of hours for each area. This produces an initial rate, which is necessary to produce the revenue needed for each area, assuming the amount of traffic is as expected. We present the calculations for District One in table 9.

TABLE 9—INITIAL RATE CALCULATIONS FOR DISTRICT ONE

	Designated	Undesignated
Revenue needed (Step 5)	$8,097,609	$6,204,320
Average time on task (hours)	6,501	7,795
Initial rate	$1,246	$796

G. Redesignated Step 7: Calculate Average Weighting Factors by Area (Previously Step 8)

In this step, we calculate the average weighting factor for each designated and undesignated area. We collect the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using the weighting factor report from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit from 2015 to 2024, as shown in tables 10 and 11.

TABLE 10—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 1 (2015)	41	1	41
Class 1 (2016)	31	1	31
Class 1 (2017)	28	1	28
Class 1 (2018)	54	1	54
Class 1 (2019)	72	1	72
Class 1 (2020)	8	1	8
Class 1 (2021)	10	1	10
Class 1 (2022)	39	1	39
Class 1 (2023)	19	1	19
Class 1 (2024)	26	1	26
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 2 (2024)	467	1.15	537
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

TABLE 10—AVERAGE WEIGHTING FACTOR FOR DISTRICT ONE, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 3 (2024)	69	1.3	90
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
Class 4 (2024)	471	1.45	683
Total	9,104		11,735
Average weighting factor (weighted transits ÷ number of transits)		1.29	

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

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

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 1 (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 1 (2024)	10	1	10
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 2 (2024)	334	1.15	384
Class 3 (2015)	42	1.3	55
Class 3 (2016)	28	1.3	36
Class 3 (2017)	45	1.3	59
Class 3 (2018)	63	1.3	82
Class 3 (2019)	58	1.3	75
Class 3 (2020)	35	1.3	46
Class 3 (2021)	71	1.3	92
Class 3 (2022)	65	1.3	85
Class 3 (2023)	44	1.3	57
Class 3 (2024)	44	1.3	57
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
Class 4 (2024)	421	1.45	610
Total	7,411		9,592
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.

H. Redesignated Step 8: Calculate Revised Base Rates (previously Step 9)

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 redesignated Step 6 by the average weighting factors calculated in redesignated Step 7, as shown in table 12.

TABLE 12—REVISED BASE RATES FOR DISTRICT ONE

Area	Initial rate (Step 6)	Average weighting factor (Step 7)	Revised rate (Initial rate ÷ average weighting factor)
District One: Designated	$1,246	1.29	$966
District One: Undesignated	796	1.29	617

I. Redesignated Step 9: Review and Finalize Rates (Previously Step 10)

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the proposed rates incorporate appropriate compensation for United States Registered Pilots to handle heavy traffic periods and whether there is a sufficient number of United States Registered Pilots to handle those heavy traffic periods. The Director also considers whether the proposed rates would cover operating expenses and infrastructure costs, including average traffic and weighting factors. Based on these considerations, the Director is not proposing any alterations to the rates in this step. We propose to modify § 401.405(a)(1) and (2) to reflect the final rates shown in table 13.

TABLE 13—PROPOSED FINAL RATES FOR DISTRICT ONE

Area	Name	Final 2025 pilotage rate	Proposed 2026 pilotage rate
District One: Designated	St. Lawrence River	$986	$966
District One: Undesignated	Lake Ontario	643	617

District Two

A. Step 1: Recognize Previous Operating Expenses

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses 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 2023 expenses and revenues.[27] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilot associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a pro rata basis. The recognized operating expenses for District Two are shown in table 14.

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

TABLE 14—2023 RECOGNIZED EXPENSES FOR DISTRICT TWO

Reported operating expenses for 2023	District Two		
	Undesignated	Designated	Total
	Lake Erie	Southeast Shoal to Port Huron	
Applicant Pilot Employee Benefits	$80	$120	$200
Total Other Applicant Cost	80	120	200
Other Pilotage Cost:			
Pilot Subsistence	93,840	140,760	234,600
Travel	37,469	56,204	93,673
License renewal	931	1,396	2,327
License Insurance	7,656	11,485	19,141
Total Other Pilotage Costs	139,896	209,845	349,741
Pilot Boat and Dispatch Costs:			
Pilot boat costs	76,785	115,177	191,962
Employee Benefits	88,722	133,084	221,806

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

TABLE 14—2023 RECOGNIZED EXPENSES FOR DISTRICT TWO—Continued

Reported operating expenses for 2023	District Two		
	Undesignated	Designated	Total
	Lake Erie	Southeast Shoal to Port Huron	
Insurance	11,550	17,324	28,874
Salaries	192,299	288,448	480,747
Total Pilot and Dispatch Costs	369,356	554,033	923,389
Administrative Expenses			
Legal—general counsel	3,947	5,921	9,868
Legal—shared counsel (K&L Gates)	4,955	7,432	12,386
Legal—shared counsel (K&L Gates)—D2–23–02	−2,071	−3,106	−5,177
Office Rent	29,508	44,262	73,770
Insurance	14,083	21,124	35,207
Employee benefits	28,614	42,922	71,536
Payroll Taxes	149,889	224,833	374,722
Other taxes	103,752	155,628	259,380
Other taxes—D2–23–01	−45,722	−68,583	−114,305
Real Estate taxes	8,193	12,289	20,482
Travel	20,430	30,646	51,076
Depreciation	23,140	34,710	57,850
APA Dues	16,428	24,641	41,069
Dues and subscriptions	2,634	3,950	6,584
Utilities	4,956	7,434	12,390
Salaries	65,850	98,776	164,626
Accounting/Professional fees	15,997	23,996	39,993
Pilot Training	17,644	26,465	44,109
Other	124,233	186,349	310,582
Other—D2–23–01	−70,962	−106,442	−177,404
Total Administrative Expenses	515,498	773,247	1,288,744
Total Expenses (OPEX + Applicant + Pilot Boats + Admin + Capital)	1,024,830	1,537,245	*2,562,074

*Where the total column for a line from the expense report did not match manual addition, Coast Guard manually matched to the line total for that expense and continued to sum down the column. As a result, the ending total for each column (designated, undesignated, and total) may not sum across.

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

In accordance with the text in § 404.102, having identified the recognized 2023 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 2024 inflation rate.[28] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2025 and 2026 inflation modification.[29] Based on that information, the calculations for Step 2 are as follows:

TABLE 15—ADJUSTED OPERATING EXPENSES FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$1,024,830	$1,537,245	$2,562,074
2024 Inflation Modification (@2.7%)	27,670	41,506	69,176
2025 Inflation Modification (@2.5%)	26,313	39,469	65,782
2026 Inflation Modification (@2.2%)	23,734	35,601	59,335
Adjusted 2026 Operating Expenses	1,102,547	1,653,821	2,756,367

[28] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4=100.'' Series CUUR0200SA0. Available at *https://www.bls.gov/cpi/data.htm.,* All Urban Consumers (Current Series), multiscreen data, not seasonally adjusted, 0200 Midwest, Current, All Items, Monthly, 12-month Percent Change and Annual Data (last accessed 01/28/2025).

[29] The 2025 and 2026 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf.* We used the Core PCE December Projection value found in table 1; accessed 03/19/2025.

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

In accordance with the text in § 404.103, we estimate the number of fully registered Pilots in each district. As established by the 2021 final rule, the minimum number of United States Registered Pilots for District Two is 16. Then, the 2025 final rule established the maximum number as 19. We determine the number of fully registered Pilots based on data provided by the Lakes Pilots Association (LPA). We determine the number of Apprentice Pilots based on input from the district on anticipated retirements and staffing needs. These numbers can be found in table 16.

TABLE 16—AUTHORIZED PILOTS FOR DISTRICT TWO

Item	District Two
2026 Authorized United States Registered Pilots (total)	17
Pilots Assigned to Designated Areas	10
Pilots Assigned to Undesignated Areas	7
2026 Apprentice Pilots	0

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

In this step, we determine the total United States Registered Pilot compensation for each area. Because we are proposing a full ratemaking this year, we propose to follow the procedure outlined in paragraph (a) of § 404.104, which requires us to develop a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in *Section III.E., Individual Target Pilot Compensation Benchmark,* of this preamble, the proposed compensation benchmark for 2026 uses the 2025 compensation of $464,317 per United States Registered Pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (b) of § 404.104. First, we adjust the 2025 target compensation benchmark of $464,317 by 1.9 percent, for a value of $473,139. This accounts for the difference in actual fourth quarter 2024 ECI inflation, which is 4.2 percent, and the 2025 PCE estimate of 2.3 percent. [30 31]

The second step accounts for projected inflation from 2025 to 2026, which is 2.2 percent.[32] Based on the projected 2026 inflation estimate, the target compensation benchmark for 2026 is $483,548 per United States Registered Pilot. In accordance with § 404.104(d), the Apprentice Pilot wage benchmark is 36 percent of the target Pilot compensation, or $174,077 ($483,548 × 0.36).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total United States Registered Pilot compensation by multiplying the individual target compensation by the estimated number of United States Registered Pilots for District Two, as shown in table 17. We estimate that the number of Apprentice Pilots needed will be zero for District Two in the 2026 season. 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 17—TARGET COMPENSATION FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Target Pilot Compensation	$483,548	$483,548	$483,548
Number of United States Registered Pilots	7	10	17
Total Target United States Registered Pilots Compensation	$3,384,836	$4,835,480	$8,220,316
Target Apprentice Pilot Compensation	$174,077	$174,077	$174,077
Number of Apprentice Pilots			0
Total Target Apprentice Pilot Compensation	$0	$0	$0

E. Redesignated Step 5: Project Needed Revenue (Previously Step 6)

In this step, we add all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total target United States Registered Pilot compensation (from Step 4), and total target Apprentice Pilot wage (also from Step 4). We show these calculations in table 18.

TABLE 18—REVENUE NEEDED FOR DISTRICT TWO

	District Two		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$1,102,547	$1,653,821	$2,756,367
Total Target United States Registered Pilot Compensation (Step 4)	3,384,836	4,835,480	8,220,316
Total Target Apprentice Pilot Compensation (Step 4)	0	0	0
Total Revenue Needed	4,487,383	6,489,301	10,976,683

[30] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average (December 2024), Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm;* accessed 01/31/2025.

[31] 2.3 percent was the latest figure available for the 2025 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf;* accessed 10/02/2024.

[32] Table 1, Summary of Economic Projections, Median Core PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf;* accessed 03/19/2025.

F. Redesignated Step 6: Calculate Initial Base Rates (Previously Step 7)

Having determined the revenue needed for each area in the previous five steps, we develop an hourly rate by dividing that number by the expected number of hours of traffic. Step 6 is a two-part process. In the first part, we calculate the 10-year average of traffic in District Two, using the total time on task or Pilot bridge hours. To calculate the time on task for each district, the Coast Guard uses billing data from SeaPro. Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 19.

TABLE 19—TIME ON TASK FOR DISTRICT TWO

[Hours]

Year	District Two	
	Undesignated	Designated
2024	5,809	8,308
2023	6,424	8,181
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
Average	6,221	7,272

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 20.

TABLE 20—INITIAL RATE CALCULATIONS FOR DISTRICT TWO

	Undesignated	Designated
Revenue needed (Step 5)	$4,487,383	$6,489,301
Average time on task (hours)	6,221	7,272
Initial rate	$721	$892

G. Redesignated Step 7: Calculate Average Weighting Factors by Area (Previously Step 8)

In this step, we calculate the average weighting factor for each designated and undesignated area. We collect the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using the weighting factor report from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit from 2015 to 2024, as shown in tables 21 and 22.

Of note, in the 2025 final rule, the Coast Guard published a figure of 8,092 hours as the total 2023 designated hours for District Two.[33] Since that publication, the Coast Guard received a revised figure of 8,181 hours through the 2023 Revenue Report for District Two, which noted that some winter work had been excluded. We also received a revised 2023 weight factor report from District Two on March 6th, 2025, to reflect the transits by vessel class corresponding to the updated figure of 8,181 designated bridge hours for 2023. This updated report changes the number of Class 2 designated transits for 2023 from 312 to 318, as shown in table 22.

TABLE 21—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, UNDESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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 1 (2024)	19	1	19
Class 2 (2015)	354	1.15	407
Class 2 (2016)	380	1.15	437
Class 2 (2017)	222	1.15	255

[33] See p. 100822, 89 FR 100810.

TABLE 21—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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 2 (2024)	125	1.15	144
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 3 (2024)	5	1.3	7
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
Class 4 (2024)	205	1.45	297
Total	5,176		6,740
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 22—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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 1 (2024)	24	1	24
Class 2 (2015)	217	1.15	250
Class 2 (2016)	224	1.15	258
Class 2 (2017)	127	1.15	146
Class 2 (2018)	153	1.15	176
Class 2 (2019)	281	1.15	323
Class 2 (2020)	342	1.15	393
Class 2 (2021)	240	1.15	276
Class 2 (2022)	327	1.15	376
Class 2 (2023)	318	1.15	366
Class 2 (2024)	318	1.15	366
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 3 (2024)	11	1.3	14
Class 4 (2015)	340	1.45	493
Class 4 (2016)	281	1.45	407

TABLE 22—AVERAGE WEIGHTING FACTOR FOR DISTRICT TWO, DESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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
Class 4 (2024)	474	1.45	687
Total	6,380		8,343
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.

H. Redesignated Step 8: Calculate Revised Base Rates (Previously Step 9)

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 redesignated Step 6 by the average weighting factors calculated in redesignated Step 7, as shown in table 23.

TABLE 23—REVISED BASE RATES FOR DISTRICT TWO

Area	Initial rate (Step 6)	Average weighting factor (Step 7)	Revised rate (initial rate ÷ average weighting factor)
District Two: Designated	$892	1.31	$681
District Two: Undesignated	721	1.30	555

I. Redesignated Step 9: Review and Finalize Rates (Previously Step 10)

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the proposed rates incorporate appropriate compensation for United States Registered Pilots to handle heavy traffic periods, and whether there is a sufficient number of United States Registered Pilots to handle those heavy traffic periods. The Director also considers whether the proposed rates would cover operating expenses and infrastructure costs, including average traffic and weighting factors. Based on these considerations, the Director is not proposing any alterations to the rates in this step. We propose to modify § 401.405(a)(3) and (4) to reflect the final rates shown in table 24.

TABLE 24 — PROPOSED FINAL RATES FOR DISTRICT TWO

Area	Name	Final 2025 pilotage rate	Proposed 2026 pilotage rate
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	$753	$681
District Two: Undesignated	Lake Erie	576	555

District Three

A. Step 1: Recognize Previous Operating Expenses

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses 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 2023 expenses and revenues.[34] For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilot associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a pro rata basis. The recognized operating expenses for District Three are shown in table 25.

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

Adjustments made by the auditors are explained in the auditor's reports, which are available in the docket for this rulemaking, where indicated under the Public Participation and Request for Comments portion of the preamble. As noted in the Summary of the Ratemaking Methodology, the 2023 expense report for District Three included an expense of $969,812 in ''applicant salaries,'' but Coast Guard believes that these are apprentice salaries that are incorrectly labeled. Apprentice salaries are accounted for in

Step 4 of the methodology; therefore, Coast Guard excluded this expense from Step 1. We discuss the other Director's adjustment for the $45,296 amount in Section *C. Other Comments To Address in Full Ratemaking* of this preamble.

TABLE 25—2023 RECOGNIZED EXPENSES FOR DISTRICT THREE

Reported operating expenses for 2023	District Three			
	Undesignated	Designated	Undesignated	Total
	Lakes Huron and Michigan	St. Marys River	Lake Superior	
Other Pilotage Costs:				
Applicant Benefits	$56,123	$23,720	$26,741	$106,584
Pilot subsistence	163,861	69,254	78,076	311,190
Hotel/Lodging Cost	142,665	60,295	67,977	270,937
Hotel/Lodging Cost—D3–23–05	−3,454	−1,460	−1,646	−6,560
Travel	235,214	99,410	112,074	446,698
License Renewal	536	227	255	1,018
Payroll taxes	211,362	89,329	100,709	401,400
Payroll taxes—D3–23–04	−5,075	−2,145	−2,418	−9,637
License Insurance	16,953	7,165	8,078	32,196
Total Other Pilotage Costs	818,185	345,795	389,846	1,553,826
Pilot Boat and Dispatch costs:				
Pilot boat costs	613,308	259,207	292,227	1,164,742
Dispatch costs	149,831	63,324	71,391	284,546
Dispatch costs—D3–23–07	23,851	10,080	11,365	45,296
Insurance	33,584	14,194	16,002	63,779
Total Pilot boat and dispatch costs	820,574	346,805	390,985	1,558,363
Administrative Cost:				
Legal—general counsel	26,809	11,331	12,774	50,914
Legal—general counsel—D3–23–01	−2,098	−887	−999	−3,984
Legal—shared counsel (K&L Gates)	9,608	4,061	4,578	18,247
Legal—shared counsel (K&L Gates)—D3–23–01	−1,007	−426	−480	−1,913
Office Rent	6,719	2,840	3,201	12,760
Insurance	30,104	12,723	14,344	57,171
Employee benefits	116,979	49,440	55,738	222,156
Payroll Tax	57,428	24,271	27,363	109,062
Other taxes	2,708	1,145	1,290	5,143
Real Estate Taxes	1,609	680	766	3,055
Depreciation/Auto leasing/Other	88,577	37,436	42,205	168,218
Interest	13,424	5,673	6,396	25,493
APA Dues	30,519	12,899	14,542	57,960
APA Dues (D3–23–02)	−2,373	−1,003	−1,131	−4,507
Dues and subscriptions	5,792	2,448	2,760	10,999
Utilities	9,568	4,044	4,559	18,171
Salaries	60,558	25,594	28,855	115,007
Accounting/Professional fees	37,984	16,053	18,099	72,136
Pilot Training	13,645	5,767	6,501	25,913
Other expenses	84,033	35,516	40,040	159,589
Other expenses (D3–23–06)	−13,191	−5,575	−6,285	−25,051
Total Administrative Expenses	577,395	244,030	275,116	1,096,539
Total Operating Expenses (Other Costs+ Applicant Cost + Pilot Boats + Admin)	2,216,154	936,630	1,055,947	*4,208,728
Directors Adjustments—Applicant Surcharge Collected	−23,851	−10,080	−11,365	−45,296
Total Directors Adjustment	−23,851	−10,080	−11,365	−45,296
Total Operating Expenses (OpEx + Adjustments)	2,192,303	926,550	1,044,582	4,163,432

* Where the total column for a line from the expense report did not match manual addition, Coast Guard manually matched to the line total for that expense and continued to sum down the column. As a result, the ending total for each column (designated, undesignated, and total) may not sum across.

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

In accordance with the text in § 404.102, having identified the recognized 2023 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 2024 inflation rate.[35] Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal

[35] The CPI is defined as ''All Urban Consumers (CPI–U), All Items, 1982–4 = 100.'' Series CUUR0200SA0. Available at *https://www.bls.gov/cpi/data.htm.,* All Urban Consumers (Current Series), multiscreen data, not seasonally adjusted, 0200 Midwest, Current, All Items, Monthly, 12-month Percent Change and Annual Data (last accessed 01/28/2025).

Reserve for the 2025 and 2026 inflation modification.[36] Based on that information, the calculations for Step 2 are as follows:

TABLE 26—ADJUSTED OPERATING EXPENSES FOR DISTRICT THREE

	District three		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	$3,236,885	$926,550	$4,163,432
2024 Inflation Modification (@2.7%)	87,396	25,017	112,413
2025 Inflation Modification (@2.5%)	83,107	23,789	106,896
2026 Inflation Modification (@2.2%)	74,963	21,458	96,421
Adjusted 2026 Operating Expenses	3,482,351	996,814	4,479,162

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

In accordance with the text in § 404.103, we estimate the number of United States Registered Pilots in each district. As established by the 2021 final rule, the minimum number of United States Registered Pilots for District Three is 22. Then, the 2025 final rule established the maximum number as 25. We determine the number of fully registered Pilots based on data provided by the WGLPA. 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 27.

TABLE 27—AUTHORIZED PILOTS FOR DISTRICT THREE

Item	District three
2026 Authorized United States Registered Pilots (total)	20
Pilots Assigned to Designated Areas	5
Pilots Assigned to Undesignated Areas	15
2026 Apprentice Pilots	4

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

In this step, we determine the total United States Registered Pilot compensation for each area. Because we are proposing a full ratemaking this year, we propose to follow the procedure outlined in paragraph (a) of § 404.104, which requires us to develop a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in *Section III.E., Individual Target Pilot Compensation Benchmark,* of this preamble, the proposed compensation benchmark for 2026 uses the 2025 compensation of $464,317 per United States Registered Pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (b) of § 404.104. First, we adjust the 2025 target compensation benchmark of $464,317 by 1.9 percent for a value of $473,139. This accounts for the difference in actual fourth quarter 2024 ECI inflation, which is 4.2 percent, and the 2025 PCE estimate of 2.3 percent.[37 38]

The second step accounts for projected inflation from 2025 to 2026, which is 2.2 percent.[39] Based on the projected 2026 inflation estimate, the target compensation benchmark for 2026 is $483,548 per United States Registered Pilot. In accordance with § 404.104(d), the Apprentice Pilot wage benchmark is 36 percent of the target United States Registered Pilot compensation, or $174,077 ($483,548 × 0.36).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total United States Registered Pilot compensation by multiplying the individual target compensation by the estimated number of United States Registered Pilots for District Three, as shown in table 28. We estimate that the number of Apprentice Pilots needed will be four for District Three in the 2026 season. The total target wages for Apprentice Pilots are allocated with 22 percent for the designated area and 78 percent (53 percent + 25 percent) for the undesignated areas, in accordance with the allocation for operating expenses.

TABLE 28—TARGET COMPENSATION FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Target United States Registered Pilots Compensation	$483,548	$483,548	$483,548
Number of United States Registered Pilots	15	5	20
Total Target United States Registered Pilot Compensation	$7,253,220	$2,417,740	$9,670,960
Target Apprentice Pilot Compensation	$174,077	$174,077	$174,077
Number of Apprentice Pilots	....	....	4
Total Target Apprentice Pilot Compensation	$543,120	$153,188	$696,308

[36] The 2025 and 2026 inflation rates are available at *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf.* We used the Core PCE December Projection value found in table 1; accessed 03/19/2025.

[37] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average (December 2024), Series ID: CIU2010000520000A. *https://www.bls.gov/news.release/eci.t05.htm;* accessed 01/31/2025.

[38] 2.3 percent was the latest figure available for the 2025 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf;* accessed 10/02/2024.

[39] Table 1, Summary of Economic Projections, Median Core PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf;* accessed 03/19/2025.

E. Redesignated Step 5: Project Needed Revenue (Previously Step 6)

In this step, we add all the expenses accrued to derive the total revenue needed for each area. These expenses include the projected operating expenses (from Step 2), and the total target United States Registered Pilot compensation (from Step 4). The calculations are shown in table 29.

TABLE 29—REVENUE NEEDED FOR DISTRICT THREE

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	$3,482,351	$996,814	$4,479,162
Total Target United States Registered Pilot Compensation (Step 4)	7,253,220	2,417,740	9,670,960
Total Target Apprentice Pilot Compensation (Step 4)	543,120	153,188	696,308
Total Revenue Needed	11,278,691	3,567,742	14,846,430

F. Redesignated Step 6: Calculate Initial Base Rates (Previously Step 7)

Having determined the revenue needed for each area in the previous five steps, we develop an hourly rate by dividing that number by the expected number of hours of traffic. Step 6 is a two-part process. The first part is calculating the 10-year average of traffic in District Three using the total time on task or Pilot bridge hours. Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values in table 30.

TABLE 30—TIME ON TASK FOR DISTRICT THREE

[Hours]

	District Three	
Year	Undesignated	Designated
2024	26,359	3,437
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
Average	23,004	3,168

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 31.

TABLE 31—INITIAL RATE CALCULATIONS FOR DISTRICT THREE

	Undesignated	Designated
Revenue needed (Step 5)	$11,278,691	$3,567,742
Average time on task (hours)	23,004	3,168
Initial rate	$490	$1,126

G. Redesignated Step 7: Calculate Average Weighting Factors by Area (Previously Step 8)

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 reports from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit from 2015 to 2024, as shown in tables 32 and 33.

TABLE 32—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, UNDESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 1 (2015)	56	1	56
Class 1 (2016)	136	1	136
Class 1 (2017)	148	1	148

TABLE 32—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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 1 (2024)	52	1	52
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 2 (2024)	287	1.15	330
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 3 (2024)	9	1.3	12
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
Class 4 (2024)	433	1.45	628
Total for Area 6	7,242		9,275
Area 8			
Class 1 (2015)	0	1	0
Class 1 (2016)	4	1	4
Class 1 (2017)	4	1	4
Class 1 (2018)	0	1	0
Class 1 (2019)	0	1	0
Class 1 (2020)	1	1	1
Class 1 (2021)	5	1	5
Class 1 (2022)	10	1	10
Class 1 (2023)	5	1	5
Class 1 (2024)	6	1	6
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 2 (2024)	122	1.15	140
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

TABLE 32—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, UNDESIGNATED AREAS—Continued

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
Class 3 (2024)	4	1.3	5
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
Class 4 (2024)	345	1.45	500
Total for Area 8	4,042		5,433
Combined total	11,284		14,708
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 33—AVERAGE WEIGHTING FACTOR FOR DISTRICT THREE, DESIGNATED AREAS

Vessel class/year	Number of transits	Weighting factor	Weighted transits *
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 1 (2024)	24	1	24
Class 2 (2015)	145	1.15	167
Class 2 (2016)	174	1.15	200
Class 2 (2017)	170	1.15	196
Class 2 (2018)	126	1.15	145
Class 2 (2019)	162	1.15	186
Class 2 (2020)	218	1.15	251
Class 2 (2021)	131	1.15	151
Class 2 (2022)	162	1.15	186
Class 2 (2023)	142	1.15	163
Class 2 (2024)	132	1.15	152
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 3 (2024)	4	1.3	5
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
Class 4 (2024)	345	1.45	500
Total	4,722		6,180
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.

H. Redesignated Step 8: Calculate Revised Base Rates (Previously Step 9)

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 redesignated Step 6 by the average weighting factors calculated in redesignated Step 7, as shown in table 34.

TABLE 34—REVISED BASE RATES FOR DISTRICT THREE

Area	Initial rate (step 6)	Average weighting factor (step 7)	Revised rate (Initial rate ÷ average weighting factor)
District Three: Undesignated	$490	1.30	$377
District Three: Designated	1,126	1.31	860

I. Redesignated Step 9: Review and Finalize Rates (Previously Step 10)

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the proposed rates incorporate appropriate compensation for United States Registered Pilots to handle heavy traffic periods and whether there is a sufficient number of United States Registered Pilots to handle those heavy traffic periods. The Director also considers whether the proposed rates would cover operating expenses and infrastructure costs including average traffic and weighting factors. Based on this information, the Director is not proposing any alterations to the rates in this step. We propose to modify § 401.405(a)(5) and (6) to reflect the final rates shown in table 35.

TABLE 35—PROPOSED FINAL RATES FOR DISTRICT THREE

Area	Name	Final 2025 pilotage rate	Proposed 2026 pilotage rate
District Three: Designated	St. Marys River	$825	$860
District Three: Undesignated	Lakes Huron, Michigan, and Superior	440	377

VI. Regulatory Analyses

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

A. Regulatory Planning and Review

Executive Orders 12866 (Regulatory Planning and Review) 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. Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 14192 (Unleashing Prosperity Through Deregulation) directs agencies to significantly reduce the private expenditures required to comply with Federal regulations and provides that ''any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.''

The Office of Management and Budget (OMB) has not designated this proposed rule a ''significant regulatory action,'' under section 3(f) of Executive Order 12866. Accordingly, OMB has not reviewed it.

This proposed rule is not an Executive Order 14192 regulatory action because this proposed rule is not significant under Executive Order 12866. See OMB Memorandum M–25–20, ''Guidance Implementing Section 3 of Executive Order 14192, titled 'Unleashing Prosperity Through Deregulation' '' (Mar. 26, 2025).

The purpose of this proposed rule is to establish new base pilotage rates, as 46 U.S.C. 9303(f) requires that rates be established or reviewed and adjusted each year. The statute also requires that base rates be established by a full ratemaking at least once every 5 years, and, in years when base rates are not established, they must be reviewed and, if necessary, adjusted. For this ratemaking, the Coast Guard estimates a decrease in cost of approximately $3.03 million to industry. This is approximately a 7-percent decrease because of the change in revenue needed in 2026 compared to the revenue needed in 2025, as shown in table 36.

TABLE 36—ECONOMIC IMPACTS DUE TO PROPOSED CHANGES

Change	Description	Affected population	Costs	Benefits
Rate changes	In accordance with 46 U.S.C. Chapter 93, the Coast Guard is required to review and adjust base pilotage rates annually.	Owners and operators of 258 vessels transiting the Great Lakes system annually, 57 United States Registered Pilots, 5 apprentice Pilots, and 3 pilotage associations.	Decrease of $3,034,653 due to change in revenue needed for 2026 ($40,125,041) from revenue needed for 2025 ($43,159,694) as shown in table 37.	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.

TABLE 36—ECONOMIC IMPACTS DUE TO PROPOSED CHANGES—Continued

Change	Description	Affected population	Costs	Benefits
Removal of Working Capital Fund.	Following GLPAC recommendation, the Coast Guard proposes to remove Step 5 of the ratemaking.	The 3 pilotage associations	A decrease of $1,980,709 in revenue needed for the Working Capital Fund for 2026 compared to 2025. This is equal to the revenue needed for the working capital fund approved in the 2025 ratemaking.	Rates are on average 5% lower, and the associations would need $2,023,988 less in revenue for 2026 than if the Working Capital Fund had been included.

The Coast Guard is required to review and adjust pilotage rates on the Great Lakes annually. See Section II., Basis and Purpose, of this preamble for detailed discussions of the legal basis and purpose for this rulemaking. Based on our annual review for this rulemaking, we propose adjusting the pilotage rates for the 2026 shipping season to generate sufficient revenues for each district to reimburse its necessary and reasonable operating expenses and fairly compensate trained and rested Pilots. The result would be a decrease in rates for all areas in District One and District Two. In District Three, the rate would increase for the designated area and would decrease for the undesignated area. These changes would also lead to a net decrease in the cost of service to shippers. The change in per unit cost to each individual shipper would be dependent on their area of operation.

A detailed discussion of our economic impact analysis follows.

Affected Population

This proposed rule affects United States Registered Pilots and Apprentice Pilots, the 3 pilot associations, and the owners and operators of 258 oceangoing vessels that transit the Great Lakes annually, on average, from 2022 to 2024. We estimate that there will be 57 United States Registered Pilots and 5 Apprentice Pilots during the 2026 shipping season. The shippers that would be affected by these rate changes are those owners and operators of domestic vessels operating ''on register'' (engaged in foreign trade) and owners and operators of non-Canadian foreign vessels on routes within the Great Lakes system. These owners and operators must have United States Registered Pilots or pilotage service as required by 46 U.S.C. 9302. There is no minimum tonnage limit or exemption for these vessels. The statute applies only to commercial vessels and not to recreational vessels. U.S.-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 United States Registered Pilots. However, these United States and Canadian-flagged lakers may voluntarily choose to engage a United States Registered Pilot. Vessels that are U.S.-flagged may opt to have a United States Registered 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 2022 through 2024 from SeaPro to estimate the average annual number of vessels affected by the proposed 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 the ratemaking methodology, we use a 10-year average to estimate the traffic. We used 3 years of the most recent billing data to estimate the affected population. When we reviewed 10 years of the most recent billing data, we found the data included vessels that have not used pilotage services in recent years. We believe that using 3 years of billing data is a better representation of the vessel population currently using pilotage services and that would be impacted by this proposed rule. We found that 425 unique vessels used pilotage services during the years 2022 through 2024. That is, these vessels had a United States Registered Pilot dispatched to the vessel and billing information was recorded in SeaPro. Of these vessels, 403 were foreign-flagged vessels and 22 were U.S.-flagged vessels. Again, U.S.-flagged vessels not operating on register are not required to have a United States Registered Pilot per 46 U.S.C. 9302, but they can voluntarily choose to have one. Any such vessels that voluntarily choose to have a Pilot are accounted for in the methodology.

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 2022 through 2024 as the best representation of vessels estimated to be affected by the rates in this proposed rule. From 2022 through 2024, an average of 258 unique vessels used pilotage services annually. On average, 249 of these vessels were foreign-flagged and 9 were U.S.-flagged vessels that voluntarily opted into the pilotage service (these figures are rounded averages).

Total Cost to Shippers

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

The Coast Guard estimates the effect of the rate changes on shippers by comparing the total projected revenues needed to cover costs in 2025 with the total projected revenues to cover costs in 2026. We set pilotage rates, so pilot associations receive enough revenue to cover their necessary and reasonable expenses. Shippers pay these rates when they engage a United States Registered Pilot, as required by 46 U.S.C. 9302. Therefore, the aggregate payments of shippers to pilot associations are equal to the projected necessary revenues for pilot associations. The revenues each year represent the total costs that shippers must pay for pilotage services. The change in revenue from the previous year is the additional cost to shippers discussed in this proposed rule.

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 7, 18, and 29 of this preamble). The Coast Guard estimates that, for the 2026 shipping season, the projected revenue needed for all three districts is $40,125,041.

To estimate the change in cost to shippers from this proposed rule, the Coast Guard compared the 2026 total projected revenues to the 2025 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 2025 final rule, we estimated the total projected revenue needed for 2025 as $43,159,694.[40] This is the best approximation of 2025 revenues because, at the time of publication of this proposed rule, the Coast Guard does not have enough audited data available for the 2025 shipping season to revise these projections. Table 37 shows the revenue projections for 2025 and 2026. The additional cost increases to shippers are detailed by area and district as a result of the proposed rate changes on traffic in Districts One, Two, and Three.

TABLE 37—EFFECT OF THE PROPOSED RULE BY AREA AND DISTRICT

[$U.S.; Non-discounted]

Area	Revenue needed in 2025	Revenue needed in 2026	Additional costs of this rule
Total, District One	$14,713,084	$14,301,928	−$411,156
Total, District Two	11,883,331	10,976,683	−906,648
Total, District Three	16,563,279	14,846,430	−1,716,849
System Total	43,159,694	40,125,041	−3,034,653

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

The resulting difference between the projected revenue in 2025 and the projected revenue in 2026 is the annual change in payments from shippers to United States Registered Pilots as a result of the rate changes proposed by this rule. The effect of the rate changes to shippers would vary by area and district. The proposed rate changes would lead to affected shippers operating in District One experiencing a decrease in payments of $411,156 over 2025. District Two and District Three would experience a decrease in payments of $906,648 and $1,716,849, respectively, when compared with 2025. The overall adjustment in payments would be a decrease in payments by shippers of $3,034,653 across all three districts (a 7-percent decrease when compared with 2025). 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 38 shows the difference in revenue by revenue-component from 2025 to 2026 and presents each revenue-component as a percentage of the total revenue needed. In both 2025 and 2026, the largest revenue-component was pilotage compensation (66 percent of total revenue needed in 2025, and 69 percent of total revenue needed in 2026), followed by operating expenses (29 percent of total revenue needed in 2025, and 29 percent of total revenue needed in 2026).

TABLE 38—DIFFERENCE IN REVENUE BY REVENUE-COMPONENT

Revenue component	Revenue needed in 2025	Percentage of total revenue needed in 2025	Revenue needed in 2026	Percentage of total revenue needed in 2026	Difference (2025 revenue–2026 revenue)	Percentage change from previous year
Adjusted Operating Expenses	$12,354,186	29	$11,692,420	29	−$661,766	−5
Total Target United States Registered Pilot Compensation	28,323,337	66	27,562,236	69	−761,101	−3
Total Target Apprentice Pilot Compensation	501,462	1	870,385	2	368,923	74
Working Capital Fund	1,980,709	5	0	0	−1,980,709	−100
Total Revenue Needed	43,159,694	100	40,125,041	100	−3,034,653	−7.03

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

As stated above, we estimate that there would be a total decrease in revenue needed by the pilot associations of $3,043,653. This represents a decrease in revenue needed for total target United States Registered Pilot compensation of $761,101, an increase in revenue needed for total target Apprentice Pilot wage benchmark of $368,923, a decrease in the revenue needed for adjusted operating expenses of $661,766, and a decrease in the revenue needed for the working capital fund of $1,980,709.

The change in revenue needed for United States Registered Pilot compensation, $761,101, is due to three factors: (1) The changes to adjust 2025 pilotage compensation to account for the difference between actual ECI inflation [41] (4.2 percent) and predicted PCE inflation [42] (2.3 percent) for 2025; (2) projected inflation of pilotage compensation in Step 2 of the methodology, using predicted inflation [43] (2.2 percent) through 2026; and (3) a decrease of four Pilots in District Three compared to 2025.

The target compensation is $483,548 per Pilot in 2026, compared to $464,317 in 2025. The proposed changes to modify the 2025 Pilot compensation to account for the difference between predicted and actual inflation would increase the 2026 target compensation value by 1.9 percent. As shown in table 39, this inflation adjustment increases total compensation by $8,822 per Pilot,

[40] 89 FR 100810, see table 40. *https://www.govinfo.gov/content/pkg/FR-2024-12-13/pdf/2024-29128.pdf*; accessed 03/25/2025.

[41] Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average (December 2024), Series ID: CIU2010000520000A; accessed 01/31/2025. *https://www.bls.gov/news.release/eci.t05.htm*; accessed 03/25/2025.

[42] 2.3 percent was the latest figure available for the 2025 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20240918.pdf*; accessed 10/02/2024.

[43] Table 1, Summary of Economic Projections, Median Core PCE Inflation December Projection. *https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20250319.pdf*; accessed 03/19/2025.

and the total revenue needed by $502,855 when accounting for all 57 Pilots.

TABLE 39—CHANGE IN REVENUE RESULTING FROM THE CHANGE TO INFLATION OF PILOT COMPENSATION CALCULATION IN STEP 4

2025 Target United States Registered Pilot Compensation	$464,317
Adjusted 2025 Compensation ($464,317 × 1.019)	473,139
Difference between Adjusted Target 2025 Compensation and Target 2025 Compensation ($473,139 − $464,317)	8,822
Increase in total Revenue for 57 Pilots ($8,822 × 57)	502,855

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

Similarly, table 40 shows the impact of the difference between predicted and actual inflation on the target Apprentice Pilot compensation benchmark. The inflation adjustment increases the compensation benchmark by $3,176 per Apprentice Pilot, and the total revenue needed by $15,880 when accounting for all five Apprentice Pilots.

TABLE 40—CHANGE IN REVENUE RESULTING FROM THE CHANGE TO INFLATION OF APPRENTICE PILOT COMPENSATION CALCULATION IN STEP 4

2025 Target Apprentice Pilot Compensation	$167,154
Adjusted 2025 Compensation ($167,154 × 1.019)	170,330
Difference between Adjusted Target 2025 Compensation and Target Compensation ($170,330 − $167,154)	3,176
Increase in total Revenue for Apprentices ($3,176 × 5)	15,880

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

Another increase, $634,948, would be the result of increasing compensation for the 61 United States Registered Pilots predicted for the 2025 season to account for future inflation of 2.2 percent in 2026. This would increase total compensation by $10,409 per Pilot when accounting for all 61 Pilots in the 2025 final rule, as shown in table 41.

TABLE 41—CHANGE IN REVENUE RESULTING FROM INFLATING 2025 COMPENSATION TO 2026

Adjusted 2025 Compensation	$473,139
2026 Target Compensation ($473,139 × 1.022)	483,548
Difference between Adjusted 2025 Compensation and Target 2026 Compensation ($483,548 − $473,139)	10,409
Increase in total Revenue for 61 United States Registered Pilots ($10,409 x 61)	634,948

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

Similarly, an increase of $11,241 would be the result of increasing compensation for the three Apprentice Pilots predicted for the 2025 season to account for future inflation of 2.2 percent in 2026. This would increase total compensation by $3,747 per Apprentice Pilot when accounting for the three Apprentice Pilots in the 2025 final rule, as shown in table 42.

TABLE 42—CHANGE IN REVENUE RESULTING FROM INFLATING 2025 APPRENTICE PILOT COMPENSATION TO 2026

Adjusted 2025 Compensation	$170,330
2026 Target Compensation ($483,548 × 36%)	174,077
Difference between Adjusted Compensation and Target Compensation ($174,077 − $170,330)	3,747
Increase in total Revenue for 3 Apprentices ($3,747 × 3)	11,241

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

As noted earlier, the Coast Guard predicts that 57 United States Registered Pilots would be needed for the 2026 season. This reflects a decrease of four United States Registered Pilots compared to the 2025 season, in District Three.

Table 43 shows the decrease of $1,898,904 in revenue needed solely for United States Registered Pilot compensation. As noted previously, to avoid double counting, this value excludes the change in revenue resulting from the change to adjust 2025 pilotage compensation to account for the difference between actual and predicted inflation.

TABLE 43—CHANGE IN REVENUE RESULTING FROM DECREASE OF FOUR PILOTS

2026 Target Compensation	$483,548
Total Number of New United States Registered Pilots	−4
Total Cost of New United States Registered Pilots ($483,548 × −4)	−1,934,192
Difference between Adjusted Target 2025 Compensation and Target 2025 Compensation ($473,139 − $464,317)	8,822
Increase in total Revenue for −4 United States Registered Pilots ($8,822 × −4)	−35,288

TABLE 43—CHANGE IN REVENUE RESULTING FROM DECREASE OF FOUR PILOTS—Continued

Net Increase in total Revenue for −4 United States Registered Pilots (−$1,934,192− −$35,288)	−1,898,904

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

Similarly, the Coast Guard predicts that five Apprentice Pilots would be needed for the 2026 season. This would be a total increase of two Apprentice Pilots from the 2025 season. The difference reflects a decrease of one Apprentice Pilot for District Two and an increase of three Apprentice Pilots for District Three.

Table 44 shows the increase of $341,802 in revenue needed solely for Apprentice Pilot compensation. As noted previously, to avoid double counting this value excludes the change in revenue resulting from the change to adjust 2025 apprentice pilotage compensation to account for the difference between actual and predicted inflation.

TABLE 44—CHANGE IN REVENUE RESULTING FROM INCREASE OF TWO APPRENTICES

2026 Apprentice Target Compensation	$174,077
Total Number of New Apprentices	2
Total Cost of new Apprentices ($174,077 × 2)	348,154
Difference between Adjusted Target 2025 Compensation and Target 2025 Compensation ($170,330−$167,154)	3,176
Increase in total Revenue for 2 Apprentices ($3,176 × 2)	$6,352
Net Increase in total Revenue for 2 Apprentices ($348,154−$6,352)	341,802

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

Removing the working capital fund (previously Step 5) would result in a decrease of revenue needed of $1,980,709 for 2026 compared to 2025. Since this is a proposed change in the methodology, we also show the change in what both revenue would be needed and rates would have been for 2026 if the working capital fund remained in the methodology. To calculate the working capital fund for 2026, we would add the figures for projected operating expenses, total target United States Registered Pilot compensation, and total target Apprentice Pilot wage for each area. Then we would 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 5.0442 percent.[44] By multiplying the two figures, we obtain what the 2026 working capital fund contribution would have been for each area, as shown in table 45.

TABLE 45—WORKING CAPITAL FUND CALCULATION FOR COMPARING 2025 AND 2026

	Designated	Undesignated	Total
District One:			
Adjusted Operating Expenses (Step 2)	$2,674,135	$1,782,757	$4,456,891
Total Target United States Registered Pilot Compensation (Step 4)	5,319,028	4,351,932	9,670,960
Total Target Apprentice Pilot Compensation (Step 4)	104,446	69,631	174,077
Total 2026 Expenses	8,097,609	6,204,320	14,301,928
Working Capital Fund (5.0442% * Total 2026 Expenses)	408,460	312,958	721,418
District Two:			
Adjusted Operating Expenses (Step 2)	1,102,547	1,653,821	2,756,367
Total Target United States Registered Pilot Compensation (Step 4)	3,384,836	4,835,480	8,220,316
Total Target Apprentice Pilot Compensation (Step 4)	0	0	0
Total 2026 Expenses	4,487,383	6,489,301	10,976,683
Working Capital Fund (5.0442% * Total 2026 Expenses)	226,353	327,333	553,686
District Three:			
Adjusted Operating Expenses (Step 2)	3,482,351	996,814	4,479,162
Total Target United States Registered Pilot Compensation (Step 4)	7,253,220	2,417,740	9,670,960
Total Target Apprentice Pilot Compensation (Step 4)	543,120	153,188	696,308
Total 2026 Expenses	11,278,691	3,567,742	14,846,430
Working Capital Fund (5.0442% * Total 2026 Expenses)	568,920	179,964	748,884

Across the entire system, the three districts would have needed $2,023,988 in revenue for the working capital fund in 2026. The resulting total revenue needed for 2026 would have been $42,149,029, a decrease of $1,010,665 or 2.34 percent from 2025, as shown in table 46.

[44] Moody's Seasoned Aaa Corporate Bond Yield, average of 2024 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 01/14/2025.*

TABLE 46—DIFFERENCE IN REVENUE BY REVENUE-COMPONENT WITH WORKING CAPITAL FUND

Revenue component	Revenue needed in 2025	Percentage of total revenue needed in 2025	Revenue needed in 2026	Percentage of total revenue needed in 2026	Difference (2026 revenue—2025 revenue)	Percentage change from previous year
Adjusted Operating Expenses	$12,354,186	29	$11,692,420	28	−$661,766	−5
Total Target United States Registered Pilot Compensation	28,323,337	66	27,562,236	65	−761,101	−3
Total Target Apprentice Pilot Compensation	501,462	1	870,385	2	368,923	74
Working Capital Fund	1,980,709	5	2,023,988	5	43,279	2
Total Revenue Needed	43,159,694	100	42,149,029	100	−1,010,665	−2.34

Similarly, rates with the working capital fund included would have been an average of 4.89 percent higher, ranging from $396 to $1,014, as shown in table 47, rather than the range of $377 to $966 proposed in this rule. The absolute percent difference column shows the absolute difference of the 2026 pilotage rate With Capital Fund and the proposed 2026 pilotage rate relative to each other, rather than relative to the 2025 pilotage rate. For example, the 4.85-percent absolute percent difference for district one designated area is calculated as [(966–1,014) ÷ ((966+1,014) ÷ 2)].

TABLE 47—DIFFERENCE IN PROPOSED RATES WITH AND WITHOUT WORKING CAPITAL FUND

Area	Name	Final 2025 pilotage rate	2026 pilotage rate with capital fund	Proposed 2026 pilotage rate (without working capital fund)	Absolute percent difference between pilotage rate with and without working capital fund included
District One: Designated	St. Lawrence River	$986	$1,014	$966	4.85
District One: Undesignated	Lake Ontario	643	648	617	4.90
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI.	753	715	681	4.87
District Two: Undesignated	Lake Erie	576	583	555	4.92
District Three: Designated	St. Marys River	825	903	860	4.88
District Three: Undesignated	Lakes Huron, Michigan, and Superior.	440	396	377	4.92

Table 48 presents the percentage change in revenue by area and revenue-component, excluding surcharges, as they are applied at the district level.[45]

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		
	2025	2026	Percentage change	2025	2026	Percentage change	2025	2026	Percentage change	2025	2026	Percentage change	2025	2026	Percentage change
District One: Designated	$2,750,620	$2,674,135	−3	$5,107,487	$5,319,028	4	$100,292	$104,446	4	$382,799	$0	−100	$8,341,198	$8,097,609	−3
District One: Undesignated	1,833,749	1,782,757	−3	4,178,853	4,351,932	4	66,862	69,631	4	292,422	0	−100	6,371,886	6,204,320	−3
District Two: Undesignated	1,310,973	1,102,547	−16	3,250,219	3,384,836	4	66,862	0	−100	222,609	0	−100	4,850,663	4,487,383	−7
District Two: Designated	1,966,459	1,653,821	−16	4,643,170	4,835,480	4	100,292	0	−100	322,747	0	−100	7,032,668	6,489,301	−8
District Three: Undesignated	3,566,457	3,482,351	−2	8,822,023	7,253,220	−18	132,052	543,120	311	602,238	0	−100	13,122,770	11,278,691	−14
District Three: Designated	925,928	966,814	8	2,321,585	2,417,740	4	35,102	153,188	336	157,894	0	−100	3,440,509	3,567,742	4

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

[45] The 2025 projected revenues are from the Great Lakes Pilotage Rate-2025 Annual Review final rule (89 FR 100810), tables 8, 20, and 32. The 2026 projected revenues are from tables 7,18, and 29 of this proposed rule.

Benefits

This proposed rule allows the Coast Guard to meet the requirements in 46 U.S.C. 9303 to review the rates for pilotage services on the Great Lakes. The rate changes promote safe, efficient, and reliable pilotage service on the Great Lakes by (1) ensuring that rates cover an association's operating expenses, and (2) providing fair United States Registered Pilot compensation, adequate training, and sufficient rest periods for United States Registered Pilots. The rate changes also help recruit and retain United States Registered Pilots, which ensures a sufficient number of United States Registered Pilots to meet peak shipping demand, helping to reduce delays caused by Pilot shortages. Maintaining safe, efficient, and reliable pilotage service also facilitates commerce throughout the Great Lakes region.

B. Small Entities

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

For the proposed rule, the Coast Guard reviewed recent company size and ownership data for the vessels identified in SeaPro, and we reviewed business revenue and size data provided by publicly available sources such as ReferenceUSA.[46] As described in *Section VI.A., Regulatory Planning and Review,* of this preamble, we found that 425 unique vessels used pilotage services during the years 2022 through 2024. These vessels are owned by 62 entities, of which 48 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.[47] 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.
483211	Inland Water Freight Transportation	1,050 Employees.
484230	Specialized Freight (except Used Goods)	$34,000,000.
488390	Other Support Activities for Water Transportation	$47,000,000.
523910	Miscellaneous Intermediation	$47,000,000.
541611	Administrative Management and General Management Consulting Services.	$24,500,000.
561510	Travel Agencies	$25,000,000.
561599	All Other Travel Arrangement and Reservation Services	$32,500,000.
562910	Remediation Services	$25,000,000.
713930	Marinas	$11,000,000.
813910	Business Associations	$15,500,000.

Of the 14 U.S. entities, 5 exceed the SBA's small business standards for small entities. To estimate the potential impact on the 9 small entities, the Coast Guard used their 2024 invoice data to estimate their pilotage costs in 2026. Of the 9 small entities, from 2022 to 2024, 7 used pilotage services in 2024. We increased their 2024 costs to account for the changes in pilotage rates resulting from this proposed rule and the 2025 final rule. We estimated the change in cost to these entities resulting from this proposed rule by subtracting their estimated 2026 pilotage costs from their estimated 2025 pilotage costs and found the average impact to small firms would be approximately −$16,717, with a range of −$460 to −$56,117. We then compared the estimated change in pilotage costs between 2025 and 2026 with each firm's annual revenue. Because the rates in most areas decrease this year, the expected impact on small entities is a cost savings, rather than a net cost. That said, the Regulatory Flexibility Act directs agencies to consider the magnitude of the impact, positive or negative, on small entities. The change in per unit cost to each individual shipper would be dependent on their area of operation. This analysis considers the impact of the average −7 percent change on revenues and finds the impact ranges from −0.05 percent to −10.87 percent, with an average of −3.59 percent. Within this range of negative impacts, three entities experience an impact greater than 1 percent in absolute terms.

In addition to the owners and operators discussed previously, three U.S. entities that receive revenue from pilotage services would be affected by this proposed rule. These are the three pilot associations that provide and manage pilotage services within the Great Lakes districts. District One's SLSPA uses the NAICS code ''Inland Water Freight Transportation,'' with a small-entity size standard of 1,050 employees. District Two's LPA uses the NAICS code, ''Business Associations,'' with a small-entity size standard of $15,500,000 in revenue. District Three's WGLPA did not have a registered NAICS code through ReferenceUSA. All three associations are considered small entities by SBA size standards.

Finally, the Coast Guard did not find any small not-for-profit organizations that are independently owned and operated and are not dominant in their fields that would be impacted by this proposed rule. We also did not find any small governmental jurisdictions with

[46] See *https://resource.referenceusa.com/;* accessed 03/25/2025.

[47] See *https://www.sba.gov/document/support-table-size-standards.* SBA has established a ''Table of Size Standards'' for small businesses that sets small business size standards by NAICS code. A size standard, which is usually stated in number of employees or average annual receipts (''revenues''), represents the largest size that a business (including its subsidiaries and affiliates) may be in order to remain classified as a small business for SBA and Federal contracting programs; accessed March 2024.

populations of fewer than 50,000 people that would be impacted by this proposed rule. Based on this analysis, we conclude that this proposed rule would not affect a substantial number of small entities, nor have a significant economic impact on a substantial number of small entities.

Therefore, the Coast Guard certifies under 5 U.S.C. 605(b) that this proposed rule would not have a significant economic impact on a substantial number of small entities. If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this proposed rule would have a significant economic impact on it, please submit a comment to the docket at the address listed in the **ADDRESSES** section of this preamble. In your comment, explain why you think it qualifies and how and to what degree this proposed rule would economically affect it.

C. Assistance for Small Entities

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996, Public Law 104–121, we want to assist small entities in understanding this proposed rule so that they can better evaluate its effects on them and participate in the rulemaking. If the proposed rule would affect your small business, organization, or governmental jurisdiction and you have questions concerning its provisions or options for compliance, please call or email the person in the **FOR FURTHER INFORMATION CONTACT** section of this proposed rule. The Coast Guard will not retaliate against small entities that question or complain about this proposed rule or any policy or action of the Coast Guard.

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

D. Collection of Information

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

E. Federalism

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

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

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

F. Unfunded Mandates

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

G. Taking of Private Property

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

H. Civil Justice Reform

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

I. Protection of Children

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

J. Indian Tribal Governments

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

K. Energy Effects

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

L. Technical Standards

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

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

M. Environment

We have analyzed this proposed rule under Department of Homeland Security (DHS) Management Directive 023–01, Rev. 1, associated implementing instructions, and Environmental Planning COMDTINST 5090.1 (series), which guide the Coast Guard in complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321–4370f), and have made a preliminary determination this action is one of a category of actions that do not individually or cumulatively have a significant effect on the human environment. A preliminary Record of Environmental Consideration supporting this determination is available in the docket. For instructions on locating the docket, see the ADDRESSES section of this preamble. This proposed rule would be categorically excluded under paragraph A3 and L54 of Appendix A, Table 1 of DHS Instruction Manual 023–01–001–01, Rev. 1. Paragraph A3 pertains to the promulgation of rules of the following nature: (a) those of a strictly administrative or procedural nature; (b) those that implement, without substantive change, statutory or regulatory requirements; (c) those that implement, without substantive change, procedures, manuals, and other guidance documents; (d) those that interpret or amend an existing regulation without changing its environmental effect; (e) those that provide technical guidance on safety and security matters; and (f) those that provide guidance for the preparation of security plans. Paragraph L54 pertains to regulations which are editorial or procedural. This proposed rule involves setting or adjusting the pilotage rates for the 2026 shipping season to account for changes in district operating expenses, changes in the number of Pilots, and anticipated inflation. In addition, the Coast Guard is accepting comments on the entire Great Lakes pilotage ratemaking methodology, in accordance with the requirement to conduct a full ratemaking every 5 years. The Coast Guard is proposing one change to the methodology: the removal of step 5 regarding the working capital fund. All of these changes are consistent with the Coast Guard's maritime safety missions. We seek any comments or information that may lead to the discovery of a significant environmental impact from this proposed rule.

VII. Public Participation and Request for Comments

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

Submitting comments. We encourage you to submit comments through the Federal Decision-Making Portal at *www.regulations.gov.* To do so, go to *www.regulations.gov,* type USCG–2025–0252 in the search box, and click ''Search.'' Next, look for this document in the Search Results column, and click on it. Then click on the Comment option. If you cannot submit your material by using *www.regulations.gov,* call or email the person in the FOR FURTHER INFORMATION CONTACT section of this proposed rule for alternate instructions. We review all comments received.

Viewing material in docket. To view documents mentioned in this proposed rule as being available in the docket, find the docket as described in the previous paragraph, and then select ''Supporting & Related Material'' in the Document Type column. Public comments will also be placed in our online docket and can be viewed by following the instructions on the Frequently Asked Questions web page, available at *www.regulations.gov/faq.* That page also explains how to subscribe for email alerts that will notify you when comments are posted or if a final rule is published.

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

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

List of Subjects

46 CFR Part 401

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

46 CFR Part 404

Great Lakes, Navigation (water), Seamen.

For the reasons discussed in the preamble, the Coast Guard proposes to amend 46 CFR parts 401 and 404 as follows:

PART 401—GREAT LAKES PILOTAGE REGULATIONS

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

Authority: 46 U.S.C. 2103, 2104(a), 6101, 7701, 8105, 9303, 9304; DHS Delegation No. 00170.1, Revision No. 01.4, paragraphs (II)(92)(a), (d), (e), (f).

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

§ 401.405 Pilotage rates and charges.

(a) * * *

(1) The St. Lawrence River is $966;

(2) Lake Ontario is $617;

(3) Lake Erie is $555;

(4) The navigable waters from Southeast Shoal to Port Huron, MI is $681;

(5) Lakes Huron, Michigan, and Superior is $377; and

(6) The St. Marys River is $860.

* * * * *

PART 404—GREAT LAKES PILOTAGE RATEMAKING

■ 3. The authority citation for part 404 is revised to read as follows:

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

§ 404.105 [Removed]

■ 4. Remove § 404.105

§§ 404.106 through 404.110 [Redesignated]

■ 5. Redesignate §§ 404.106 through 404.110 as follows:

Old section	New section
§ 404.106	§ 404.105
§ 404.107	§ 404.106
§ 404.108	§ 404.107
§ 404.109	§ 404.108
§ 404.110	§ 404.109

■ 6. Revise §§ 404.105 through 404.109 to read as follows:

§ 404.105 Ratemaking Step 5: Project needed revenue.

The Director calculates each pilotage association's base projected needed revenue by adding the projected adjusted operating expenses from § 404.102 of this part, and the total target pilot compensation from § 404.104 of this part.

§ 404.106 Ratemaking Step 6: Calculate initial base rates.

(a) The Director calculates initial base hourly rates by dividing the projected needed revenue from § 404.105 by averages of past hours worked in each district's designated and undesignated waters, using available and reliable data for a multi-year period set in accordance with § 401.220(a) of this chapter.

(b) [Reserved]

§ 404.107 Ratemaking Step 7: Calculate average weighting factors by Area.

The Director calculates the average weighting factor for each area by computing the 10-year rolling average of weighting factors applied in that area, beginning with the year 2014. If less than 10 years of data are available, the Director calculates the average weighting factor using data from each year beginning with 2014.

§ 404.108 Ratemaking Step 8: Calculate revised base rates.

The Director calculates revised base rates for each area by dividing the initial base rate (from Step 6) by the average weighting factor (from Step 7) to produce a revised base rate for each area.

§ 404.109 Ratemaking Step 9: Review and finalize rates.

The Director reviews the base pilotage rates calculated in § 404.108 of this part to ensure they meet the goal set in § 404.1(a) of this part, and either finalizes them or first makes necessary and reasonable adjustments to them based on requirements of Great Lakes pilotage agreements between the United States and Canada, or other supportable circumstances.

Dated: September 3, 2025.

W.R. Arguin,

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

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