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

RICHARD LAW, Consultant
PROCEEDINGS

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 laddered 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.
revenue, mostly to apply to the larger ships.

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

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

It's -- it's a -- I might have their side present that but it's kind of -- we're trying to get that clarified before we address it as part of the requested rate increase, because the revenue projections, forecasted financial statements, do not include the element and it has a big effect on the net income of the pilots.
That's a brief overview of these two applications. The applications are both quite lengthy. I don't have copies of them. You can request a copy from the Department of Business and Professional Regulation. I would suggest that you ask for an electronic copy because, again, they're quite long.

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

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

MR. PANZA: Thank you. My name is Tom Panza. I'm representing FCCA. We filed an application, and I think it was in July, for a rate reduction of -- for the -- only for
the cruise ships of 25 percent of all cruise
ship pilotage fees, and we feel that it's
completely justified to do that.

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

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

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

This constitutes 14 percent of the
pilotage fees, 14 percent, and it also
constitutes two and a half percent of the handles. So, as you can see, there is a cost shift there and there's an inordinate amount of money that the ships are paying, based on nothing other than their size.

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

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

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

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

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

So we're not asking for the cargo
industry to go up in their rates. All we are
doing is trying to bring parity or fairness
to the cruise ship industry and reduce that.
The -- the pilots currently in Port
Everglades, by their own admission, by their
own documents, and I think it's in appendix A
war appendix B of their application, their
alternative application, get paid, according
to them, their own numbers not ours,
$416,000.00 a year.

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

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

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

They have gotten together. They have decided, I guess amongst themselves, that
upon retirement or upon a certain age or a certain amount of years, 20 years I guess and 55, that a pilot can stop acting as a full-time pilot but would still receive one half of the -- of their -- of the amount of money that would be made by the active pilots, up to a cap of 20 percent of the gross revenues for that particular year. There is nothing, nothing, nothing that can be considered that this is a qualified pension plan.

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

So they decided to pay this half and where -- and where they got the money to pay the half wasn't the money that they contributed to it at all. The money comes
out of that operating expenses per year. So the money that they've contributed, or the money that they have to pay rather, for these pilots, comes out of operating expenses that the rate payers have to pay.

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

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

Well I can assure you, if you look at any actuarial plan that's solid, that's a qualified plan, that would be more than -- that would be for a period of 20 years, for them to make one half of the net income of the existing pilots, it's going to be more than $25,000.00.
In Dade County we used a conservative number of $57,000.00 or thereabouts. So that money needs to be included back into their revenue. It's part of their revenue. So, as a result of that, the 25 percent is deflated and that makes up part of their $416,000.00 which they've -- they've admitted.

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

I assume that's the paperwork that other places may have secretaries or administrative assistants or someone else doing it. It leaves unaccounted -- and it's nowhere to be found in their application, nowhere to be found in their financial statements, what the other 600 something thousand dollars, $640,000.00 is attributed
to because the -- if you take the $1.4 million, and you take $850,000.00 as the payments for the pilots for their administrative duties, it leaves you $640,000.00 unaccounted for.

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

Completely unreasonable.

They claim that their major medical is $26,505.00 per pilot. Life insurance is $1,440.00 per pilot, and that number may be reasonable. I mean, I'm not contesting the reasonableness of that particular number.

The total pilots would be -- the total pilot costs would be $27,945.00, and I believe they have 17 pilots in Port Everglades.

That leaves $475,000.00 for insurance.

So in essence, what is the other $422,742.00 for? They claim it's all for insurance.

Well, they don't break down what the other $422,000.00 is. So when you take these, just
these three categories, and when we have the
actual trial we'll demonstrate this in, you
know, in great detail, but if you take those
categories it shows that the pilots make well
over $500,000.00 a year.

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

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

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

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

So when you add up all of those numbers, to their claim that it's 11 percent, none of that is counted in. So when we look at the total draft fees that they are asking for, under the current policy -- or the current schedule of costs rather, it's
$470,737.00.

Under what they're proposing for draft increases is $754,085.00, and these are all changes -- well let me go to the next one.

Then you have the capital -- the $200.00 per handle for the pension benefit. That comes to $300,400.00. Then you have the $70.00 for the capital improvement or maintenance fee. That's $300,400.00. And then you have the deputy pilot fee, which is $60,000.00.

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

The CPI would probably be somewhere between four to five percent, depending, since the economy is starting to come back. I'm sure it's going to be within that range. So that's all before you add in the CPI. The CPI is for three years. So if the CPI is four percent or five percent for three years,
you then wind up with these same and draft
fee, instead of it being $754,000.00 it now
moves up to $870,000.00.

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

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

They go to $200.00 per handle from
$1,912,000.00 up to $3,368,000.00. If you look at the deputy pilot fees, they go to $235,000.00 from $0, because they were $0 now. So when you look at these fees, you have to take into account several factors. One factor is you have to -- the biggest factor is, you have to take into account what are they making now, the real number they're making now. Not some fictitious number that they don't count certain things.

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

So the reality is, once you add in all of these fees, and once you add in the CPI, there is no rate decrease for anybody, including the large ships, and if it is for
the large ships it's less than $100,000.00 or so. So we're talking about -- there's not really any -- any decrease because of the large ships, or giving the appearance that it's for large ships.

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

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

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

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

That's their commitment. If they can't fund that commitment that's between themselves. That's not between any other rate payers, and the rate payers shouldn't be punished as a result of it but if you take -- now what they want to do is even worse and
more egregious, is they want to go -- they
don't add the $200.00 in there.

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

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

We didn't have one of those, so now
let's have one of those too. Okay. There is
nothing in here about how this pension plan
works. There's nothing in here as to when
anybody phases into the pension plan.

There's nothing in here about how the rate
payers would be reduced, if it is reduced
ever, for this half that they're, you know,
the 50 percent payment. None of that's --
none of that is mentioned. Nothing.

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

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

This new plan, as I said, there's no
plan in place and the committee has no idea,
nor could you as an investigator here, have
any idea on how this thing works unless
there's been other meetings with them and
they told you how it works, and they didn't
tell us how it works but there should be --
there is no reason.

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

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

That doesn't count the increased
volume in work at the port. It doesn't
increase any of the Panamax issues. It
doesn't, you know, count for any of those
considerations. Even using the pilots
$411,000.00 salary estimate, this would
reduce the salaries to $334,000.00, not $266,000.00.

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

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

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

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

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

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

MR. PANZA: Repeating all that?

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

MR. PANZA: Yeah. I'll give you --

I'll -- I'll re-write it.

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

MR. PANZA: Sure.

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

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

THE CHAIR: Right.

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

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

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

THE CHAIR: Okay, thank you.

MR. PANZA: Thanks. Thank you.

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

MR. MEROS: Thank you, Mr. Law. My name is George Meros with Grey Robinson Law Firm in the Tallahassee office. I am here
very proudly to represent the Port Everglades pilots in defense of the alternative rate application, and in opposition to the FCC application. With me here today is Captain Mike Cunningham and also Captains Andy Edelstein and Jim Ryan.

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

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

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

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

    They say and represent to you that our
rates and our analysis does not apply to the
charges for deputy training, and one or two
other charges. I've forgotten the name.
They do, they do. They -- our numbers take
into account those various elements. They do
not take into account the $200.00 relating to
a funded retirement plan, which I will get
to in a minute.
Those are just two of the assertions made that are fundamentally wrong. Now let's go to the $200.00 charge, which you appropriately raised, and the FCC made a mistake. They suggest that we are asking for that -- for that amount. I would refer to you, and to the board, pages three and eight of the application.

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

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

Preliminary discussions with our
retirement consultant have identified a requirement of $4.1 million per year, for an additional ten year period, to establish a fully funded pension plan. This would amount to a per vessel charge of $550.00 per vessel movement, and would be a significant burden on consumers of the port.

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

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

Following a positive decision by the committee, PEP would proceed with the careful
structuring of a viable plan for presentation
to the committee prior to issuance of the
final order. What the Port Everglades pilot
is, number one, speak in plain English and
tell you things which are directly contrary
to what has just been said.

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

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

The pilots have existing contractual
items that would have to be waived. Who
knows whether they would be waived? Who
knows how many would do so or not, or those
contracts would have to expire before any of this could happen. All we said, in plain English was, if the board wants us to do this we will work with the board to do it legally upon further consideration, not what has been alleged.

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

The same pilots who, in the past 20 years, have ensured safe, efficient, and productive port helping the port generate, in 2012 alone, $26 billion dollars in revenue and 201,000 jobs, and is this investigative committee said in 2000, it is in the best interest of the state of Florida to attract the most capable pilots in the country, and nothing attracts them better than good compensation.
Now Mr. Law, the converse effect is nothing in the world is less likely to attract the best and brightest compensation than to not have strong compensation, to require pilots not to receive an increase for 12 or more years.

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

To do what the FCCA is requesting, and that is to return pilotage rates for cruise ships to pre-1982 levels. That's what the FCCA application requests. That's -- but the FCCA does not say, in its application anywhere, and I urge this committee to look at the application and to see, where is it that taking $85,000.00 out of the pocket of each pilot, where is it that not having a raise, where is it that these sorts of attacks are going to attract the best and brightest in the country?
It won't, and to be clear, what the facts show is the Port Everglades pilot pilotage rates are among the lowest rates in the country period. It is equally a fact that the Port Everglades pilot income is well below the national average for pilot income in comparable ports. That is a fact.

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

We accommodated that. We accommodated it while equitably distributing the ability to have rates that come closer to the national average, but that are below average for rates that have not changed in many, many
years. We did what the board asked us to do, and we did it in a way where there is a net, accurately stated, a net of an 11 percent increase in income. The first increase in over 11 years.

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

Their application would give a 25 percent discount in tonnage and in draft rates to the smallest, least technologically advanced, oldest ships, as much as the biggest ships. I urge this investigative committee to look at all of their assertions, in their Miami application and this application, and to try to determine how it is that that is consistent with their argument, or is it just a gross redistribution of income from the pilots to the cruise industry, for whatever reason?
A cynical mind would suggest that that's the best possible way to hurt the pilotage industry, or to knock it out altogether, but it's certainly not consistent with their assertion that there was a cost shift to the -- to the largest ships.

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

On page 13 of the recommended order, with regard to comparative income, not among pilots but in comparative marine professional income, the hearing officer found, and the board approved, the following statement, and this is paragraph 21 and I will not read the whole thing. I will just read portions of it.
Generally, pilots receive about 50 percent more in total compensation than Masters on US flag ships. This disparity is necessary in order to motivate the most desirable professional masters, a master or chief made with 10 to 12 years of experience, to leave their current maritime employment, including giving up valuable pension benefits, to take on the risks of self-employment as a pilot.

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

Those aren't my words. Those are words found by the administrative law judge, and approved by this board. Paragraph 62, which is directly consistent with this investigator's assertion in 2000, that you
must attract the best pilots in the country. That is, the pool of professional US mariners qualified to move into the pilot career path is relatively small, a little over 2,000, and the ports across the US compete against each other to attract the best individuals to pilots.

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

And, across any metric, what the real facts show is that the port pilots have a vastly below average income with comparable
ports and comparable pilots, and if we
receive the well justified increased, we will
remain below average, but less settled. When
is it ever that the state of Florida, that
created -- that created a situation where the
port pilots are supposed to represent the
people of Florida, for safety and for the
economy of the state, when is it that the
state ever touts the fact that we are pleased
with the fact that our port pilots have below
average income?

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

I would also ask the committee to look
at what has happened in the years since the
Port Everglades pilots have been -- have not
received an increase, and what you will see
is a dramatic reduction in the pool of
applicants that take the test in Florida, and
a dramatic decrease in the pool of persons who pass the test, and what that shows is that now we have a much decreased pool of potentially the best and brightest, to take the place of the eight Port Everglades pilots that have performed so well, but who will be retiring.

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

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

One last thing. With regard to the notion that Port Everglades is just an easy port, anyone can -- anyone can navigate a
ship into Port Everglades I, again would urge a careful investigation of the most recent POWSA report, and don't ask me what POWSA stands for because I won't be able to tell you, but it is an objective evaluation of the various ports in the country, on any number of metrics.

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

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

THE CHAIR: Thank you very much. Okay. I'm going to open it up to other interested parties. Raise your hand and --
yes, ma'am. Would you please introduce the
name and who you represent.

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

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

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

We bring in petroleum ships and they
give all the petroleum here in South Florida.
We have cruise ships that will be bringing in 4 million people. We also have container ships. We are the 10th busiest container ship port in the world. God foresee that some accident would happen through the negligence of an inferior possible pilot that may have come on board, due to the grade restructuring, that there is an accident, that closes.

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

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

One of my concerns, always when I had the opportunity to meet the Captains of the
ships, or the Admirals that brought in the
strike groups, was the service that we
provide here at Port Everglades, and I can
say unequivocally that every single
Commander, Captain, Admiral I talked to, was
so impressed with our harbor pilots.

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

The Navy is not required, by Florida
statute, to use our Port Everglades pilots,
yet they always request them. There was one
incident back in the 90s where a captain
wanted to show the Navy that he could save
them money. He had a brand-new ship, the
Kate St. George. He refused tugs and he
refused pilots. On his way out he crashed
into Pier 66 -- Pier 66, I'm sorry. That
would not be right. Pier 26, doing extensive
damage to the pier as well as his brand-new
I can't say enough about how the Navy looks and regards our pilots. It's because of this that they are always willing to come into this port. We have the finest pilots around and when I travel to other ports, our reputation here for our port pilots is beyond any others that I've ever heard of.

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

It's economics, it's everything here to our port. So I would certainly hope that you will look at this in great detail.
Vice President of the International Organization of Masters, Mates and Pilots. We represent the captains and navigating officers on US flagged ships and pilots throughout the United States handling ships in international trade. As a result of my position I am generally familiar with compensation levels and working conditions of professional mariners in the maritime industry.

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

In considering pilot compensation, the overall compensation level of masters on US flagged ships in international trade similar to those handled by the Port Everglades pilots is one factor to consider. I have provided the Port Everglades pilots with an analysis of our contract for a master showing
a compensation level of $312,615.00 per year.

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

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

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

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

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

The ship owner's ability to utilize economy of scale to increase productivity is dependent upon the pilot's professional skills in managing the risks that comes with the size of these ships. Pilot Boards or Commissions throughout the United States have
found it appropriate to recognize the 
interrelationship between economy of scale, 
productivity, and the professional skills 
that make it all possible in considering 
pilot compensation levels.

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

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

But it also should be recognized that 
pilots are not on a fixed salary. As fee for
service professionals their precise income will be dependent upon a number of variables. Due to the stable traffic patterns in most ports the variations are generally within a range of about five percent or less unless there is an unusual change in traffic patterns.

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

The approval of the application of the cruise lines would further reduce pilot -- the Port Everglades compensation by $80,000.00 to the point where it would be impossible to compete in the very limited pool of qualified maritime professionals for
future pilots. At the present time the number of officers with unlimited licenses has been so drastically reduced by new international training and recency of service requirements that it even has the Department of Defense and the Maritime Administration concerned about maintaining the surge capacity of licensed officers needed to man government owned shipping in the event of a breakout for an overseas conflict.

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

It is no exaggeration to say that in a reduction in Port Everglades rates would jeopardize the future for an efficient and reliable pilotage system in the port. Historically pilotage charges have always been based on the potential earning capacity of productivity of the ship. In the past they were based on the draft or how deeply
loaded ships were in the water.

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

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

No matter what safety precautions the cruise lines may believe they have taken for their ships, they are not in control of the
high risk overall port environment. They are still vulnerable to being rammed, damaged, or even sunk by a small ship that could be mishandled if it did not have a pilot on board.

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

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

This has been accepted nationally and
internationally as a fair, just, and reasonable distribution of the costs of maintaining a pilotage system over all the users. The cruise lines attempt to justify a reduction in pilotage fees on the basis that they have a state-of-the-art high-tech navigation systems that makes them safer and easier to handle.

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

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

They disregard the fact that some
cruise ships are smaller than the average ship, and some cargo ships are larger than the average ship. If there is to be a realignment of the rates that ships more of the costs to maintaining the pilot ship -- the pilotage system from the larger ships to the smaller ships it should be applied across both cargo and cruise ships alike without unjustified discrimination.

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

THE CHAIR: Thank you. Who would like to speak next? Yes, sir?
MR. CANGIANO: Hi. My name is Anthony Cangiano. I work with Seabolt Towing, Incorporated as an operations manager. We're the harbor assist company here in Port Everglades. I wanted to echo some of the comments made by Mary Ann. Safety of our crew, assets, and environment are paramount to what we do every day.

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

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

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

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

Those vessels that I came in on, those masters chose to take a pilot, although the companies they worked for incentivized them not to, because of the risk and the liability that's involved in what those pilots do to bring in these vessels, it doesn't make sense for them to come in, and they come in every week they were here, throughout the year, and chose because of the risk involved to their livelihood to bring on one of the state licensed pilots.
So I just thought I would add that to it, before I go into what I currently do. That was my -- my previous life. SeaCorp Ocean Transport, which is the parent company of SeaCorp Island Lines, is a company headquartered in Fort Lauderdale, Florida. It operates vessels throughout Florida, US golf, eastern seaboard, and the Caribbean.

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

We utilize pilotage service from the Port Everglades Pilots Association. As mentioned before, although our US flagged tankers have been go to call the port without taking a state licensed pilot, we feel that it would be irresponsible for us to go without the added safety net of a state licensed pilot as provided by the
As a publicly traded company with shareholders expectations and sound business planning, we fully expect and are prepared for reasonable cost increases to occur on the service that we rely on to safely operate our vessels. The rate structure that is outlined in the pilot's reapplication is reasonable and will allow us to continue operating competitively by utilizing Port Everglades in our tradewinds.

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

As previously mentioned, we feel that a reasonable increase in pilotage rates is acceptable in order to maintain the proper level of service in Port Everglades. As with
any shipping line, time is money. The container line business that I operate is very time sensitive, as many of our voyages are short runs to the islands.

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

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

As our vessel size increases, so does the carrying capacity of the vessel and potential for revenue generation. The
expected increase in pilot costs due to size
is therefore reasonable and on our part
scalable. In closing, the Pilots
Association, through their knowledge of the
industry, knowledge of the port, and
knowledge of the vessel characteristics
create the best solution for efficient
operation of the entire community of shipping
lines that call upon Port Everglades.

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

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

So whether you've spoken today or not,
and you want to submit something to me for submission, my e-mail is rlaw@lrcm.com, and my phone number is 850-878-6189, and you can get my mailing address from there. Anyone else? Yes, sir.

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

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

We've got some tight constraints. We've got the Gulfstream. We've got a turning basin that was laid out in the 1930s
were the 1940s. Ships a fraction of the size of what we're bringing in here now. These guys do a great job. They have some take constraints.

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

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

And really all the horsepower in the world, and we provide 6,000 horsepower, Seabolt has some great boats, that's really useless unless you have the guy in the wheelhouse to knows how to use it, and so you know we could probably do the job with 1,800, 2,000, 3,000 horsepower single crew boats on
a daily basis, but when things go wrong it's the what if that we're preparing for.

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

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

It's a difficult port to work in. It's a hard port to work in, and really any compromise in their pay would affect the port. I used to be a pilot up in Maine and one of the reasons why I'm not anymore, compensation. It's just, the money wasn't there and the ships dried up, and they just
weren't willing to keep going with the money.

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

THE CHAIR: Thank you. Anyone else?

Yes, sir. Can you come up please?

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

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

GALLERY: As well as Broward Navy Days.

MS. CAMPBELL: As well as Broward Navy Days. To the point of the association, however, in 1979 there were six founders. Jean is the last of them to die, but one was Captain Jackson, Port Everglades pilots, and
I bring this up to tell you that for the past three or four decades, since the modern Port Everglades, a guess we turned it into a port in 1920 something, and we were bringing in at that time, from the beginning, oil products.

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

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

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

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

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

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

Most companies can't afford to have
such a large increase in one part of their
operations. It's a considerable cost to
Peraly considering we have eight or so ships
a week calling Port Everglades, and that's
basically my conclusion. Thanks.

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

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

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

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

THE CHAIR: Right. So --

MS. GRAY: -- that's it.

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

MS. GRAY: I do believe so. Yes.
THE CHAIR: Can you give me that in some type of verified form?

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

THE CHAIR: Okay.

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

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

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

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

MS. GRAY: Oh yeah.

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

THE CHAIR: Right, okay.

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

THE CHAIR: Okay.

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

_________________________
Fernando Subirats

Court Reporter
Basing 53:15
basis 46:18 52:11
55:5 56:12
58:17 64:1
68:5
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