

BOARD OF PILOTS COMMISSIONERS MEETING

TAKEN AT: Embassy Suites  
1100 Southeast 17th Street  
Fort Lauderdale, Florida 33316

Friday, December 12, 2014

8:29 a.m. to 9:56 a.m.

APPEARANCES

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RICHARD LAW, Consultant

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P R O C E E D I N G S

THE CHAIR: Has everyone had a chance to sign in? There should be a sign-in sheet rotating around the room. I'd appreciate it if everyone would sign in. If you can't hear me tell me, and I'll just speak a little louder.

My name is Richard Law. I am a consultant for the Pilotage Rate Review Committee, and I've been appointed as part of the investigative committee relative to the two applications that are made at the -- at Port Everglades.

There is one application by the cruise industry to decrease rates on cruise passengers, passenger vessels only, by 25 percent on the existing rates. There is another application by the pilots to do a number of changes in the rate structure.

A ladder change in the draft. We just presented a new application and that will be roughly a 70 percent increase in the draft revenue element of their total fee, and then a decrease in the tonnage, which will be a seven percent decrease in their tonnage

1 revenue, mostly to apply to the larger ships.

2 There are some other elements, kind of  
3 miscellaneous elements of their rate  
4 application that are in -- that are  
5 requested. One part of that, of their  
6 application, is to address defunding of their  
7 retirement plan by the -- by the amount of  
8 \$200.00 per handle.

9 That amount is divided, a \$1.5 million  
10 dollar amount of revenue comes to 7,400  
11 handles. That is -- that is put in the  
12 application, but it's not put into the  
13 projected revenue that the pilots have  
14 requested. So just to clarify this, because  
15 this is a pretty big number it's -- it's not  
16 part of the, I guess the official rate  
17 increase.

18 It's -- it's a -- I might have their  
19 side present that but it's kind of -- we're  
20 trying to get that clarified before we  
21 address it as part of the requested rate  
22 increase, because the revenue projections,  
23 forecasted financial statements, do not  
24 include the element and it has a big effect  
25 on the net income of the pilots.

1           That's a brief overview of these two  
2 applications. The applications are both  
3 quite lengthy. I don't have copies of them.  
4 You can request a copy from the Department of  
5 Business and Professional Regulation. I  
6 would suggest that you ask for an electronic  
7 copy because, again, they're quite long.

8           The purpose of this meeting today is  
9 for the investigative committee, which  
10 consists of me and Commander Dunton, who is  
11 -- Caleb Dunton, who is not here today, to  
12 get information from interested parties  
13 relative to this application so that when you  
14 investigate this application, we have as much  
15 feedback from the users of the port, and all  
16 interested parties, so that we do a fair and  
17 adequate investigation of this application.

18           So that's the introduction. The next  
19 part of this meeting is to just ask for  
20 feedback from the public and the applicants,  
21 and I'll start with Mr. Panza.

22           MR. PANZA: Thank you. My name is Tom  
23 Panza. I'm representing FCCA. We filed an  
24 application, and I think it was in July, for  
25 a rate reduction of -- for the -- only for

1 the cruise ships of 25 percent of all cruise  
2 ship pilotage fees, and we feel that it's  
3 completely justified to do that.

4 The larger ships ranging from 90,000  
5 GRT to 225,000 GRT, are paying \$7,000.00 to  
6 \$16,000.00 per call. A call, as everyone in  
7 this room knows, would be out from the, you  
8 know, the buoy basically, through the port.

9 It's a straight line, goes into the  
10 port and then there's a turn that's made into  
11 the basin, and we do not believe that this  
12 port is -- has any unusual safety hazards, or  
13 any other unusual conditions to it, and it's  
14 a pretty straight shot into the -- into the  
15 actual port.

16 To get to some of the specifics in  
17 here, and my presentation is going to be very  
18 short because our application is lengthy, and  
19 we'll rely on everything that's in the  
20 application, but if you take the Oasis of the  
21 Sea and the Allure, which are the two very,  
22 very large ships, they pay \$1.55 million  
23 dollars for 192 handles in the year 2013.

24 This constitutes 14 percent of the  
25 pilotage fees, 14 percent, and it also

1           constitutes two and a half percent of the  
2           handles. So, as you can see, there is a cost  
3           shift there and there's an inordinate amount  
4           of money that the ships are paying, based on  
5           nothing other than their size.

6                     And we do not feel this is an  
7           appropriate metric, and an appropriate  
8           measurement, to penalize these ships and  
9           these larger ships, for these -- for these  
10          rates based upon the GRT, and based upon the  
11          current draft.

12                    What we're looking for is a 25 percent  
13          decrease. The cruise ships over 70,000 GRT,  
14          which is the vast majority of them are --  
15          they have 996 handles out of the 7,449  
16          handles, or approximately say 7,000 handles,  
17          996 handles. That's 13.5 percent all of the  
18          -- of all the handles.

19                    If you take approximately -- if you  
20          take the cruise ships that are smaller than  
21          70,000 GRTs, they would represent  
22          approximately 20 percent of all of the  
23          handles. That's out of 7,349 handles. Yet  
24          they pay 48 percent of the pilotage fees.

25                    So they use -- so they -- the pilots

1 would work on these cruise ships  
2 approximately 20 percent of the time, and  
3 they -- the cruise ships would be responsible  
4 for paying 48 percent of all of the pilotage  
5 fees which obviously, I don't think it takes  
6 an accountant or anyone else to figure out,  
7 that there is a tremendous cost shift here to  
8 the cruise ship industry.

9 We are not here looking to criticize  
10 the cargo industry at all. In fact, we're  
11 going to, and a couple minutes, make a couple  
12 comments about how much this rate increase,  
13 that the pilots had asked for, is going to  
14 really affect the cargo industry as well as  
15 the cruise ship industry.

16 So we're not asking for the cargo  
17 industry to go up in their rates. All we are  
18 doing is trying to bring parity or fairness  
19 to the cruise ship industry and reduce that.  
20 The -- the pilots currently in Port  
21 Everglades, by their own admission, by their  
22 own documents, and I think it's in appendix A  
23 war appendix B of their application, their  
24 alternative application, get paid, according  
25 to them, their own numbers not ours,

1           \$416,000.00 a year.

2                       Now I know the \$416,000.00 a year is a  
3           very tough amount of money for people to live  
4           on. I understand that in Broward County the  
5           average wages of most people that work in  
6           Broward County is significantly less than  
7           \$416,000.00, but the statute requires they  
8           have some comparisons, and the comparisons to  
9           other maritime industries.

10                      And I can assure you that when we have  
11           the hearing, we will demonstrate that the  
12           cruise ship captains, deputy captains, staff  
13           captains, first officers who are -- have the  
14           capability of running the vessels, do not  
15           make \$416,000.00. The \$416,000.00 is a  
16           deflated figure.

17                      It's deflated in a couple of ways.  
18           One way is the pension contribution. The  
19           pilots have a pension plan that is self-  
20           funded. It is not a qualified pension plan.  
21           It is strictly nothing more than an agreement  
22           amongst all the pilots, they have a  
23           corporation of their own, private company.

24                      They have gotten together. They have  
25           decided, I guess amongst themselves, that

1 upon retirement or upon a certain age or a  
2 certain amount of years, 20 years I guess and  
3 55, that a pilot can stop acting as a full-  
4 time pilot but would still receive one half  
5 of the -- of their -- of the amount of money  
6 that would be made by the active pilots, up  
7 to a cap of 20 percent of the gross revenues  
8 for that particular year. There is nothing,  
9 nothing, nothing that can be considered that  
10 this is a qualified pension plan.

11 This is nothing more than a group of  
12 people, no different than a law firm, no  
13 different than an accounting firm, no  
14 different than anybody else saying, what we  
15 are going to do is we are going to receive  
16 this net income and what we're -- we're going  
17 to receive this income, and then we're going  
18 to have net income, and then what we are  
19 going to do is to pay out, when you retire or  
20 when you want to stop working, at that age  
21 limit, we're going to pay you half.

22 So they decided to pay this half and  
23 where -- and where they got the money to pay  
24 the half wasn't the money that they  
25 contributed to it at all. The money comes

1 out of that operating expenses per year. So  
2 the money that they've contributed, or the  
3 money that they have to pay rather, for these  
4 pilots, comes out of operating expenses that  
5 the rate payers have to pay.

6 So all they do is say that, okay this  
7 is -- this is what our pension plan  
8 supposedly is. We have a deferred income  
9 until they retire, and you rate payers are  
10 going to have to pay it every year, even  
11 though it has no operational benefit, none.  
12 It can't be considered an operational cost.

13 Now what they do is, they go in there  
14 and they say, well we're going to give a  
15 credit of \$25,000.00 to the individual pilot.  
16 They're going to consider that as income each  
17 year, and they count that to get to the  
18 \$411,000.00.

19 Well I can assure you, if you look at  
20 any actuarial plan that's solid, that's a  
21 qualified plan, that would be more than --  
22 that would be for a period of 20 years, for  
23 them to make one half of the net income of  
24 the existing pilots, it's going to be more  
25 than \$25,000.00.

1           In Dade County we used a conservative  
2           number of \$57,000.00 or thereabouts. So that  
3           money needs to be included back into their  
4           revenue. It's part of their revenue. So, as  
5           a result of that, the 25 percent is deflated  
6           and that makes up part of their \$416,000.00  
7           which they've -- they've admitted.

8           There are other charges in their  
9           operating expenses which need to be  
10          questioned. There are expenses of, I think  
11          it's approximately \$1.8 million dollars, for  
12          their -- or \$1.4 million, I'm sorry, for  
13          their non-pilot salaries. Well what they put  
14          in their application is, they do this  
15          administrative work themselves. They come in  
16          and they attribute apparently \$50,000.00 to  
17          what would be considered administrative work.

18          I assume that's the paperwork that  
19          other places may have secretaries or  
20          administrative assistants or someone else  
21          doing it. It leaves unaccounted -- and it's  
22          nowhere to be found in their application,  
23          nowhere to be found in their financial  
24          statements, what the other 600 something  
25          thousand dollars, \$640,000.00 is attributed

1 to because the -- if you take the \$1.4  
2 million, and you take \$850,000.00 as the  
3 payments for the pilots for their  
4 administrative duties, it leaves you  
5 \$640,000.00 unaccounted for.

6 So I don't know who gets the  
7 \$640,000.00 or what they do with it, but they  
8 also have another category in their net  
9 operating in their financial statement that  
10 counts towards operating expenses which is  
11 \$897,807.00 per year for insurance benefits.  
12 Completely unreasonable.

13 They claim that their major medical is  
14 \$26,505.00 per pilot. Life insurance is  
15 \$1,440.00 per pilot, and that number may be  
16 reasonable. I mean, I'm not contesting the  
17 reasonableness of that particular number.  
18 The total pilots would be -- the total pilot  
19 costs would be \$27,945.00, and I believe they  
20 have 17 pilots in Port Everglades.

21 That leaves \$475,000.00 for insurance.  
22 So in essence, what is the other \$422,742.00  
23 for? They claim it's all for insurance.  
24 Well, they don't break down what the other  
25 \$422,000.00 is. So when you take these, just

1           these three categories, and when we have the  
2           actual trial we'll demonstrate this in, you  
3           know, in great detail, but if you take those  
4           categories it shows that the pilots make well  
5           over \$500,000.00 a year.

6                     If you count the -- the deflated  
7           pension rate, which should be higher, as well  
8           as these other costs, there is no way that  
9           \$500,000.00 a year is an inadequate amount of  
10          money for anyone, pilot or whomever, and it's  
11          certainly twice the amount of money that a  
12          cruise ship captain, staff captain, and other  
13          individuals that can run these large ships  
14          around the world, go into ports, and would  
15          receive.

16                    So it's not competitive. Further, to  
17          address their application, the pilots  
18          application, in my view, and I'm not saying  
19          this in a pejorative manner, but I'm saying  
20          this as -- in an advocacy manner, is  
21          misleading, and would result in significant  
22          rate increases for the cruise and cargo ships  
23          far in excess of what they claim.

24                    What they claim is a subterfuge. What  
25          they claim is, here's what it is -- here's

1           what we're saying it is, but here, let's add  
2           up everything and see what it really is. So  
3           when you look at what they're talking about,  
4           they're saying, by their own admission, it's  
5           about an 11 percent increase, and by their  
6           own admission the 11 percent increase does  
7           not take into account what you said, Mr. Law,  
8           about that \$200.00 per handle pension charge,  
9           which I'll talk about in a minute.

10                        It doesn't take into account the  
11           capital improvement charge of \$75.00 per  
12           handle, and it doesn't take into account the  
13           \$20.00 per associate pilot or deputy pilot  
14           that's in training for every time, for  
15           however many they have. So if they would  
16           have two, it would be \$40.00 a charge --  
17           \$40.00 a handle, regardless of whether the  
18           people are working, not working, or whatever.  
19           It's just the tax that's thrown on there.

20                        So when you add up all of those  
21           numbers, to their claim that it's 11 percent,  
22           none of that is counted in. So when we look  
23           at the total draft fees that they are asking  
24           for, under the current policy -- or the  
25           current schedule of costs rather, it's

1           \$470,737.00.

2                     Under what they're proposing for draft  
3           increases is \$754,085.00, and these are all  
4           changes -- well let me go to the next one.  
5           Then you have the capital -- the \$200.00 per  
6           handle for the pension benefit. That comes  
7           to \$300,400.00. Then you have the \$70.00 for  
8           the capital improvement or maintenance fee.  
9           That's \$300,400.00. And then you have the  
10          deputy pilot fee, which is \$60,000.00.

11                    Now, all of this is before -- that's  
12          for the cruise ships, and I'll get into cargo  
13          ships in a second, but that's all before the  
14          CPI kicks in. They have put in this  
15          application that they want a CPI. The CPI  
16          they claim could go up or down. Well, if we  
17          looked at it over the last 17 years, or  
18          however many years, it typically would go up.

19                    The CPI would probably be somewhere  
20          between four to five percent, depending,  
21          since the economy is starting to come back.  
22          I'm sure it's going to be within that range.  
23          So that's all before you add in the CPI. The  
24          CPI is for three years. So if the CPI is  
25          four percent or five percent for three years,

1           you then wind up with these same and draft  
2           fee, instead of it being \$754,000.00 it now  
3           moves up to \$870,000.00.

4                     If you go to the pension \$200.00, that  
5           goes from \$200.00 up to that \$300,000.00 that  
6           would be for the two, you know, \$200.00 per  
7           handle for the pension fee, it goes to  
8           \$347,713.00. If you go to the deputy pilots  
9           see, it goes from \$60,000.00 to \$69,000.00.  
10          So that's what the net effect of that is,  
11          because they hide the CPI.

12                    They claim that the CPI is only going  
13          to start, I think in 2016, 17, and 18, or 17,  
14          18, and 19, whatever. It's three years, you  
15          know it's -- and year after next, I believe  
16          is when it starts. Then if you go to the  
17          cargo ships, which their increase is asking  
18          for an increase -- we don't represent the  
19          cargo ships in any way, but it does have an  
20          impact on these fees, and if you take a look  
21          at the cargo ships, and you look at the total  
22          draft fees, their draft fees go from the  
23          actual ones now are \$1,912,000.00. They go  
24          to \$3,368,000.00, this is without CPI.

25                    They go to \$200.00 per handle from

1           \$1,912,000.00 up to \$3,368,000.00. If you  
2           look at the deputy pilot fees, they go to  
3           \$235,000.00 from \$0, because they were \$0  
4           now. So when you look at these fees, you  
5           have to take into account several factors.  
6           One factor is you have to -- the biggest  
7           factor is, you have to take into account what  
8           are they making now, the real number they're  
9           making now. Not some fictitious number that  
10          they don't count certain things.

11                     You have to count whatever they're  
12          actually making, number one. Number two, you  
13          have to look at what they're proposing, and  
14          they propose this, what I believe to be a  
15          fictitious rate decrease for the very large  
16          ships. Probably the reason for that is that  
17          that was our argument, in great part, in Dade  
18          County, as everybody knows. Most of the  
19          people in this room were probably at the Dade  
20          County hearing, and heard much argument about  
21          that.

22                     So the reality is, once you add in all  
23          of these fees, and once you add in the CPI,  
24          there is no rate decrease for anybody,  
25          including the large ships, and if it is for

1 the large ships it's less than \$100,000.00 or  
2 so. So we're talking about -- there's not  
3 really any -- any decrease because of the  
4 large ships, or giving the appearance that  
5 it's for large ships.

6 You've got to look at the real  
7 numbers. When you look at the real numbers,  
8 according to our calculations, which are  
9 estimates, estimations, because we don't have  
10 the actual data from the port on all of the,  
11 you know, on -- on the -- all of the dock  
12 reports, etcetera, but we're pretty close we  
13 think, and we think that the rate increase  
14 for the pilots to the cruise ships is 16.7  
15 percent, and for cargo ships it's an  
16 eye-popping 74 percent, because that's where  
17 most of the rate increase is going to go to.

18 And so when you look at that, you have  
19 a blended rate of a 47 percent rate increase,  
20 not 11 percent because they conveniently  
21 ignore the cost of living increase for three  
22 years. If the cost of living increase is  
23 only four percent a year, that's 12 percent  
24 compounded, not just a straight 12 percent.  
25 If it's five percent, it's obviously 15

1           percent for that period of time.

2           The -- the -- the question that you  
3           brought up about the \$200.00 on the pension  
4           is a very serious, realistic question. Right  
5           now we have a pension system that's -- that's  
6           nonqualified, unfunded. They just take it  
7           out of the operating expenses. The rate  
8           payers have to pay that. They don't  
9           contribute anything to it.

10           All they do is sit around, they have  
11           an agreement amongst themselves and then they  
12           have the -- then they -- then they say, well  
13           we have an agreement. We have a commitment  
14           to these people. Well who's the commitment  
15           from? Is the commitment from the port? No.  
16           The commitment's from themselves. They made  
17           an agreement amongst this corporation between  
18           themselves that this is what they are going  
19           to do.

20           That's their commitment. If they  
21           can't fund that commitment that's between  
22           themselves. That's not between any other  
23           rate payers, and the rate payers shouldn't be  
24           punished as a result of it but if you take --  
25           now what they want to do is even worse and

1 more egregious, is they want to go -- they  
2 don't add the \$200.00 in there.

3 I guess this just comes out of the sky  
4 somewhere and falls in here. I don't know  
5 where comes from, but if you take the \$200.00  
6 that they're talking about, which is well  
7 over \$1 million dollars in these new pension  
8 benefits, they're going to have a parallel  
9 pension plan going, and the parallel pension  
10 plan will be, they obviously say, well we've  
11 got a commitment to all these pilots that are  
12 out there working.

13 They expected to get this half of this  
14 pension. That may be their problem, and  
15 maybe that's what they do expect amongst  
16 their corporation. Not amongst anyone else,  
17 but amongst their corporation. Then they  
18 take, on top of that, and they say let's have  
19 this parallel plan because you all complained  
20 down there in Dade that we didn't have a  
21 qualified pension plan somehow.

22 We didn't have one of those, so now  
23 let's have one of those too. Okay. There is  
24 nothing in here about how this pension plan  
25 works. There's nothing in here as to when

1 anybody phases into the pension plan.  
2 There's nothing in here about how the rate  
3 payers would be reduced, if it is reduced  
4 ever, for this half that they're, you know,  
5 the 50 percent payment. None of that's --  
6 none of that is mentioned. Nothing.

7 What they want is, they want \$200.00  
8 per handle, per, you know, per vessel, and  
9 then we'll tell you later how we do it. So  
10 now they're asking for this extra money to  
11 have a -- I don't even know if it's a  
12 qualified plan, some kind of plan I guess,  
13 funded plan, on the rate payers backs once  
14 again, and it's just wrong.

15 So if you're going to say all of that,  
16 they should say it straight up front. This  
17 is what we want. We want 17 percent, or 74  
18 percent, or whatever it is, and not come up  
19 with these kinds of numbers. They're just  
20 simply non-credible and they don't work.

21 This new plan, as I said, there's no  
22 plan in place and the committee has no idea,  
23 nor could you as an investigator here, have  
24 any idea on how this thing works unless  
25 there's been other meetings with them and

1 they told you how it works, and they didn't  
2 tell us how it works but there should be --  
3 there is no reason.

4 So this -- this -- this -- the last  
5 point I'll make is that the pilots grossly  
6 exaggerate the impact of the 25 percent rate  
7 reduction, claiming that their compensation  
8 is reduced to \$266,000.00 which that, by  
9 itself, is a very, very large sum of money  
10 but it's not.

11 If you take the 25 percent reduction  
12 of all the cruise fees, these are numbers,  
13 mathematical, I didn't make this up. 25  
14 percent of the total cruise fees of 50 -- of  
15 \$5,252,118.00 comes to \$1,313,000.29 is the  
16 reduction. \$1,313,000.29. You divide that  
17 across 17 pilots, and it's a reduction of  
18 \$77,237.00 per pilot. That's what that  
19 reduction is.

20 That doesn't count the increased  
21 volume in work at the port. It doesn't  
22 increase any of the Panamax issues. It  
23 doesn't, you know, count for any of those  
24 considerations. Even using the pilots  
25 \$411,000.00 salary estimate, this would

1           reduce the salaries to \$334,000.00, not  
2           \$266,000.00.

3                         Now, I know \$334,000.00 is a very  
4           small amount of money. It's not -- it's not  
5           a significant amount of money. I think to  
6           most people it's extremely significant. It's  
7           more than -- it's probably in the upper one  
8           percent of what anybody makes in Broward,  
9           which I'm sure, and it's much higher than  
10          what the comparable marine industry is.

11                        What they would like you to do is  
12          compare them to pilots in Alaska, that  
13          there's totally different circumstance and  
14          various other places that have no connection  
15          to what they do here. You have to look at  
16          what they do here in all of the  
17          considerations, the 12 considerations that  
18          are in the -- in the application itself.

19                        And the \$200.00 that they're asking  
20          for if -- if the statute is to be utilized,  
21          and the rules are to be utilized, it says  
22          that these claims that they make for any  
23          increased pilotage has to be in connection  
24          with the characteristics of the vessel.

25                        Characteristics of the vessel meaning

1 draft, tonnage, you know, there's five or  
2 six, seven, eight, whatever it is. \$200.00  
3 for a pilotage fee for some -- for an extra  
4 pilotage fee for some pension, that has  
5 nothing to do with the characteristics of the  
6 vessel. The deputy pilots has nothing to do  
7 with the characteristics of the vessel, nor  
8 does their maintenance fee.

9 So as a result of all of that, we  
10 think that they are completely out of line  
11 with any rate increase. We think that we can  
12 justify a 25 percent rate decrease, and I  
13 think that we've demonstrated that we pay 48  
14 percent of all of the pilotage fees for 20  
15 percent of their work. And thank you very  
16 much.

17 THE CHAIR: Thank you. Would you  
18 mind, you've got some --

19 MR. PANZA: Repeating all that?

20 THE CHAIR: You got some financial  
21 analysis there that you've --

22 MR. PANZA: Yeah. I'll give you --  
23 I'll -- I'll re-write it.

24 THE CHAIR: I'd like to see it because  
25 what I want to do is, I want to analyze it

1           myself.

2           MR. PANZA: Sure.

3           THE CHAIR: But I would -- it's nice  
4           to have something to check to before I --

5           MR. PANZA: Yeah. I'll give you --  
6           I'll give you our calculations.

7           THE CHAIR: Right.

8           MR. PANZA: And our calculations, to  
9           make sure on the record it's clear, are  
10          pretty -- our estimates, we think we're  
11          close, but they're estimates because of, you  
12          know, the data, that we don't have all the  
13          data, etcetera. But we think we're pretty  
14          close on everything.

15          THE CHAIR: Well it's a good thing for  
16          me to check to when I'm trying to estimate --

17          MR. PANZA: Sure. We'll give it to  
18          you.

19          THE CHAIR: Okay, thank you.

20          MR. PANZA: Thanks. Thank you.

21          THE CHAIR: Okay. Let's hear from the  
22          other applicant, the pilots.

23          MR. MEROS: Thank you, Mr. Law. My  
24          name is George Meros with Grey Robinson Law  
25          Firm in the Tallahassee office. I am here

1 very proudly to represent the Port Everglades  
2 pilots in defense of the alternative rate  
3 application, and in opposition to the FCC  
4 application. With me here today is Captain  
5 Mike Cunningham and also Captains Andy  
6 Edelstein and Jim Ryan.

7 Before I talk specifically about the  
8 Port Everglades alternative application, let  
9 me address some of the assertions made and I  
10 welcome, and we welcome, what this is all  
11 about and that is, rather than an assault on  
12 the pilotage profession or assault on income  
13 and whether it's in the -- in what percentage  
14 in Broward County, we welcome an  
15 investigation into what chapter 310 and that  
16 the standards require, from the people of the  
17 state acting through their legislature.

18 And we welcome and investigation to  
19 show where there are facts, as opposed to  
20 inaccurate assertions of fact, and where  
21 there are not, and just by way of example,  
22 and we will be happy to provide you with  
23 anything. We have provided you with audited  
24 financials. We have asked the cruise  
25 industry for financial information from them,

1 to which they have not responded.

2 We have, and we will continue to give  
3 this -- this board any and every bit of  
4 information we possibly can. Simply by way  
5 of example, a number of the assertions the  
6 FCC just made our fundamentally wrong and  
7 inaccurate. They have -- they assert that  
8 our application is insulated because of the  
9 CPI adjustment, that applies across the board  
10 in some inflated number.

11 They need to look at the application  
12 and to the numbers, and accurately represent  
13 to you as an investigator that the CPI  
14 adjustment doesn't apply to the large ships,  
15 which is the core assertion and argument that  
16 they make, contrary to our application.

17 They say and represent to you that our  
18 rates and our analysis does not apply to the  
19 charges for deputy training, and one or two  
20 other charges. I've forgotten the name.  
21 They do, they do. They -- our numbers take  
22 into account those various elements. They do  
23 not take into account the \$200.00 relating to  
24 a funded retirement plan, which I will get  
25 to in a minute.

1                   Those are just two of the assertions  
2                   made that are fundamentally wrong. Now let's  
3                   go to the \$200.00 charge, which you  
4                   appropriately raised, and the FCC made a  
5                   mistake. They suggest that we are asking for  
6                   that -- for that amount. I would refer to  
7                   you, and to the board, pages three and eight  
8                   of the application.

9                   And on page three of the application,  
10                  which in the -- in the top of the -- or  
11                  almost halfway down, there is a pension  
12                  charge. It says \$200.00 per vessel movement.  
13                  It then says this, in plain English, which  
14                  anyone can understand and that is, note, this  
15                  charge is not included in the calculation of  
16                  the net adjustment of plus 11 percent  
17                  requested above.

18                  Then on page eight, regarding the  
19                  pension charge it says, and I will quote in  
20                  part, in order to address the issues  
21                  enumerated by the rate committee, we have  
22                  evaluated a funded retirement plan. We view  
23                  this issue as separate and distinct from the  
24                  rates.

25                  Preliminary discussions with our

1 retirement consultant have identified a  
2 requirement of \$4.1 million per year, for an  
3 additional ten year period, to establish a  
4 fully funded pension plan. This would amount  
5 to a per vessel charge of \$550.00 per vessel  
6 movement, and would be a significant burden  
7 on consumers of the port.

8 For purposes of this application and  
9 discussion we suggest, as an alternative, a  
10 pension charge of \$200.00 per vessel movement  
11 to begin funding a pension program. It then  
12 says, if the committee intends to pursue a  
13 funded program, we suggest that the committee  
14 consider funding in a range from \$125.00 per  
15 movement for a partially funded plan, or up  
16 to \$550.00 per movement for a fully funded  
17 plan.

18 It then goes on to say, creating a  
19 plan is complicated. It requires careful  
20 analysis and reworking of long-standing  
21 contracts and commitments to both active and  
22 retired pilots. A key element in the  
23 decision is the level of funding.

24 Following a positive decision by the  
25 committee, PEP would proceed with the careful

1 structuring of a viable plan for presentation  
2 to the committee prior to issuance of the  
3 final order. What the Port Everglades pilot  
4 is, number one, speak in plain English and  
5 tell you things which are directly contrary  
6 to what has just been said.

7 In plain English the Port Everglades  
8 pilot said, we listened to the complaints and  
9 to the cries of the FCCA as to how there  
10 should be a funded plan. We listened to the  
11 boards on the record inquiries about, can  
12 there be a funded plan, and we said, board if  
13 you want a funded plan we will work with you  
14 to do so.

15 We're not putting it in the rates.  
16 We're not suggesting for a second that there  
17 be a \$200.00 charge immediately. In fact,  
18 legally there could not be, just as the pilot  
19 said. In order to do anything, there would  
20 have to be voluntary -- voluntary -- I can't  
21 think of the word.

22 The pilots have existing contractual  
23 items that would have to be waived. Who  
24 knows whether they would be waived? Who  
25 knows how many would do so or not, or those

1 contracts would have to expire before any of  
2 this could happen. All we said, in plain  
3 English was, if the board wants us to do this  
4 we will work with the board to do it legally  
5 upon further consideration, not what has been  
6 alleged.

7 Again, we welcome your careful  
8 investigation about accurate facts, not  
9 mis-statements. Now, going to the  
10 fundamentals of our application, and in  
11 response to the -- to the original  
12 application, in the next five years the Port  
13 Everglades pilots will have eight of their  
14 pilots eligible for retirement, eight of the  
15 best and brightest pilots in this country.

16 The same pilots who, in the past 20  
17 years, have ensured safe, efficient, and  
18 productive port helping the port generate, in  
19 2012 alone, \$26 billion dollars in revenue  
20 and 201,000 jobs, and is this investigative  
21 committee said in 2000, it is in the best  
22 interest of the state of Florida to attract  
23 the most capable pilots in the country, and  
24 nothing attracts them better than good  
25 compensation.

1                   Now Mr. Law, the converse effect is  
2                   nothing in the world is less likely to  
3                   attract the best and brightest compensation  
4                   than to not have strong compensation, to  
5                   require pilots not to receive an increase for  
6                   12 or more years.

7                   To do with the FCCA is requesting, and  
8                   that is to take approximately \$85,000.00 out  
9                   of the pocket of each individual pilot, per  
10                  year, in order to -- to decrease rates and it  
11                  is -- it is absolutely the best possible way  
12                  not to attract the -- to attract the best  
13                  pilots.

14                 To do what the FCCA is requesting, and  
15                 that is to return pilotage rates for cruise  
16                 ships to pre-1982 levels. That's what the  
17                 FCCA application requests. That's -- but the  
18                 FCCA does not say, in its application  
19                 anywhere, and I urge this committee to look  
20                 at the application and to see, where is it  
21                 that taking \$85,000.00 out of the pocket of  
22                 each pilot, where is it that not having a  
23                 raise, where is it that these sorts of  
24                 attacks are going to attract the best and  
25                 brightest in the country?

1                   It won't, and to be clear, what the  
2 facts show is the Port Everglades pilot  
3 pilotage rates are among the lowest rates in  
4 the country period. It is equally a fact  
5 that the Port Everglades pilot income is well  
6 below the national average for pilot income  
7 in comparable ports. That is a fact.

8                   I would also suggest that the FCC  
9 application simply passes by what the Port  
10 Everglades pilots have offered to this board  
11 and to the public, and their original  
12 complaints no longer apply. What the Port  
13 Everglades pilots did is, again, listen to  
14 the board. Listen to the concerns of the  
15 board, that they had a perception that there  
16 was some mal-distribution of pilotage rates  
17 relating to the tonnage charge that applied  
18 to the very largest ships that the FCCA has,  
19 and those with the greatest technology, the  
20 most advanced technology.

21                   We accommodated that. We accommodated  
22 it while equitably distributing the ability  
23 to have rates that come closer to the  
24 national average, but that are below average  
25 for rates that have not changed in many, many

1 years. We did what the board asked us to do,  
2 and we did it in a way where there is a net,  
3 accurately stated, a net of an 11 percent  
4 increase in income. The first increase in  
5 over 11 years.

6 Now what the FCCA again does not  
7 address at all is a fundamental illogic and  
8 inequity in their assertion taking, apart  
9 from the notion that we are going to attract  
10 the best and brightest pilots in this -- in  
11 this port, especially after these folks are  
12 retired, by going to pre-1982 rates for  
13 cruise ships.

14 Their application would give a 25  
15 percent discount in tonnage and in draft  
16 rates to the smallest, least technologically  
17 advanced, oldest ships, as much as the  
18 biggest ships. I urge this investigative  
19 committee to look at all of their assertions,  
20 in their Miami application and this  
21 application, and to try to determine how it  
22 is that that is consistent with their  
23 argument, or is it just a gross  
24 redistribution of income from the pilots to  
25 the cruise industry, for whatever reason?

1                   A cynical mind would suggest that  
2                   that's the best possible way to hurt the  
3                   pilotage industry, or to knock it out  
4                   altogether, but it's certainly not consistent  
5                   with their assertion that there was a cost  
6                   shift to the -- to the largest ships.

7                   Now, I would also ask to the board --  
8                   for the board to investigate very carefully  
9                   what the board has done in the past, with  
10                  regard to some of these issues, in final  
11                  orders that they have entered, and I would  
12                  cite to the board the ACL/Bahamas, Limited  
13                  case versus The Florida State Pilots  
14                  Association, and there is a final order by  
15                  the board on April 18th of 2012, and there is  
16                  a -- there is a recommended order and then an  
17                  order approved by the board.

18                  On page 13 of the recommended order,  
19                  with regard to comparative income, not among  
20                  pilots but in comparative marine professional  
21                  income, the hearing officer found, and the  
22                  board approved, the following statement, and  
23                  this is paragraph 21 and I will not read the  
24                  whole thing. I will just read portions of  
25                  it.

1                   Generally, pilots receive about 50  
2                   percent more in total compensation than  
3                   Masters on US flag ships. This disparity is  
4                   necessary in order to motivate the most  
5                   desirable professional masters, a master or  
6                   chief mate with 10 to 12 years of experience,  
7                   to leave their current maritime employment,  
8                   including giving up valuable pension  
9                   benefits, to take on the risks of self-  
10                  employment as a pilot.

11                  This career entails significant  
12                  physical risk, civil and criminal liability  
13                  risks in the event of accidents, investment  
14                  in infrastructure, and management of  
15                  businesses. While petitioners may be correct  
16                  that masters and deck officers in other  
17                  maritime industries are generally compensated  
18                  less than state licensed pilots, those  
19                  employees bear none of the risks of self-  
20                  employment.

21                  Those aren't my words. Those are  
22                  words found by the administrative law judge,  
23                  and approved by this board. Paragraph 62,  
24                  which is directly consistent with this  
25                  investigator's assertion in 2000, that you

1 must attract the best pilots in the country.  
2 That is, the pool of professional US mariners  
3 qualified to move into the pilot career path  
4 is relatively small, a little over 2,000, and  
5 the ports across the US compete against each  
6 other to attract the best individuals to  
7 pilots.

8           Again, in 2002, the board's  
9 statements. Now with regard to our  
10 application, the FCCA of course majoratively  
11 states that we are comparing our income to  
12 Alaska. What I can tell you that your  
13 careful investigation will reflect what the  
14 FCC application has nothing about, and that  
15 is an apples to apples comparison of ports in  
16 Florida, in the southeast, in the country  
17 regarding the compensation presently  
18 available for port pilots, and the  
19 comparative workload of the pilots in these  
20 various areas, and a comparison of the  
21 difficulty in challenges and risks associated  
22 with the various ports.

23           And, across any metric, what the real  
24 facts show is that the port pilots have a  
25 vastly below average income with comparable

1 ports and comparable pilots, and if we  
2 receive the well justified increased, we will  
3 remain below average, but less settled. When  
4 is it ever that the state of Florida, that  
5 created -- that created a situation where the  
6 port pilots are supposed to represent the  
7 people of Florida, for safety and for the  
8 economy of the state, when is it that the  
9 state ever touts the fact that we are pleased  
10 with the fact that our port pilots have below  
11 average income?

12 Or that it is okay for the people of  
13 -- the citizens of the state of Florida to  
14 have below average protection for the  
15 economies of the states and the area for the  
16 ports, and the people who are in the ports?  
17 Nowhere, of course. That comparison is real,  
18 it's accurate, we embrace it and it is there  
19 for all to see and to criticize.

20 I would also ask the committee to look  
21 at what has happened in the years since the  
22 Port Everglades pilots have been -- have not  
23 received an increase, and what you will see  
24 is a dramatic reduction in the pool of  
25 applicants that take the test in Florida, and

1 a dramatic decrease in the pool of persons  
2 who pass the test, and what that shows is  
3 that now we have a much decreased pool of  
4 potentially the best and brightest, to take  
5 the place of the eight Port Everglades pilots  
6 that have performed so well, but who will be  
7 retiring.

8 And that to me is an extraordinarily  
9 important metric. If it's an account, or if  
10 it's a lawyer, and you have the number of  
11 people taking the CPA exam or the Bar exam,  
12 go from 100,000 to 20,000, and the number of  
13 people who passed from 50,000 to 1,000, what  
14 does that do when you as the CPA, or I as a  
15 lawyer, try to hire the applicants?

16 We know that, for whatever reason, the  
17 pool is not as robust as what it used to be  
18 and, at the end of the day, that's exactly  
19 what the law requires. The law demands, not  
20 that we try to attract the best and  
21 brightest, but that we do so, and nothing  
22 does it better than good compensation.

23 One last thing. With regard to the  
24 notion that Port Everglades is just an easy  
25 port, anyone can -- anyone can navigate a

1 ship into Port Everglades I, again would urge  
2 a careful investigation of the most recent  
3 POWSA report, and don't ask me what POWSA  
4 stands for because I won't be able to tell  
5 you, but it is an objective evaluation of the  
6 various ports in the country, on any number  
7 of metrics.

8 And in the most recent report there  
9 are specific assessments of each of these  
10 ports, and the difficulty of those across any  
11 number of characterizations, and one will  
12 see, on its face, that in practically every  
13 metric Port Everglades is among the top  
14 three, four, five, six, seven most difficult  
15 ports in the country.

16 Those are the facts. Those are not  
17 supported assertions or accusations, or  
18 attacks. Those are the facts. Thank you for  
19 your time. We encourage your careful  
20 investigation, and we remain open at all  
21 times to provide you whatever information you  
22 need.

23 THE CHAIR: Thank you very much.  
24 Okay. I'm going to open it up to other  
25 interested parties. Raise your hand and --

1           yes, ma'am. Would you please introduce the  
2           name and who you represent.

3                   MS. GRAY: Right. I will, don't  
4           worry. Hi. My name is Mary Ann Gray and I'm  
5           the executive director of Broward Navy Days.  
6           We produce fleet week, coming up on our 25th  
7           fleet week next year.

8                   The question, why do we want the most  
9           qualified pilots here at Port Everglades,  
10          that Mr. Panza may think is just a straight  
11          shot in, coming in through the 15 foot -- I  
12          mean 1,500 foot jetty that we have, we have  
13          all kinds, as it has been brought up by the  
14          attorney for the Port Everglades Pilots  
15          Association, different things that are going  
16          on that can impact when a ship is coming in.

17                   We have all kinds of different  
18          currents. We have recreational boaters on  
19          weekends interfacing with everything that's  
20          going on in and out of the channel. Our main  
21          concern, for me both as a former Port  
22          Commissioner at Port Everglades where this  
23          issue has come up many times, is safety.

24                   We bring in petroleum ships and they  
25          give all the petroleum here in South Florida.

1 We have cruise ships that will be bringing in  
2 4 million people. We also have container  
3 ships. We are the 10th busiest container  
4 ship port in the world. God foresee that  
5 some accident would happen through the  
6 negligence of an inferior possible pilot that  
7 may have come on board, due to the grade  
8 restructuring, that there is an accident,  
9 that closes.

10 Within five days there's no fuel in  
11 South Florida. There's just such a  
12 tremendous impact that it also would have to  
13 our environment. So I don't see that we want  
14 to be going out with any kind of rate  
15 reduction that could harm the chances of what  
16 might happen here at our port.

17 As working as a Commissioner back in  
18 the Port Authority in the early 90s, I had  
19 the pleasure of being the one greeting the  
20 Navy ships that came into our report, and at  
21 that time we could have anywhere from 80 to  
22 150 ships a year that would come in here to  
23 their favorite liberty port.

24 One of my concerns, always when I had  
25 the opportunity to meet the Captains of the

1 ships, or the Admirals that brought in the  
2 strike groups, was the service that we  
3 provide here at Port Everglades, and I can  
4 say unequivocally that every single  
5 Commander, Captain, Admiral I talked to, was  
6 so impressed with our harbor pilots.

7 If you ever have the opportunity to  
8 come in on an aircraft carrier through --  
9 into Port Everglades, and you will see that  
10 you cannot see water at all because of the  
11 width of the aircraft carrier, and yet they  
12 bring it in as easily as they would be  
13 bringing in one of the smaller container  
14 ships.

15 The Navy is not required, by Florida  
16 statute, to use our Port Everglades pilots,  
17 yet they always request them. There was one  
18 incident back in the 90s where a captain  
19 wanted to show the Navy that he could save  
20 them money. He had a brand-new ship, the  
21 Kate St. George. He refused tugs and he  
22 refused pilots. On his way out he crashed  
23 into Pier 66 -- Pier 66, I'm sorry. That  
24 would not be right. Pier 26, doing extensive  
25 damage to the pier as well as his brand-new

1 ship.

2 I can't say enough about how the Navy  
3 looks and regards our pilots. It's because  
4 of this that they are always willing to come  
5 into this port. We have the finest pilots  
6 around and when I travel to other ports, our  
7 reputation here for our port pilots is beyond  
8 any others that I've ever heard of.

9 It's so great to know that we have  
10 this group that is so concerned with the  
11 safety of what's going on here, and I would  
12 hate to see that jeopardized in any way,  
13 shape, or form, and I cannot speak on behalf  
14 of the Navy. I can only speak on what I hear  
15 from them, which is they would like to see  
16 continued top rate pilots here at Port  
17 Everglades, and we should too.

18 It's economics, it's everything here  
19 to our port. So I would certainly hope that  
20 you will look at this in great detail.

21 THE CHAIR: Thank you very much.

22 MS. GRAY: You're welcome.

23 THE CHAIR: Mr. Quick.

24 MR. QUICK: Well good morning, first  
25 of all. My name is George Quick and I am the

1 Vice President of the International  
2 Organization of Masters, Mates and Pilots.  
3 We represent the captains and navigating  
4 officers on US flagged ships and pilots  
5 throughout the United States handling ships  
6 in international trade. As a result of my  
7 position I am generally familiar with  
8 compensation levels and working conditions of  
9 professional mariners in the maritime  
10 industry.

11 There are basically two primary issues  
12 to be considered. The first is the  
13 prevailing overall compensation of comparable  
14 maritime professionals to meet the statutory  
15 guidelines for minimum pilot compensation.  
16 The second is the method of distributing the  
17 costs of maintaining a port safety system  
18 over the users on a fair and equitable basis.

19 In considering pilot compensation, the  
20 overall compensation level of masters on US  
21 flagged ships in international trade similar  
22 to those handled by the Port Everglades  
23 pilots is one factor to consider. I have  
24 provided the Port Everglades pilots with an  
25 analysis of our contract for a master showing

1 a compensation level of \$312,615.00 per year.

2 That is for a work rotation of even  
3 time off for time on duty or 182 days per  
4 year, similar to the rotation of pilots. The  
5 Rate Review Committee in the past has used  
6 master's compensation as a minimum or base  
7 guideline for pilots' in small ports with low  
8 traffic volume or physical limitations on the  
9 size of ships that can be handled which  
10 effects productivity.

11 But it should be noted that we are  
12 having a difficult time retaining masters and  
13 senior officers at the current compensation  
14 levels due, at least in part, to competition  
15 from skilled -- for skilled professional  
16 mariners in the offshore gas and oil  
17 industry.

18 As an example, the extremely deep  
19 water drilling rigs that are held in position  
20 -- as an example, the extremely deep water  
21 drilling rigs that are held in position by  
22 dynamic position, or DP systems, depend upon  
23 DP operators. The pay levels for DP  
24 operators range between \$1,600.00 to  
25 \$2,000.00 per day net income plus benefits

1 and bonuses.

2 DP operators are mainly recruited from  
3 our sector of the industry. Their net income  
4 can be well over \$300,000.00 per year which  
5 is higher than our masters gross overall  
6 compensation. Competition from the booming  
7 offshore oil and gas industry is a major  
8 factor in creating a shortage of professional  
9 mariners in our sector of the maritime  
10 industry.

11 Four pilots in major ports with high  
12 traffic volume and high productivity from  
13 handling very large ships the best comparable  
14 professionals are pilots in other major  
15 ports. Pilots in major ports face  
16 professional challenges in handling very  
17 large ships that far exceed the design  
18 criteria of the approach channels and port  
19 facilities.

20 The ship owner's ability to utilize  
21 economy of scale to increase productivity is  
22 dependent upon the pilot's professional  
23 skills in managing the risks that comes with  
24 the size of these ships. Pilot Boards or  
25 Commissions throughout the United States have

1 found it appropriate to recognize the  
2 interrelationship between economy of scale,  
3 productivity, and the professional skills  
4 that make it all possible in considering  
5 pilot compensation levels.

6 I'm familiar with pilot compensation  
7 and work conditions throughout the United  
8 States. I have testified or participated in  
9 pilot rate or legislative hearings on  
10 pilotage in Alaska, Washington state, Oregon,  
11 California, Texas, Louisiana, Alabama,  
12 Florida, Virginia, Maryland, Pennsylvania,  
13 Delaware, New Jersey, New York, Rhode Island,  
14 and Massachusetts.

15 I have reviewed the reports on pilot  
16 compensation in major ports prepared in the  
17 past by Dibner Maritime Associates, and I  
18 believe they'll be presenting a report to  
19 this committee. I can verify from personal  
20 experience from my position in the industry  
21 that the numbers in the Dibner's reports are  
22 a reasonable estimate or projection of pilot  
23 compensation levels in major ports.

24 But it also should be recognized that  
25 pilots are not on a fixed salary. As fee for

1 service professionals their precise income  
2 will be dependent upon a number of variables.  
3 Due to the stable traffic patterns in most  
4 ports the variations are generally within a  
5 range of about five percent or less unless  
6 there is an unusual change in traffic  
7 patterns.

8           Given the range of compensation from  
9 masters at the low end and at \$312,000.00 gross  
10 income, the offshore gas and oil industry net  
11 income levels well over \$300,000.00 and  
12 pilots in major ports at an average net  
13 income of approximately \$450,000.00 the  
14 current income of the Port Everglades pilots  
15 is not competitive. It places the pilotage  
16 system in Port Everglades at a serious  
17 disadvantage in attracting and holding the  
18 most qualified individuals as pilots as  
19 required by the Florida statutory guidelines.

20           The approval of the application of the  
21 cruise lines would further reduce pilot --  
22 the Port Everglades compensation by  
23 \$80,000.00 to the point where it would be  
24 impossible to compete in the very limited  
25 pool of qualified maritime professionals for

1 future pilots. At the present time the  
2 number of officers with unlimited licenses  
3 has been so drastically reduced by new  
4 international training and recency of service  
5 requirements that it even has the Department  
6 of Defense and the Maritime Administration  
7 concerned about maintaining the surge  
8 capacity of licensed officers needed to man  
9 government owned shipping in the event of a  
10 breakout for an overseas conflict.

11 To attract new pilots Port Everglades  
12 would have to compete in this very small pool  
13 of qualified officers against commercial  
14 shipping interests, government owned military  
15 sealift needs, offshore gas and oil industry,  
16 and the needs of pilot associations in 25  
17 different states.

18 It is no exaggeration to say that in a  
19 reduction in Port Everglades rates would  
20 jeopardize the future for an efficient and  
21 reliable pilotage system in the port.

22 Historically pilotage charges have always  
23 been based on the potential earning capacity  
24 of productivity of the ship. In the past  
25 they were based on the draft or how deeply

1 loaded ships were in the water.

2 As shipbuilding technology advanced  
3 and ships increased dramatically in length,  
4 beam, and carrying capacity with very little  
5 increase in draft, it became apparent that  
6 draft alone no longer represented potential  
7 productivity and regulatory authorities  
8 throughout the United States, and worldwide,  
9 have changed to either gross tonnage or other  
10 formulas that measure the carrying capacity  
11 or tonnage of the ship as the basis for  
12 pilotage charges.

13 It should be borne in mind that  
14 pilotage is not just a service to the  
15 individual ship, but a public service created  
16 to protect all stakeholders in the maritime  
17 transportation system. As a matter of policy  
18 it is in the interest of the public to have a  
19 pilot on all ships, large or small, that may  
20 be a threat not only to themselves but to  
21 other ships as well as to the port facilities  
22 and the marine environment.

23 No matter what safety precautions the  
24 cruise lines may believe they have taken for  
25 their ships, they are not in control of the

1 high risk overall port environment. They are  
2 still vulnerable to being rammed, damaged, or  
3 even sunk by a small ship that could be  
4 mishandled if it did not have a pilot on  
5 board.

6 With the massive investment involved  
7 in the new larger cruise ships and the number  
8 of lives on board, it is clearly a  
9 significant benefit of great value to the  
10 cruise lines to have a pilot handling all  
11 ships, large or small, that they are meeting  
12 in the close encounters experienced in the  
13 very limited maneuvering room available in  
14 the port area.

15 Basing pilotage charges on tonnage  
16 permits bringing the smaller low tonnage ship  
17 with low earning potential into the pilotage  
18 system at a charge commensurate with their  
19 ability to pay and reduces the overall risk  
20 to all ships, large and small, cruise or  
21 cargo. To the extent that the large ships  
22 may be subsidizing pilotage charges on the  
23 small ship is justifiable as it reduces their  
24 exposure to risk.

25 This has been accepted nationally and

1 internationally as a fair, just, and  
2 reasonable distribution of the costs of  
3 maintaining a pilotage system over all the  
4 users. The cruise lines attempt to justify a  
5 reduction in pilotage fees on the basis that  
6 they have a state-of-the-art high-tech  
7 navigation systems that makes them safer and  
8 easier to handle.

9 The truth is that all navigational  
10 equipment fitted on all ships have to meet  
11 the same type acceptance performance  
12 standards established by the International  
13 Maritime Organization, the UN organization  
14 responsible for regulating international  
15 shipping. The electronic manufacturers sell  
16 this type accepted equipment to all new  
17 ships, cruise ships, and cargo ships alike.

18 The newer cruise ships do not have any  
19 access to exclusive proprietary navigation  
20 technology that can't also be found on the  
21 newer cargo ships. The cruise lines also  
22 make the argument that a reduction in rates  
23 is justified on cruise ships because some of  
24 their ships are larger than the average ship.

25 They disregard the fact that some

1 cruise ships are smaller than the average  
2 ship, and some cargo ships are larger than  
3 the average ship. If there is to be a  
4 realignment of the rates that ships more of  
5 the costs to maintaining the pilot ship --  
6 the pilotage system from the larger ships to  
7 the smaller ships it should be applied across  
8 both cargo and cruise ships alike without  
9 unjustified discrimination.

10 There is no valid basis for  
11 discriminating in pilotage rates simply  
12 because they are cruise ships. Each should  
13 pay its fair share of supporting the pilotage  
14 system with rates that take into account the  
15 size of the ship. I believe the Port  
16 Everglades pilots have filed an application  
17 that revises the method of assessing pilotage  
18 charges that would shift some of the costs  
19 from the larger ships to the smaller ships  
20 without discrimination. It is a reasonable  
21 compromise between the cargo and cruise ship  
22 interest and should be given careful  
23 consideration. Thank you.

24 THE CHAIR: Thank you. Who would like  
25 to speak next? Yes, sir?

1 MR. CANGIANO: Hi. My name is Anthony  
2 Cangiano. I work with Seabolt Towing,  
3 Incorporated as an operations manager. We're  
4 the harbor assist company here in Port  
5 Everglades. I wanted to echo some of the  
6 comments made by Mary Ann. Safety of our  
7 crew, assets, and environment are paramount  
8 to what we do every day.

9 The pilots at Port Everglades are  
10 integral in movement of ships and our boats,  
11 and a big part of what we do on a daily  
12 basis. It goes without saying that Port  
13 Everglades is an overly large port, but as  
14 tight as it is in certain areas, it takes a  
15 lot of knowledge, persistence, and capability  
16 to do what they do day in and day out without  
17 incident.

18 I think that any reduction, as far as  
19 the professionals on their side, is going to  
20 create a ripple effect within the port that  
21 will be tough to recover from. So my speech  
22 is going to be short, but I believe that any  
23 reduction of professionals on their side is  
24 going to be felt port wide.

25 THE CHAIR: Thank you. Yes, sir.

1 MR. VOR: Hi. I'm Michael Vor. I'm  
2 with SeaCorp Island Lines here in Fort  
3 Lauderdale. Mr. Law, thank you for your time  
4 today. I want to take an opportunity, before  
5 I get into this, to just give you a little  
6 bit about my background.

7 I'm a US Coast Guard Licensed Master  
8 Mariner, unlimited tonnage. I sailed nine  
9 years, one of which was in and out of Port  
10 Everglades on US flagged tankers, and those  
11 tankers, and I'll speak to that soon, US  
12 flagged tankers are required to take a pilot  
13 when they come into Port Everglades if  
14 they're federally licensed.

15 Those vessels that I came in on, those  
16 masters chose to take a pilot, although the  
17 companies they worked for incentivized them  
18 not to, because of the risk and the liability  
19 that's involved in what those pilots do to  
20 bring in these vessels, it doesn't make sense  
21 for them to come in, and they come in every  
22 week they were here, throughout the year, and  
23 chose because of the risk involved to their  
24 livelihood to bring on one of the state  
25 licensed pilots.

1                   So I just thought I would add that to  
2                   it, before I go into what I currently do.  
3                   That was my -- my previous life. SeaCorp  
4                   Ocean Transport, which is the parent company  
5                   of SeaCorp Island Lines, is a company  
6                   headquartered in Fort Lauderdale, Florida.  
7                   It operates vessels throughout Florida, US  
8                   gulf, eastern seaboard, and the Caribbean.

9                   Our fleet consists of harbor tugs,  
10                  specialized landing craft, US flagged  
11                  tankers, container ships and barges. These  
12                  vessels provide vital shipments to the  
13                  regions they service, be it fuel, general  
14                  cargo, supplies, or emergency aid relief.  
15                  Our fleet of tankers and container vessels  
16                  calls to Port Everglades Basically on a daily  
17                  basis.

18                  We utilize pilotage service from the  
19                  Port Everglades Pilots Association. As  
20                  mentioned before, although our US flagged  
21                  tankers have been go to call the port without  
22                  taking a state licensed pilot, we feel that  
23                  it would be irresponsible for us to go  
24                  without the added safety net of a state  
25                  licensed pilot as provided by the

1 association.

2 As a publicly traded company with  
3 shareholders expectations and sound business  
4 planning, we fully expect and are prepared  
5 for reasonable cost increases to occur on the  
6 service that we rely on to safely operate our  
7 vessels. The rate structure that is outlined  
8 in the pilot's reapplication is reasonable  
9 and will allow us to continue operating  
10 competitively by utilizing Port Everglades in  
11 our tradewinds.

12 The rates in Port Everglades are among  
13 the lowest that our ships pay, that many of  
14 the ports that we service. The services that  
15 are provided by the pilots are crucial to our  
16 safe operations in the port, considering the  
17 area that we operate in, and the tourism  
18 industry that the beaches of South Florida  
19 provides is crucial, that as a good corporate  
20 citizen we take all measures necessary to  
21 protect our area's resources.

22 As previously mentioned, we feel that  
23 a reasonable increase in pilotage rates is  
24 acceptable in order to maintain the proper  
25 level of service in Port Everglades. As with

1 any shipping line, time is money. The  
2 container line business that I operate is  
3 very time sensitive, as many of our voyages  
4 are short runs to the islands.

5 This cargo, in many cases, is just in  
6 time supply for emergent drydockings,  
7 construction projects, repairs and, as  
8 mentioned, emergency relief. With the  
9 decreased level of service our fear is that  
10 our business would suffer from those delays.  
11 We do not have the luxury of slowing down our  
12 vessels after departing, or for a timed  
13 arrival at our destinations.

14 Our schedule is dependent on having  
15 pilots available to sail our vessels when we  
16 are ready to depart, and steaming at a full  
17 sea speed for our entire voyage. As our  
18 vessels grow in length, beam, and draft  
19 through the years, we feel it is more  
20 relevant to have qualified and capable pilots  
21 available to navigate these vessels in the  
22 port.

23 As our vessel size increases, so does  
24 the carrying capacity of the vessel and  
25 potential for revenue generation. The

1 expected increase in pilot costs due to size  
2 is therefore reasonable and on our part  
3 scalable. In closing, the Pilots  
4 Association, through their knowledge of the  
5 industry, knowledge of the port, and  
6 knowledge of the vessel characteristics  
7 create the best solution for efficient  
8 operation of the entire community of shipping  
9 lines that call upon Port Everglades.

10 To ensure continued improvement in  
11 their training program, and to ensure  
12 continued efficient and on time service, we  
13 feel that their rate increase is reasonable,  
14 and that any prudent operator in the port,  
15 with a view of the long-term success of the  
16 region, would come to the same conclusion.  
17 Thank you.

18 THE CHAIR: Thank you. I'd like to  
19 add to this process that any document, like  
20 yours, you're not going to attach to the  
21 report, you know. So letters from interested  
22 parties, so that the rate review committee  
23 can see this in its full context before the  
24 hearing.

25 So whether you've spoken today or not,

1 and you want to submit something to me for  
2 submission, my e-mail is rlaw@lrcm.com, and  
3 my phone number is 850-878-6189, and you can  
4 get my mailing address from there. Anyone  
5 else? Yes, sir.

6 MR. CODEGA: My name is Tony Codega.  
7 I work for McAllister Towing in Port  
8 Everglades. McAllister towing this year is  
9 celebrating their 150th year of service, so  
10 that's pretty good. 1864 we started. We've  
11 been part of the Port Everglades community  
12 since 2004, when we took over the tugs  
13 franchise that was here.

14 Since that time we've had a pretty  
15 good opportunity to work closely with the  
16 pilots in their efforts to bring ships safely  
17 in and out of Port Everglades, and one of the  
18 things that always gets me is when people say  
19 a short transit is an easy transit. That's  
20 just not the case. I challenge anyone to go  
21 to the airport and tell them you're going to  
22 cut the runway in half and see what they say.

23 We've got some tight constraints.  
24 We've got the Gulfstream. We've got a  
25 turning basin that was laid out in the 1930s

1 were the 1940s. Ships a fraction of the size  
2 of what we're bringing in here now. These  
3 guys do a great job. They have some take  
4 constraints.

5 They're bringing in ships well over  
6 1,000 feet in length now, sometimes bypassing  
7 other ships within 30, 40 feet as they travel  
8 down the Intracoastal waterway to try and  
9 meet the time constraints of the shipping  
10 community to on time delivery, just in time  
11 delivery.

12 The other thing we set up for, you  
13 know, we just brought in a new 6,000  
14 horsepower tractor tug, and there's an old  
15 guy, he just died this year, Arthur Fornier  
16 up in Maine, he used to say right on the top  
17 of his letterhead he says, we have horsepower  
18 in the wheelhouse where it counts.

19 And really all the horsepower in the  
20 world, and we provide 6,000 horsepower,  
21 Seabolt has some great boats, that's really  
22 useless unless you have the guy in the  
23 wheelhouse to knows how to use it, and so you  
24 know we could probably do the job with 1,800,  
25 2,000, 3,000 horsepower single crew boats on

1 a daily basis, but when things go wrong it's  
2 the what if that we're preparing for.

3 And when that what if happens, be it  
4 loss of propulsion, loss of steering, our  
5 favorite the kayakers, and their offspring,  
6 the standup paddle boards that we see in the  
7 harbor now. I've seen it happen. I've been  
8 on the boat, I've been on the tug. I'm  
9 captain on that new tractor tug.

10 I've seen it when the what if occurs,  
11 when you do lose the steering, the kayaker  
12 guy falls out of his boat ahead of time.  
13 I've seen these guys take early and evasive  
14 and substantial action to avoid things that  
15 otherwise would end up on CNN. So really,  
16 you've got to give them praise, you've got to  
17 give them credit, and you can't just say, you  
18 know, that is easy money.

19 It's a difficult port to work in.  
20 It's a hard port to work in, and really any  
21 compromise in their pay would affect the  
22 port. I used to be a pilot up in Maine and  
23 one of the reasons why I'm not anymore,  
24 compensation. It's just, the money wasn't  
25 there and the ships dried up, and they just

1 weren't willing to keep going with the money.

2 I left. That's why I drive tugboats  
3 in Port Everglades now, and I enjoy it. I  
4 enjoy working with these guys, and I urge  
5 your support in their efforts to greatly  
6 restructure. Thank you.

7 THE CHAIR: Thank you. Anyone else?  
8 Yes, sir. Can you come up please?

9 MS. CAMPBELL: Margaret Campbell, Port  
10 Everglades Association. Mr. Law, thank you  
11 for being here for my remarks after today.  
12 Very brief. This is an aside that will lead  
13 right to a main point.

14 Today is the funeral and burial of  
15 Captain Jean Fitzgerald, a proud old Navy  
16 officer who died on Pearl Harbor Day, and was  
17 one of the founders of the Port Everglades  
18 Association in 1979.

19 GALLERY: As well as Broward Navy  
20 Days.

21 MS. CAMPBELL: As well as Broward Navy  
22 Days. To the point of the association,  
23 however, in 1979 there were six founders.  
24 Jean is the last of them to die, but one was  
25 Captain Jackson, Port Everglades pilots, and

1 I bring this up to tell you that for the past  
2 three or four decades, since the modern Port  
3 Everglades, a guess we turned it into a port  
4 in 1920 something, and we were bringing in at  
5 that time, from the beginning, oil products.

6 The point of the association was to  
7 diversify the business at Port Everglades, at  
8 which point here's what started coming here,  
9 cargo ships and cruise ships. We at the Port  
10 Everglades Association are thrilled with the  
11 diversified and dynamic port we have become,  
12 and a lot of that has to do with the way that  
13 everything works and is committed to by  
14 everybody in the port, and I say that on  
15 behalf of the pilots.

16 The original six members has grown to  
17 86 companies. We have cruise and cargo  
18 lines, petroleum interests, contractors,  
19 warehouse operations, railroad, other  
20 transportation providers, and now and then a  
21 banker or an attorney, and what I want to do  
22 is to conclude by saying, it is the community  
23 spirit at Port Everglades, I think, and the  
24 ability to work together and come to a  
25 compromise where everybody is valued for what

1           they bring to the table.

2                     The value of the port pilots is kind  
3           of undeniable. We also value the increased  
4           traffic of vessel traffic in and out of Port  
5           Everglades. So I thank you for your time,  
6           and that will conclude my comments.

7                     THE CHAIR: Thank you very much. Yes,  
8           sir.

9                     MR. NEALON: Hello. I'm Gardiner  
10          Nealon and I'm with Perlay Latin America  
11          Services here in Port Everglades, one of the  
12          largest container operations in Port  
13          Everglades. I just want to state that  
14          basically I have no issue with the  
15          professionalism and the service that we are  
16          presently getting from the pilots in Port  
17          Everglades.

18                    However, with their proposal I find it  
19          unacceptable that there's basically going to  
20          be a 17 percent increase onto the cargo  
21          industry, and if what the FCCA indicates is  
22          true with the flat rate charges, this will  
23          actually increase our charges to over 50, 60  
24          percent.

25                    Most companies can't afford to have

1           such a large increase in one part of their  
2           operations. It's a considerable cost to  
3           Peraly considering we have eight or so ships  
4           a week calling Port Everglades, and that's  
5           basically my conclusion. Thanks.

6           THE CHAIR: Okay. Do you have that in  
7           the document you can give me? Can you give  
8           me a letter on that?

9           MR. NEALON: I'll give it to you.

10          THE CHAIR: Okay. Anyone else? I  
11          have one question. Ma'am, you said that if  
12          something catastrophic were to happen and the  
13          port couldn't get any traffic in, that South  
14          Florida would run out of fuel in five days.  
15          Did you say that?

16          MS. GRAY: I did, and I believe it's  
17          five or seven, because of what we have stored  
18          in the tanks. Once they're gone, if no  
19          tanker comes in --

20          THE CHAIR: Right. So --

21          MS. GRAY: -- that's it.

22          THE CHAIR: So what you're saying is,  
23          the capacity of all those tanks out there is  
24          a five to seven day capacity?

25          MS. GRAY: I do believe so. Yes.

1 THE CHAIR: Can you give me that in  
2 some type of verified form?

3 MS. GRAY: I will. Yeah. I will be  
4 sending all this to you. Yes, sir.

5 THE CHAIR: Okay.

6 MS. GRAY: Mine was sort of impromptu,  
7 but I do remember what I said.

8 THE CHAIR: Okay. Well, do you recall  
9 what the source of that information is?

10 MS. GRAY: From the petroleum --  
11 what's it called?

12 GALLERY: Yeah. After Hurricane  
13 Wilma, that actually happened.

14 MS. GRAY: Oh yeah.

15 GALLERY: Because there was damage in  
16 the harbor, and in 24 hours there was no fuel  
17 on the track.

18 THE CHAIR: Right, okay.

19 MS. GRAY: No. It's a -- it's a fact,  
20 and I will get backup for it as well, when I  
21 send you my letter.

22 THE CHAIR: Okay.

23 MS. GRAY: Which is extremely  
24 important. In fact, the governor is always  
25 talking to the captain of the port when a

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storm is coming in, and the tankers will  
always be the first ships there are allowed  
back into the port if there's a storm, where  
they've had to be out at sea.

THE CHAIR: Okay. Anybody else?  
Okay. That will conclude this meeting.  
(Thereupon, the meeting was concluded)

REPORTER'S CERTIFICATE

STATE OF FLORIDA :  
COUNTY OF BROWARD :

I, FERNANDO SUBIRATS, Court Reporter and  
Notary Public in and for the State of Florida at  
Large, do hereby certify that I was authorized to  
and did report the proceedings in the above  
meeting; that the foregoing pages constitute a  
true and complete record of my notes.

I further certify that I am not a relative,  
employee, attorney or counsel of any of the  
parties, nor am I a relative or employee of any  
of the parties' attorney or counsel connected  
with the action, nor financially interested in  
the action.

Dated this 15TH day of DECEMBER, 2014.

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Fernando Subirats

Court Reporter

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