DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

BOARD OF PILOT COMMISSIONERS MEETING
RE: PORT OF MIAMI RATE CHANGES PRRC-2014-1

Hyatt Regency Miami
400 Southeast 2nd Avenue, Flamingo Room
Miami, Florida 33131

May 17, 2017
APPEARANCES:
DAVID WILKINS, Chair

CLARK JENNINGS, Esquire
Office of the Attorney General
1521 Atapha Nene
Tallahassee, Florida 32301
(850)414-3300

DONNA BLANTON, Esquire
Radey Thomas Yon & Clark, P.A.
PO Box 10967
Tallahassee, Florida 32302
(850)425-6654

PAXTON CREW, Esquire
The Crew Law Firm
South Shore Harbour Resort & Conference Center
Marina View Building
2600 South Shore Boulevard, Suite 300
League City, TX 77573
(281)245-3385

CAPTAIN CHRIS MARLOWE, Vice Chair (Biscayne Bay Pilots Association)

MS. ANNE
SHERIF ASSAL
CAROLYN KURTZ
JAMES WINEGEART
TOM PANZA
ADIMRAL BAUMGARTNER
CAPTAIN JIM HANSEN
JOEL GLICK
LOUIS SOLA
RICHARD LAW
CHRIS OATIS
CAROLYN KURTZ
CAPTAIN HANSEN
COMMANDER GALEN DUNTON

Also present:
GREG MCDERMOTT
JENNIFER GRANER
(Thereupon, the following meeting was had:)

CHAIR: Okay, let's get started. Welcome everyone to this pilot rate hearing. Today is May 17th, 9:00. My name is David Wilkins, and I'll be chairing today's meeting. Today is the public meeting to consider requests for the modification of the rate of pilotage at the Port of Miami. It will be a very formal meeting for the next couple of days.

A couple of housekeeping things that I'd like to first go over. Everyone please turn off your phones if you haven't already. If you are at this desk please do not do what I'm doing right now, which is having your phone on your desk and vibrating, as it will affect the recording equipment, so also have it off vibrate as well if you are going to have it on your desk.

The entire session for the entire meeting is being recorded and videotaped. Everyone who is at the desk, your microphone has an on/off button, which you can choose to leave on the entire time, although, you know, your sound will be picked up, or every time you speak you must turn that button on prior to speaking.
Does everybody understand that? Okay.

Restrooms are right outside, hopefully everyone saw those. Everyone hopefully has received an agenda of the next several days' meeting. This meeting is scheduled to go to through Friday afternoon. Right now we have a strategy to finish Thursday night, so we right now are planning to go late Thursday night if necessary. So those who need to make plans, hopefully you can plan to be here Thursday night after the session. Today we will go from 9:00 to 6:00. We will take a break midday before lunch. We'll take an hour and a half lunch. We'll take a small break in the afternoon. We'll take another small break around 5:00 or -- I mean, no, then we'll go until 6:00. And then on Thursday the same agenda, but we'll take a break around 5:00 or 6:00 before we come back in the evening if necessary. Okay.

For the speakers, I will ask you to please be concise and direct in your commentary. Please not try to overload us with irrelevant information. Try not to be redundant or repetitive, but make sure you cover everything
that you need to cover that is important for us to make the decisions we need to make. If you have materials that you are presenting that we have not previously seen please make sure you alert us to that so we can make arrangements to receive that information at the appropriate time.

As we go through the different topics and presentations, for the Board members, I'd like us to have question sessions after each major topic, so we'll stop and we'll give all Board members plenty of time to ask questions after each topic. We'll go through each of those topics, and then of course at the end of the session, which will be probably late Thursday, and after public comment, that's when we'll start deliberations.

And so our deliberation process is merely a conversation with the Board, and we'll be able just to talk amongst ourselves and ask questions, you know, to both understand each others' point of views on each of the issues, under the rationale of how we've reached different conclusions, and clarify each others' points of views if necessary. And as we are
doing that it's extremely important for all the interested parties to still be around in the audience, because you may be asked to come back up and clarify questions that we may have that need clarification.

As we go through the meeting I'd like to keep this as formal as possible, but not to a Senate type meeting. But I would like for anyone who has questions to come through the Chair so I can grant right to ask the question, and vice-versa on the response, all right, so we can control the meeting. Hopefully everybody will stay very professional in their correspondence and communications, and, you know, try to keep all the emotion out of the room. Clark, any other questions or, you know, orientation comments we need to make?

**MR. JENNINGS:** Yes, thank you, Mr. Chairman, there are a few matters. Initially to the Committee Members I would like to remind you that the process you are about to engage in is of course subject to the provisions of Chapter 286 Florida Statutes, often referred to as the Sunshine Law. Consequently it's important to keep this in mind as we move
forward in the process. Everything has to be
open, recorded, and available to the public.

Consequently it is important that you
refrain from leaning over and whispering to
your neighbors. Please do not text or e-mail
while you are up here during the process.

While you may be texting back to your loved
ones saying I can't believe I volunteered to do
this job, it's killing me, they don't know
that, I don't know that, and it could very well
be that you're texting to someone in the
hallway or someone in the audience about the
issue before you, and that is absolutely a non
start, so please refrain from doing that.

Similarly, when we adjourn for the
evening, recess for the evening, you're still
covered by this, by these provisions, and so
please refrain from discussing what has
transpired during the day, or what may
transpire tomorrow, with your fellow
Commissioners. That again is a violation of the
Sunshine Law. You can, of course, discuss
matters with me, or with Staff, that's
perfectly acceptable, but as you know you
cannot ask Staff or myself to act as a conduit
of information to another Committee member.

And as far as ex-parte communications is concerned, while it is not prohibited it is strongly discouraged, and I suggest this simply for the appearance factor. I mean I know the parties are interested, this is a quasi legislative process and so ex-parte communication is not prohibited, but it just doesn't look good. And obviously if someone saddles up to a couple of you and starts talking that's really bad, you're going to have to separate. And if you do get approached by someone from the public about this matter you can listen to them, but I strongly suggest you do not opine or make any statement regarding the matter, just listen.

With all of that being said, Mr. Chairman, let's get to some of the preliminaries on this thing. This is a hearing before the Pilotage Rate Review Committee to address two petitions for a modification of the rate of pilotage at the Port of Miami. This is assigned case number PRRC-2014-1. In March of 2014 the Florida Caribbean Cruise Association, which I may often refer to as FCCA, submitted an application for
a change in the rates of pilotage, requesting a 25% reduction in the draft and tonnage rates in the Port o Miami, but only for passenger vessels. Rates for all other vessels are requested to remain at current rates.

A rate hearing was held in July of 2014, however due to a successful challenge concerning Committee composition that hearing was declared void by the District Court of Appeal. Subsequent to that order from the court all stakeholders agreed to begin the process anew. FCCA's application was resubmitted for this subsequent rate hearing without any change to the request of 25% reduction on rates for passenger vessels, and/or updates to data, or any other information. As permitted by statute the Biscayne Bay Pilots, which I may often refer to as pilots, submitted an alternate application to increase the rates of pilotage over a five year period.

Now, Commissioners, your charge is to consider all materials presented to determine if he rate of pilotage in the Port of Miami should be modified. When rendering your
decision please remember that your mission is
to determine whether the requested rate change
will result in a fair, just, and reasonable
rate. Upon making such a determination it is
important for you to state on the record your
reasoning for such a decision. Please be
mindful that your decision should be based
solely, let me repeat that, solely upon the
evidence presented and the record before you,
and not upon any independent knowledge or
personal bias.

Now, if you would, Mr. Chairman, it won't
take long, but I do think it's important for me
to read to you the two primary provisions of
the Florida Statutes that set the parameters
for the actions for the next couple of days,
specifically 310.151(5): (a) In determining
whether the requested rate change will result
in fair, just, and reasonable rates, the
committee shall give primary consideration to
the public interest in promoting and
maintaining efficient, reliable, and safe
piloting services. (b) The committee shall also
give consideration to the following factors:

1. The public interest in having
1. Qualified pilots available to respond properly to vessels needing their service.

2. A determination of the average net income of pilots in the port, including the value of benefits, all the benefits, I'm sorry, derived from service as a pilot. For purposes of this subparagraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the port.

3. Reasonable operating expenses of pilots.

4. Pilot rates in other ports.

5. The amount of time each pilot spends on actual piloting duties and the amount of time spent on other essential support services.

6. The prevailing compensation available to individuals in other maritime services of comparable professional skill and standing as that sought in pilots, it being recognized that in order to attract to the professional of piloting, and to hold the best and the most qualified individuals as pilots, the overall compensation accorded pilots should be equal to
or greater than that available to such
individuals in comparable maritime employment.

7. The impact rate change may have in
individual pilot compensation and whether such
change will lead to a shortage of licensed
state pilots, certified deputy pilots, or
qualified pilot applicants.

8. Projected changes in vessel traffic.

9. Cost of retirement and medical plans.

10. Physical risks inherent in piloting.

11. Special characteristics, dangers, and
risks of the particular port.

12. Any other factors the committee deems
relevant in determining a just and reasonable rate.

(c) The committee may take into
consideration the consumer price index or any other
comparable economic indicating when fixing rates of
pilotage; however, because the consumer price index
or such other comparable economic indicator is
primarily related to net income rather than rates,
the committee shall not use it as a the sole factor
in fixing the rates of pilotage.

And then finally, 310.151(6). The
committee shall fix rates of pilotage pursuant
to this section based upon the following vessel
characteristics: Length, beam, net tonnage, gross tonnage, or dead weight tonnage. Freeboard or height above the waterline. Draft or molded depth. And any combination of vessel characteristics listed in this subsection or any other relevant vessel characteristics or characteristic.

So when all of this is done what are your options? Well, you have two petitions before you. You can approve one petition as presented and deny the other, or you can deny both petitions and maintain the statute quo, or you can do something in between. You have a request for a decrease. You have a request for an increase. You know, one is at 25%, but you may do something less than 25%, or you may give an increase of less than the requested amount.

Once the decision is reached I will craft the final order. That order will not automatically be issued, primarily is because I'm covering my backside more than anything else, to be honest with you, but what I'm going to do is bring the order back to you to give you a chance to review it and determine whether or not that order accurately reflects the
decision that the committee makes at the end of this process. It won't be a retrial. It won't be another argument as to the decision. It will simply be a review of the document, and to say to me, Clark, this accurately reflects what the committee decided to do or it doesn't and if it doesn't you tell me how I should modify it.

Then we'll issue the final order. Once that order is issued the parties will have twenty one days to review it and determine whether or not the facts upon which the order was based are valid. If they dispute those facts they will go to the Division of Administrative Hearing and they will have a hearing. An Administrative Law Judge cannot determine rates of pilotage, but they can determine whether or not the facts and the reasoning that you utilized are valid or not. The Administrative Law Judge will send order back to you, you get to decide what you wish to do wit that order, and ultimately whatever you decide is appealable to the District Court of Appeal.

Now, we can go into a lot more details on
that but let's wait until we get to that point in the process sometime down the road. At this point, Mr. Chairman, unless there are any questions I have nothing further to add to this opening.

CHAIR: That's wonderful. Okay, thank you. All right, Ms. Anne, can we call the roll please?

MS. ANNE: All right, Commissioner Sherif Assal.

MR. ASSAL: Here.

MS. ANNE: Commissioner Carolyn Kurtz.

MS. KURTZ: Here.

MS. ANNE: Commissioner Chris Oatis.

MR. OATIS: Here.

MS. ANNE: Commissioner David Wilkins.

CHAIR: Here.

MS. ANNE: Commissioner James Winegeart.

MR. WINEGEART: Here.

CHAIR: Okay, so we have a forum. All right, so first topic up is the procedural review.

MR. JENNINGS: Yes, Mr. Chairman. We have a preliminary motion that needs to be addressed. The Biscayne Bay Pilots have filed
a motion to dismiss. It's a summary motion, and I think it would be appropriate at this time, Mr. Chairman, to allow the pilots to present their motion to the committee, and then of course we'll have a response from the FCCA.

CHAIR: Okay. All right, so Ms. Blanton.

MS. BLANTON: Thank you. Good morning to all of you. I'm Donna Blanton. I'm with the Radey Law Firm in Tallahassee, and I'm counsel for the Biscayne Bay Pilots. I'd just like to introduce who is with me at the counsel table today. To the far right I have Mr. Paxton Crew. He is a lawyer in the state of Texas, and he's been admitted here as a qualified representative, and will be serving along with me as Counsel today for the pilots.

Next to me is Captain Chris Marlowe. He is Vice Chairman of the Biscayne Bay Pilots Association, and will be sitting with us at counsel table today and tomorrow, and I guess not Friday as of now, but if we're here Friday he'll be here then too.

So I thank you for your time today, and I'm going to beg your indulgence a little bit because this is a legal issue. This is a
motion on standing. I recognize that, looking around the table, other than Clark, I don't think any of you are lawyers. Am I right about that? Do we have any lawyers on -- I didn't think so, so I'm not going to get into a lot of the case law that is cited in our motion. I know you've all had a chance to read it, and I'm happy to answer any questions about it.

But what our basic argument is here, any party that litigates something has to have what's called standing, and that means under Florida law you have to be directly affected, you have to injury in fact, and you have to be within the zone of interest that the statute is designed to protect, and I'll talk about that in a little bit.

Now, we have a situation here where we have a statute, and it's in 310.151(2) which says any pilot, group of pilots, or other person or group of persons whose substantial interests are directly affected by the rates established by the committee may apply to the committee for a change in rates. Now, FCCA will tell you that that gives them standing right there in that statute because they're
directly affected.

My argument, the pilots' argument, is that they are not directly affected because they don't pay the rates of pilotage, the cruise lines pass that on to their passengers. And this motion, we have testimony -- and the reason we filed this motion now quite frankly is because we have recent testimony from a proceeding in Galveston where Mr. Terry Thornton, who is Senior Vice President of Port Operations for Carnival Cruise Lines testified, and he's also Chairman of FCCA's Marketing Committee by the way, and he testified at length that this is a cost component that's passed on to the guests. The guests are the ones who pay the pilotage fee, it's not the cruise lines, it's passed onto the passengers on a per passenger basis. And there's even an explanation from him on Page 3 of our motion of how that actually works.

And new did a quick calculation using his formula, and using the, one of the Carnival ships, the Carnival Vista, as an example, and in that case based on the formula that Mr. Thornton provided it works out for $1.07 per
passenger. In any event whatever it is it's passed on to the passengers, so our argument is that 310.151 does not provide standing directly under the statute to FCCA because they're not directly affected. There's a lot of case law in Florida that talks about what directly affected means. One of those tests involves an immediacy requirement, right, and that means you've got to be pretty closely affected, and there are cases that say economic interests are not enough, and those cases are cited as well.

The second part of the standing test other than injury in fact is you've got to be within the zone of interest that the statute was designed to protect. If you look at the statute which governs our proceeding, which is section 310.151, what you see is it's all about the pilots and the public interest. More than anything else it's about the public interest and the safety of protecting the public. It's not about the cruise lines. It's not about other users of the port. It's about the public interest. It's not about how cargo ships or cruise lines are affected by the rates of pilotage, so the cruise lines are not within
the zone of interest of that statute. And again there's a lot of case law that discusses both prongs of the standing test in Florida. 

Now, Mr. Panza will tell you that we've waived this argument, you know, we've been here three years, and we would have brought this up a long time ago. Well, I will tell you that standing under Florida Law is a matter of subject matter jurisdiction, and it can be raised at any time, and our rules of procedure that we all go on under the law says that. And if we go the Division of Administrative Hearings, which is the next step after that, FCCA will have to prove their standing. Regardless of what you decide on this motion today standing always has to be proved. It can't be waived, and so we feel like we're within our rights to bring it up here today, and frankly because we knew Mr. Panza would use the waiver argument once we heard the testimony in Galveston we felt compelled to bring it up here today, because it goes to what we've been saying all along in this case, that we believed the cruise lines didn't directly pay the pilotage, the passengers paid it.
We asked for Mr. Panza to submit, asked Mr. Panza for some information about that by way of letter more than a year ago, and he said I'm not going to send you that because there's no discovery in these proceedings, and, you know, basically forget about it, you're not getting it, okay. So then we hear this testimony in Galveston which basically confirms what we thought all along, that it's really paid by the passengers. We have some excerpts from some of the contracts that the cruise lines have with their passengers in here that also emphasize that point, but it's really the testimony from Mr. Thornton which sort of hammers home the point.

We felt like we needed to raise it today. Again, under the Florida Administrative Procedure Act, the case law on standing, we believe they do not meet the standing test because they're not directly affected, and because their interests are not protected by Section 310.151. With that I will leave it. I'll be happy to answer any questions if you have them. I know Mr. Panza will have a response.
CHAIR: Okay, thank you, Ms. Blanton.

Anyone have any questions before we go to Mr. Panza's response? Mr. Panza, you're up.

MR. PANZA: Thank you very much. Excuse me. My name is Tom Panza. I'm here with General Baumgartner and Captain Bjorn Hansen, and we have Mr. Joel Glick sitting behind us which will also be a witness, and two of the associates in my office, Mr. Greg McDermott and Jennifer Graner. I thank you for your indulgence this morning on taking this motion up first. This motion has absolutely no relevance in this particular case, and it's completely immaterial. And I'll go through each one of these points, and not raise as Ms. Blanton indicated the case law that's associated with it, but I'll try and hit the major points.

It's basically the pilots' position that FCCA has no standing because some of the cruise ships allegedly pass on pilotage fees to customers, which does not encompass all cruise even if some of them happen to do that. The second issue is the -- this simply seems to us to be another method for the rate payers, which
are the cruise ships, as well as the cargo ships, but in our case they're the cruise ships. This seems to be another method from holding the pilots accountable to them. The FCCA members in some instances on the cruise ships, which you'll hear today at great lengthy, pay fees of up to $13,000 for a call on a particular port. They pay the fees.

As Ms. Blanton brought up their, under Chapter 310 this specific individuals, or companies I should say, that are responsible for the rates under Section 310.002(7) states pilotage is compensation, quote, fixed by the pilotage review committee, which is you all, which is payable by the vessel, its owners, or agents, and others. It doesn't say one word about passengers. The vessel owner, or the vessel is responsible for these fees. The statute specifically on standing states that if you're directly affected. Well, if the vessel who is owned by one of the members of FCCA is directly affected by virtue of the vessel having to pay the rates irrespective of what may happen with the passengers. It's no different than with the passengers paying their
fees and theoretically the food passed on to
the passengers, their lodging, their
entertainment, et cetera.

The third point I want to raise, or the
fourth point, which I think is probably the
most compelling, or one of the most compelling,
is that when this case was heard in 2014 this
very issue was raised, and it was raised as
part of the case that this was passed on to
the, to the passengers, and it was raised in
reference to Carnival Cruise Line, which is the
same cruise line that Ms. Blanton was
discussing here today in the Galveston matter.
In addition that case was eventually reversed,
as your counsel had indicated, as Mr. Jennings
indicated, because there two members on that
panel that the court thought were employees, or
felt that they were high level employees of the
cruise ship.

In that case the pilots too the exact
opposition position of what they're taking on
standing. They went to the District Court of
Appeal and filed pleadings, and I'm sure that
they meant what they said because no lawyer
would file a pleading, and no lawyer of Ms.
Blanton's statute would ever file a pleading that would indicate anything that was misleading or erroneous, but in that case before the District Court of Appeal the pilots argued that these two individuals, these two individuals who were appointed that were from the cruise lines were biased, and the reason they were biased was because a rate decrease would, quote, save their employer substantial amounts of money; their employers being the cruise ship lines itself.

So the pilots can't have it both ways. They can't say that the FCCA doesn't have standing because some cruise ships may or may not recapture that money from the cost of the pilotage, and then go and say it saves their employers substantial amounts of money. Their employer is the cruise ship. It is the vessel that is responsible for the payment. The pilots only allege that the pass through issue in their, in their motion, was five out of nineteen of the members of the FCCA, and three of those members, when they allege this they don't even say that the, in those particular cases they do not even say that the money was
passed on to the passengers in that particular issue.

Further, the pilots have waived the issue of standing, and they waived the issue of standing back when they raised this issue in 2014. We litigated this whole issue. They never raised this issue on appeal, or any other place. FCCA, and this gets a little bit into the legal issue which I want to try and, you know, kind of avoid. I have laid out all of this in my pleading. But the FCCA is a named party under the Arrico case, which is what Ms. Blanton is relying upon, that's talking about interveners. It's talking about some person that happened to have a piece of property that was down the street that thought that they were going to be affected by what was going to happen with this environmental change. It was a completely different type of case.

The pilot -- the FCCA fits under both prongs of Arrico. The FCCA has its substantial interest affected because the substantial interests are that it has to pay the pilotage fees, irrespective of how it captures all of the rest of the fees for lodging and everything
else that it does on the boat, on the vessel. When a person -- when an individual goes on the vessel they look at the total amount of the costs. They don't look at the total amount of how it's broken down, they want to know if they're paying $80, $500, $300, whatever the total amount is. So under 310.151(2) it explains that anyone whose substantial interests are directly affected by the pilotage rates to seek a rate change is allowed to do that.

The other -- and the last issue I'm going to raise on this is that in the twelve factors, which I'm going to go through in a couple minutes when I have my opening if the Board will indulge me, of the twelve factors that Mr. Jennings read you did not hear one factor, not one of them, that dealt with the profitability or the finances of the cruise ship industry, not one, nothing. You heard nothing about that. It's talking about the, what is a fair, reasonable, and just rate for the pilots. It doesn't have anything to do with what the cruise lines in private business make or don't make, nor does it have to do with the cargo
ships, of what they make or don't make, it's
strictly about what's fair, just, and
reasonable for the pilots to make, not about
how much money anybody else makes.

So if the cruise ships make money, which
they're in private business and they have a
right to make money, that's why they're in
business, that has no bearing. It wasn't one of
the twelve considerations that you had in that,
in the statutory requirements, so the
profitability has nothing to do with it. So
when we talk about standing, yes, we are
directly affected, we're substantially directly
affected because as these prices go up because
of the organic nature of the ships getting
larger, which you'll hear quite a bit about
today, the pilots make more money, do less
work, and the cruise ships pay more money for
the less work. They are substantially
affected. Thank you.

CHAIR: Thank you.

MS. BLANTON: May I briefly respond to one
point?

CHAIR: Yes.

MS. BLANTON: Thank you. And Mr. Panza
has now twice, once in his pleading and once before you today, suggested that I may have misled the appellate court, and personally I find that offensive, and I hope that's not the kind of proceeding we're going to have here.

I would just like to make a point, and he brought up that Commissioner Miguez and Burke were disqualified three years ago. He brought that up, and he said that we said to the court at the time that one of the reasons they should be disqualified was because they would save, that it would save their employers lots of money if they voted the way. Let me tell you what we said, and what we relied on. In FCCA's application which is before you today which we took at face value it says applicant estimates that its members alone paid in excessive of $5 million in pilotage fee to Port Miami's Port Pilots, applicant as representative of its members who pay millions of dollars each year in pilotage fees for calls on Port Miami. That's what FCCA said.

At the time that we moved to disqualify Commissioners Miguez and Commissioner Burke we took the four corners of that pleading at face
value, which is exactly what they alleged. We took it straight of their application, and, yes, we did make that allegation to the appellate court. Since then we have found and learned quite a lot, including from the Galveston hearing where Mr. Thornton from Carnival testified that in fact the passengers paid this. It's a standing argument that can legitimately be raised at any time, it cannot be waived.

That's all I wanted to say, but I hope we're not going to be accusing each other in this proceeding of improper and unethical behavior, and I find that personally offensive.

Thank you very much.

CHAIR: Okay, thank you. Okay, so we've heard the dismissal request, and the other point of view from Mr. Panza. Board members, do you have any questions you'd like to ask either party?

MR. CREW: Chairman Wilkins -- hi. Chairman Wilkins, hi, I'm sorry to interrupt. I'm Paxton Crew. I'm a qualified representative here. I'm from Texas. I heard the statutory requirements earlier today, and one of the
things that Mr. Panza alluded to in his argument was that there was absolutely not mention of the cruise line's profitability in those statutory factors. It just seems to me that someone on a, on a fair basis, that the last statutory requirement says that this Board can deem other information to be relevant to its determination, and what we have here is a trade association that has asked the Board to say that the pilot rates are unreasonable, that the pilot compensation is unreasonable, and I think that it's only fair that their profitability factors into this because they're the ones that are claiming that they are harmed.

Now, they're either harmed or they're not. They either pass it through or they're not, and their profitability, particularly this being the number one cruise port in the world, I think has relevance on that inquiry. And that's all I would suggest.

CHAIR: Okay. All right, thank you. Go ahead, Clark.

MR. JENNINGS: That may be all well and good, Mr. Crew, but I think you're premature.
That's not what we're dealing with right at this moment. We're dealing with a motion to dismiss.

**CHAIR:** Other Board member questions?

Okay, that's --

**MS. KURTZ:** I have a question for Clark. So the petition for dismissal, you know, the gist of it is that the FCCA, their interest is not protected by 310, and then of course Mr. Panza's position is that the FCCA, their interest is protected by 310. I'm not a lawyer, and I'd like to know what you think about that.

**CHAIR:** Mr. Jennings.

**MR. JENNINGS:** It's up to me. Okay, let me see if I can answer the question this way. I have reviewed the petition and the response, and other than the waiver argument I find the responsive pleading more compelling. I really think that standing is there. I think the association is there. This issue of pass through, other than the waiver I must concur with Mr. Panza. And I mean I don't see any reason to start going into all of the legal arguments. Again I don't know if that would do
you any good if started talking about the
various case law and the, and the law, but I
think Mr. Panza spelled it out fairly well,
other than the waiver issue, I agree with Ms.
Blanton on that.

And I think, again, they can probably come
up with the when and if, if it goes to the
Division of Administrative Hearings that issue
could be raised again, but, and she may prevail
there, she may not, but with regard to this
proceeding I tend to agree with Mr. Panza for
the most part.

MR. SOLA: I have a question for Ms.
Blanton.

CHAIR: Yes, Commissioner Sola.

MR. SOLA: I'll just speak loudly, if
that's okay. Hearing both sides of this I
understand that the actual person that writes
the pilots the checks is actually this side
over here, it's not the pass thru, it's not the
passenger. Do you have any precedent, or legal
case that's ever been where the passenger has
taken precedent?

MS. BLANTON: What we do have are a number
of cases that say in the standing context
economic interests are not enough, right, you've got to have more than just an economic interest. Here I've got --

MR. SOLA: Specifically to the pass thru.

MS. BLANTON: Not so much directly to the pass thru, but more in terms of a party that's trying to come into a case and saying, you know, this would harm me economically if you do this, and the court just says that's not enough. Here we don't even reach that issue because we would argue they're not economically affected at all, they're not just directly affected. They're turning around and passing on the $1.07 per passenger, or whatever it is depending on the size of the ship, directly to the passengers, the passengers are paying it. And it's really -- I mean it's a very small amount. The bigger the ship, the smaller amount it is, which we'll hear about later.

But there are a number of case that talk about what it means to be directly affected, which they also call injury in fact, and you've got to prove that it's a real injury, and our argument here is that it's not even a real injury, you don't even get to whether they're
affected economically. Do I have a case that
talks directly about pass thru per se', no I
don't. To my knowledge, this is somewhat novel;
like most cases that was in (unintelligible),
it's rare to find one directly on point, but
there are many, many, many cases on standing.

MR. SOLA: So you would argue that the
passenger could make --

MS. BLANTON: Sure if --

MS. SOLA: -- in addition to any
interested group or person?

MS. BLANTON: Yeah, that's exactly right.

As Mr. Jennings pointed out earlier we have a
concept in Florida law about associational
standing, and there's case law that says
associations can bring a case on behalf of
their members, but only if those members are
directly affected. That's very solid Florida
law. So how's directly affected here, the
passengers. If there were association
passengers, I don't know if there are, they may
be, a lot of people go on cruises all the time
and there may groups of passengers that are
directly affected because they pay pilotage
rates in Florida, and wherever else they go.
Do -- would they have standing? I think it's a heck of a lot more likely they would have standing than FCCA has standing.

MR. SOLA: Thank you very much.

CHAIR: Any other questions from the Board? Okay, so we're now going to vote on the motion, right, so do I have to receive the motion?

MR. JENNINGS: You have to receive a motion to either approve or, to either grant or deny the motion.

MR. ASSAL: I motion we leave the Biscayne Pilot's motion, the FCCA's motion on the table for the hearing.

CHAIR: So --

MR. JENNINGS: Let me translate that. So your intent is that FCCA should continue on with the process.

MR. ASSAL: That is correct.

MR. JENNINGS: Okay, so the motion then would be to deny the motion to dismiss, and you need to state a reason, rather than going through all the details that you wish to say, for the reasons expressed in the responsive pleadings of the association, that is
acceptable. I would appreciate it though if you, if there would also be in that motion the exception with regard to the standing issue, because I don't think that that's something that we should be agreeing with, with Mr. Panza on that.

MR. ASSAL: I'll let --

MR. JENNINGS: No, you just -- just say -- just say what he said and we'll be fine, if you agree with that.

MR. ASSAL: Well, we have two motions right?

MR. JENNINGS: No, you have one motion.

MR. ASSAL: Sorry. We have one motion to dismiss.

MR. JENNINGS: The motion to dismiss, yes, sir.

MR. ASSAL: The motion to dismiss.

MR. JENNINGS: And you're telling me that you wish to deny that motion.

MR. ASSAL: The motion -- I wish to deny the motion on dismissal of the FCCA's request.

MR. JENNINGS: Okay. Actually it's a motion order so I don't have to explain why, it's either granted or -- so that's -- yeah, so
the motion is to deny.

CHAIR: Motion is to deny. Is there a second?

MR. WINEGEART: Second.

CHAIR: Second from -- who was second?

MR. WINEGEART: I did.

CHAIR: Okay, from Mr. Winegeart. Okay, any discussion? Any further discussion?

MS. KURTZ: I'm sorry, who was the second?

I didn't --

CHAIR: Commissioner Winegeart.

MR. JENNINGS: Mr. Winegeart.

CHAIR: Any other discussion on the motion? Technology is working now, okay, good. All right, okay, all in favor of denying the request as motioned by Commissioner Assal please -- no, do we need -- well, let's just do it by aye. Say aye.

(Aye.)

CHAIR: All opposed? Okay, the motion passes. All right, thank you all. We will now move on to the next agenda item, which is the presentation of the findings of the investigative committee, Mr. Richard Law, and this your twentieth rate hearing, so he has
prepared a consultant report that hopefully we all have read in excruciating detail, and you are now going to present the report to us, right? Thank you.

(Thereupon, technical issues were dealt with and the meeting continued as follows:)

MR. LAW: Can you hear me?

CHAIR: Yes.

MR. LAW: Thank you, Mr. Chairman. My name is Richard Law. I am a member of the investigative committee. I'm a CPA from Tallahassee, Florida, and this is our nineteenth investigation with the Board of Pilot Commissioners Pilotage Rate Review Board, and Pilotage Rate Review Committee. On my left is Galen Dunton, Commander Retired U.S. Coast Guard. Together with the investigative committee Galen is the pilot consultant responsible for developing the examinations for a pilot, deputy pilot exams, investigating marine incidents for the Board, and so his skill as a professional pilot consultant, Coast Guard safety, the whole thing, understanding the technical aspects of being a pilot, and coupled with my financial background, a CPA, is
why we were the investigative committee.

The process that we go through is first conduct a public hearing before, after the applications are filed, and the purpose of that is to get public input before we conduct or complete our investigative report. At the -- and we've done this twice for these applications, first in 2015 when there was just the FCCA application, and then in 2016 after we had both applications we did another public hearing. And then in 2017 after we got started up again to do this review, investigate these applications, we had a third one.

We had feedback at the first public hearing from Maersk and the marine, excuse me, Miami River Marin Group. They were cargo parties, and they gave us some, some feedback that was put into your report. And then 2017 when we did public hearing no one really showed up other than I think some pilots and some representatives from the FCCA, and really just didn't get any public feedback, so I think that's important, as far as having openness to the public, participation by the public, just so you know the types of information that, that
we were able to gather.

The -- between the two applications and our investigative report you've got over 1,000 pages of documents, and in the next few days I think you're going to hear a lot of information about piloting, and our, our report you'll see follows a format that Mr. Jennings laid out in Chapter 310. There's thirteen elements to, to our report, and it follows the statute exactly, so you're going to hear a lot of information about pilot compensation, fringe benefits, pensions, workloads, scheduling of pilots, numbers of pilots, the mix of traffic, comparable rates in other ports, and reasonable operating costs.

I believe our report presents this information as clearly as we can given the information, but the application by the FCCA was dated in 2014 as I stated, and they were so not presenting the pilot information, financial information, only revenue, and things like that, so when we got the application from the pilots in 2016 we had a 2014/2015 audit, so we have audited financial information for that year, and then we have projections for 2016 and
2017, and so we investigated that, and were held up in 2016. So now a year later a lot of that information is stale, but the information is always going to be, have (unintelligible) because things just change all the time.

A good example is from 2015 to 2016, you know, you come back and get the actual revenue from 2016 it's $300,000 higher than they expected, so at any point in time things can change. And the reason I'm pointing this out is when you see financial projections and analysis of costs, and the net income, and all these calculations that come down to the bottom line of net income, you know, what did, what is the average net income including benefits of pilots, it's not static, it will fluctuate from year to year.

When you look at all of the factors that we considered, the thirteen factors, it becomes just a very big algebraic equation, if you will, with a lot of variables, and it basically comes down to the number handles, the size of the vessels, the timing of the traffic in any given week, or season, or whatever, the number of pilots, the cost of operations, the timing
of capital investments. All of those variables
go into an analysis that you need to look at in
total to come up with a fair and reasonable
rate.

You'll hear a lot of discussion today
about compensation, what is an attractive level
of compensation to recruit and retain pilots in
Florida, to have the best considering what we
have to protect in Florida. You'll hear
testimony from the Masters, Mates and Pilots.
We've got a document from them in our report.
You'll have information from FCCA, and there's
going to be, there's going to be a difference
between the two, what's said, but there are a
lot of variations income that you have to think
about.

You may hear what pilots make in San
Francisco, or Portland, or Seattle, or New
York, or Louisiana, and in some of those cases
those pilots are state employed, or they work
for some entity that is a pseudo governmental
entity, a port authority, so when you hear
somebody's salary is $400,000 that may be their
W-2, but in Florida under 310 we've got to
present to you what their cash distribution is
plus every fringe benefit, and pension. And we
even go a step further in identifying what are
some of the costs of operation that aren't
essential with operating a pilot organization,
and we've identified things like lobbying,
political contributions, charitable
contributions, health insurance, all kinds of
fringe benefits and discretionary costs that we
add back.

But when you compare that to compensation
for someone that's an employee, and they say
here's your salary, that's their salary. That
entity pays its own political or charitable, or
other discretionary costs. So I think you have
to be aware of the variations of what is
income, because I think it's going to vary a
lot from what you see. There will be some, a
person with a W-2, an employee that probably
don't think about their health insurance as
part of their compensation. They may not think
of their pension, it's might be a 401K where
the employer could send that money outside.
They just say, well, that's my pension. That's
the way a lot of government employees would
look at their compensation, what's my net, what
do I take home, and so you will see here a lot of numbers today on compensation, keep this in mind because it's apples and oranges.

Over the course of the investigations of port rate hearings that we've done for the last twenty years we have determined what the compensation levels are in the state over a long period of time, and just generally speaking your larger ports are going to have a larger income, Jacksonville, Tampa, Port Everglades, Miami. Canaveral and Key West probably have, although they're not big ports they handle big vessels so it's a higher level of technical skill and demand for the pilot organization, a lot of core investment in infrastructure equipment to run the operation, so you see that these are larger businesses with business risk that they assume to run these pilot operations. A lot of this information is presented as a compensation section in our report.

Again I'd like to caution you on some of the projections on financial information, that there are a lot of variations that can affect these numbers, and they could be material. One
cruise ship that's generating a half a million dollars in revenue that, they could leave the port, they could move to another port, has a big effect, bigger than any one cost factor that they could incur in a year. One ship can leave this port and have a dramatic affect on income, so when you see these projections just know, well, it's a projection. I think you'll see on one of the pages where we go out into three years past, and to '20, '21, '22, here's '21, we give you a warning, caution, this can be very unreliable. The reason we put that in there is just so you know given what the pilots have requested in rate increases, what would that revenue be, and what would it mean to net income if, if things went along without a lot of unexpected change.

So, you know, whether at the end of this process there's either no change, or any change in the rates, the pilots are going to walk away from this meeting with a rate, and it's up to them to take that rate and manage their costs, determine the optimum number of pilots they need, make the decisions on the pilot codes that they face, and to operate as efficiently
and effectively as they can to really maximize the income, their net income and what they make. Again, since 2003 they haven't been back for a rate increase. That's a long time to go with that approved rate that was previously granted, a very long time, and, and so it comes down to setting a rate that's fair and reasonable.

If you want to follow along I'm going to present some highlights. Bear with me, but this is like a general introduction to what I'm going to do. But I'm going to now go through some of the elements of our report just to point out a few things I want you to pay attention to. And if you're looking at your document online if you start at Page 20 of the electronic document that is the beginning of our report, and our report then begins Pages 1-112, and so if I give a page number it's going to be Page 1, 2 or 3 with starting at 920, okay? Okay, the -- I'm going to try to be brief. And I know there's a lot already here, but I just want to be sure I cover some of the main points. Beginning on Page 3 the FCCA's requested rate reduction is only for passenger
vessels. The primary assertion by the FCCA is the disproportionate revenue that they pay versus the handles that they generate in this port, 34% of the handles versus 64% of the revenue that's passenger related. By 2015 and 2016 the numbers changed from 39% for handles and 60.5% for boat steers.

On Page 4 the 25% reduction in revenue in 2015 would have been $1.7 million. Now that we have 2016 data it would be $1.8 million reduction in revenue. And if you provided that by the 18 pilots they projected it would be about $100,000 change in income. Starting on Page 5 of the pilot's application, again this is the first request since 2002. It's been over fifteen years. Their primary reasons is their operating costs are doing up, and they think it's time for a raise.

If you look at Page 6 what we did was try to just give you snapshot of what their rate request would be. First of all, Clark, I'm going to ask you if you'd like to say something about this or not, but there is some question about whether they can request a concurrent CPI after a rate, upon a rate request. Would you
like to get into that now or, or later?

MR. JENNINGS: Sooner or later we're going to get into that so we can go ahead and get this off the table now if you wish. Having looked at this I've got some concerns about that particular portion of the request, for a variety of reasons. One, let's go back to the basics, 310 provides that once a rate is established by this committee that rate is good for essentially, well, you can come back and request an additional, or a change in that rate after a year and a half, all right, so the legislature is considering that this committee has jurisdiction, and is not going to give it up, whatever you do is going to be good for at least a year and a half. It could be good for longer, but it's good for only at least a year and a half, and so if you consider a rate that has continuing adjustments essentially what you've done is taken away the authority of future committees, similar to what you would see in the legislature, where you could only do so much because, you know, you can't set budgets beyond the year.

My other concern is that 310.151 addresses
CPI, and it says this cannot be the sole reason, or the sole purpose of a rate, and to me that would also say if you go forward and for years 3-10 the only thing that's adjusting this rate is CPI, well, now you've just made that the sole reason for the increase in the rate, and that would be contrary to 310.151. I don't know if I just articulated that very well or not. I hope that (unintelligible).

MR. LAW: Well, that's what I wanted to hear from you, wanted the panel to hear from you, because on Page 6 we looked at the 6% per year for the first five years, and then with and without a CPI adjustment that's, the CPI adjustment may be irrelevant. So some of this information just, especially when you look at the cumulative increase with a CPI it, it's not what it would be, and I want you to know that. I think we can recalculate some of this stuff for you, but I was just trying to present what they were asking for too. Okay.

So these are the -- this what would happen with and without the CPI over the next five years. The other ancillary charge -- normally ancillary charges are not that significant but
the minimum draft, the harbor control charge,
and the neopanamax do have a significant impact
on these rates. We estimated that going from a
14' to 18' on the minimum draft would generate
about $45,000 to $50,000 a year in additional
revenue. That's an estimate, but it's based on
these Exhibit B that has the -- I'm sorry, it's
based on a table in the application where they
list the number of vessels by draft, and we can
figure out how many vessels that would be
subject to.

The harbor control surcharge which would
be $100 one way, $200 inbound and outbound,
would generate about $500,000 a year in
revenue, in additional revenue. And then the
neopanamax charge which would double the fee
for a neopanamax, looking at the Exhibit B in
2016 of 102 vessels that were greater than
90,000 tons, and that revenue was $417,000, so
double that and you would have $417,000 in
additional revenue if all those 90,000 towed
vessels were neopanamax. I'm not sure that
they are, but I think a pretty big percent are,
would be, would be large vessels such as that.
So that gives you an idea of what the pilot's
requested rates would mean to overall, overall revenue.

On Page 8 we're listing the current rates so that you see, and give you a history of all the rate applications going back to 1993. On Page 9 we talk about pilot compensation, and I think there's a pretty big difference between what you'll hear on pilot compensation in the $400,000 from Masters, Mates, and Pilots versus what FCCA thinks would be reasonable there, if FCCA thinks, has asserted that they're making $325,000 or $350,000, $100,000 less is still going to attract and retain pilots. That's your judgment.

On Page 11 we show that, how that's a comparison to Port Everglades, where they have a harbor master charge of fees on top of pilotage rates, compares to what the pilots in Miami are requesting. Again we estimated that the harbor control charge would generate about $500,000, and in Port Everglades the users of the port are paying about double that to the Port Everglades for harbor master charges.

Okay, on Page 12 and 13 I'd like to -- we compress some information here for you based on
data on Exhibit B. Exhibit B is, was provided by the pilots, and it is a schedule of cargo and passenger by tonnage, and the revenue thereof in different layers. I think this is a really important piece of information for you all to study and comprehend. We tried to compress it here for you for both 2015 and 2016. I left '15 in there when we did the report a year ago, and then we updated it for the 2016 data too just so you could see how things changed there from year to year, but looking at 2015 you can see the average revenue for the different size vessels.

I think one thing that's really important in comparing the two tables is that there are, there's a pretty good number of handles in the passenger category between 10,000 and 40,000 tons, and so not everything's a big, a big cruise ship. And all you have to do is just keep marching down that table, going up from 40,000 - 70,000 tons on up, and you'll see the number of handles, the average revenue for those handles, and how it kind of compares to what the cargo ships are paying in that same layer for size of vessel. And at the bottom of
the page you can see what the average handle
would be given that 25% discount the FCCA is
requesting. Also at the top of Page 13 we show
then what would the average vessel be paying at
the end of let's say the third year, we had to
use some year to give you an example, not all
five years of the request, but just to give you
an idea of what those requested rates would be
for these different passenger vessels in these
different layers of tons.

On the 2016 handle data I thought
something that was a little bit interesting was
hat there were some more ships added to the
less than 10,000 ton vessels, only 106, not a
very significant amount of revenue, and they
were, looked like they were paying the minimum
charge. And the above 160,000 ton went up from
18 handles to 108, so there is growth in the
large, very large vessels too.

Okay, moving on to Page 19, determination
of net income, we have an analysis there going
back to 2007. The reason we have 2007 there is
because when the pilots gave us an audited
financial statements and an application in
2008, and then they pulled it out because of
the economy, we had an audit, and so that's why 2007 is there. I'm not trying to cherry pick financial information, but I had an audit so I used it. So it does show you how even back to 2007, you know, revenue is really fairly flat going back to 1997.

Net income -- it's important to look at the subtotals that I'm presenting here, and that is if you look at the, under 2015 the average net income before fringe benefits at $327,218, that would be basically the W-2. That would be the wages that we talked about, comparable compensation. And then we go back in and start identifying the fringe benefits, what we determined to be discretionary costs, and they're all itemized there for you to see. Some of them are just not that significant, but we do hope to show you that we looked for this stuff, and accumulate it, and show it where you see the information.

What this table doesn't do has been, since our analysis of the unfunded pension is discussed elsewhere, but it is such a, a number subject to a lot of estimation, let's say not actuarially determined, I just put it at the
bottom of the table and said, well, you can add $30,000 or $45,000 depending on how you look at that number to the average net income that's presented on these tables. On Page 21 we present a history of net income without the, without the pension, and I mean the first year we did the application in Miami in 1995, you know, they were making just over $300,000, so you can see it goes down, it goes up, it goes back down. There's just a lot of fluctuation based on a lot of variables, again that complex algebraic equation I presented earlier. Things just -- there's a lot of variables when they just are dealing with a rate.

On Page 22, walk through some of the operating expenses, the major expense categories, the -- on Page, your retirement and health is one of the larger expense categories. Employee compensation, nothing looks out of line. I think the pilots pay what they need to pay, and to retain good people, they need good reliable boatmen, and I think as you saw the other day on the tour of the port these guys have to know what they're doing in order to protect the safety of the pilot.
Auto and boat expenses, prior to when we investigated in 2016 we knew the dock was an issue, but I don't think they realized that the Biscayne would be reaching a point of needing replacement. Even though the boat surveyor said all three boats are serviceable you're still dealing with a forty one year old boat, and the cost benefit, eventual life of that boat have to be considered. Now, the pilots did not give us any information, what they think, they're just looking at initial bids right now, so we just came up with our own estimate, what if.

If it was $1.5 million for the boat and another $.5 million to rebuild the docks, how would you finance that. I think they would finance all that they could because they can't just take it out of current operations, that would be shorting the retirees a lot of money, if they were paying that on a short financing term. So we just did a pro-forma of what that cost might be, both in depreciation and, and interest on the note. Depreciation is going to track (unintelligible) pretty much. On Page 24 we present the history of the retirement costs.
You can see we go back to even 1990 when there are just a few retirees, three, and then by 1998 they're up to 11 and 12, 13 retirees per year, and so it's really, it's really costing this organization to fund this retirement. And it is unfunded, they're paying it out of their own operation costs. Under health insurance it's a big number, and one thing about the health insurance for the pilots is their health insurance includes their Work Comp. In any other case Work Comp would be a business expense, not income.

We couldn't -- we could not delineate the difference in their premiums between the Work Comp part and just the regular health benefit involved, but I think you should note that part of that health insurance -- if they were paying a separate Work Comp premium we would consider that a business expense, not a fringe benefit. And you can see the difference in premium there for these pilots, $27,000 average for families, dependent.

On Page 25 of the operating expenses in 2014 the professional fees were up by $237,000. That's getting the audits done, handling these
rate cases. They have to spend a lot of money to be prepared for one of these rate hearings. That's why they haven't had a rate hearing since 2002, and it's just not something that they can afford to take lightly. Starting on Page 26 pilotage rates in other ports, the Tables 1-8 are tables that we historically present in an investigative report, so you kind of get a comparative analysis of what certain types of vessels of certain sizes pay in the various Florida ports.

On Page 27 we have the cruise, these are some of the cruise vessels and what they pay in Florida ports. You will see that Miami, Port Everglades, Palm Beach, Key West, are all kind of in line. Canaveral is a little lower. Fort Pierce is irrelevant because it's basically closed, and the rates were so high because there were so few vessels the rates had to be set high there just to have a pilot go up there and bring a ship in twice a month.

Table 3 just gives you what some of the dimensions of these, of what we call a small, medium, or large, or panamax vessels are, so that when we apply the actual rates and these

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various charts you'll see how we're coming up with the pilot fee. So on Page 28 there is Table 4, which has been comparing West Palm, Port Everglades and Miami, the Charleston, Norfolk and New York for your comparison. On Page 29 Table 5 you'll see the pilotage rates in the other ports. I think it's important to note the effective dates on some of these. The last rate increase in any port was in Palm Beach in 2014. Key West hasn't had a rate increase since 1991, and Port Canaveral hasn't had a rate increase since 1981.

If you look at the proposed rates right below that table I think you'll see we're listing Port Everglades and Miami. Port Everglades has an application pending as well, and noted at the bottom is that the Port Everglades application has a graduated tonnage scale which is a little different than what has historically been done in Florida as far as rate setting, it kind of bring a kind of a diminishing scale based on size, diminishing rate based on the size of the vessels. Let's see, Table 5, some more comparisons of these four different vessels in all of the Florida
And then at the bottom of Page 30, just to give you an example of what does a minimum, what would this rate do to a minimum vessel. We pointed out that the larger ships do subsidize the smaller ships. The ships that pay a minimum are probably barely covering the cost of getting the pilot boat out there and having a pilot, a boat, and staff, I mean it is a subsidization for the smaller, smaller vessels. But if you look at the table at the bottom of Page 30 of what the draft and tonnage would be years 1-5 with that CPI the rate would go from $355 current minimum charge up to $683. Now that's a $328 increase, or 92%, but a big part of that is, 28% of that increase is that harbor fee. And then -- whereas 44% would be the rate increase overall to all the rates that were presented on Page 6 of our report.

So in this case the minimum vessels are getting a pretty substantial increase, which in a lot of ways makes a lot of sense except if you're them, and they have, you know, a small amount of cargo to spread that cost over. And that's what you run into a lot of times, is how
many TEUs does one of those vessels carry, and what do they charge for a TEU, and therefore a few hundred more dollars makes a big difference to some of those smaller vessels. And on Page 31 we show how the requested rate increase years 1-5 would affect a large cargo vessel.

On Page 32 Table 7 another standard table that we give is this, every port, the number of handles, the revenue in every port, the pilotage revenue in every port, the handle time, the number of pilots, the number of deputies, the average handle, revenue per handle, and then the revenue handle per hour.

On Page 35 and 36, 34 and 35, excuse me, we talk about the actual time doing piloting duty. These -- when you compare this analysis to Table 7 where we say the average handle time is two hours, and then we present them four and a half, including all of the time to come on station, board a vessel, take the vessel out to the sea buoy, get back on the pilot boat, come back, or you might be waiting out at the sea buoy for another incoming, for many cases this is more realistic to look in the range of four and a half hours at peak times, especially when
they're trying to maximize the use of the pilot boat, given there's only three, but also the cost of running it. Sometimes the pilots are out at the sea buoy waiting on an incoming after they get off another, so it all adds up to work time.

Again -- and then there could be a light day where they get on a small vessel and take it out, and it's maybe less than two hours for a handle. The point is it's the scheduling, the peak load, the size of the vessel, the complexities involved, the traffic, the weather, everything is highly variable, but if you think about the fact that the pilots have maintained the same number of pilots since 2002, or the same in a range of pilots, they know what they need to handle the peak load, and I think they know that if you divide a net income by fourteen people versus eighteen people you're going to make more money, but are you going to be able to handle it, can you handle the peak load.

And I think if you go back to the very first point in Chapter 310, is do the pilots serve the public, the public interests, do they
serve the customer, and we haven't heard any complaint that ships are waiting at sea, or can't get in, or they're held up and it's costing them money. And that was part of Maersk and the other cargo companies' comments about this, we don't want to be penny-wise and pounds foolish on having fewer pilots and you costing us a lot of money. We want to have the number of pilots that will respond to our need to get us in and out of this port on time, so that all comes down to how many pilots do you need, how much do they work. It just seems to us that after fifteen years with no rate increase they know how to manage this the best they can to maximize their net income.

Okay, on Page 37 I've got the, there's a projection here for what the rate increase would decrease on passenger vessels, only with mean to net income. And these are projections, so remember my caveat that I stated earlier in my projections, but generally it would reduce income by $100,000 per pilot. On Page 39, the projections 2016, 2017, and 2018, these were presented -- 2016, 2017, and 2018 were presented in their application, so I didn't
really change anything there. These are presented as, as they projected. They expected revenue to go up some, but it was actually $130,000 greater than they expected. But I didn't want to -- I footnoted that down at the bottom, too insignificant for me to recalculate all these numbers and, and for that, knowing that there's an actual, but we don't know the actual expenses. We know the actual revenue, we don't know the actual expenses.

And then on the projection on Page 40 we're looking at revenue and expenses out to 2019, 2020, 2021. Those revenues did not include the harbor control. There's so many, so many variables here. I mean I think there's just -- as we said at the bottom, caution. You go out this far you're going to have some projection error, so I do just want to point out that the revenue was projected at 6% plus the 1.6% CPI based on the 2018 base that they had, but we didn't include the harbor control on that. That's a $ .5 million. Just to be totally open about those numbers.

On Page 41, so what would be the impact, are there enough -- what would be the impact,
or shortage, of licensed state pilots? What we've presented here is a table of the number of openings in ports, the number of applicants, the number of qualified applicants, test takers, the number of passed, the number of those who took the tests and passed. Galen, would you like to make a comment about that please?

MR. DUNTON: As a matter of fact I'd like to maybe explain the exam process to you so you get an idea of what's involved in all of this process, and then I will explain this table. Well, let me explain the table first I think. What the table shows for the most part is we have been able to meet the minimum demands the port needs for a pilot, but at some times, especially in smaller ports, we have not been able to meet them because there was a minimal number of applicants available, and who could pass the test.

Now let's get into the exam side of it. And I'm going to give you the 2017 data which was in the Board meeting last year at the end of this just to emphasize something. We start the exam process realistically in the Fall of
any given year. We start the exam process, again, in the fall of any given year of those ports. (Unintelligible) they in turn, and I'm sure they'll probably talk about it even more, but they in turn have to plan in advance for when that applicant is ready to start handling ships and become a viable state pilot, which is for the most part a minimum of three years after they declare the opening to a maximum of maybe four plus.

The exam process, the openings are declared in, like I said in the Fall at the Board meeting, but we have a different venue than the Coast Guard does. We only allow five different venues to entrance into the system, that is by rule of statute we use those, and I tried to, have always offered, and have tried to encourage people to talk to me in advance because we have a lot of different applicants from different fields that were licensed by the Coast Guard that may not meet the minimum requirements that are provided in our statute for entry into the system.

We go through a lot analyzing the qualifications, and then prepare the exam. The
exam is probably one of the least, most respected exams I think in the country. We are extremely comprehensive. We have spent, or I should say not we, the Board has spent a tremendous amount of money bringing in experts from all over the country preparing questions for this exam that are not typical of like the Coast Guard. And just for your own information I am retired Coast Guard. I have spent twenty one years in the Coast Guard, eighteen of which was in marine safety field. I handled every office that was with inside the marine safety office back in the 1970's, so I have been a licensed examiner, among other things, so I can speak with somewhat degree.

And you can always look at all the Coast Guard -- because they're published and presented. If you can memorize all of those 5,000 plus questions you could probably pass that, whatever portion of that exam you're looking at. The difference is we play, and look at the interaction of those questions, and decide which one (unintelligible) comprehension.

First time takers in an exam typically do
not pass. I can't give you the exact percentage, but I would say it's in the 10% or less, because if, you know, thinking a Coast Guard exam, and ours is much, much more detailed. We have applicants presently in the pilot system that have probably taken this exam seven to nine times in order to pass it and get the qualification. We only have a declarative number of openings. We will only select those individuals that have the top score in that -- so it's a very, very competitive exam.

As I've said, you can see on Page 41 the table that shows all the years and the declared openings, and for the most part we have been able to meet the minimum requirement for that port. When it has an opening we can fill it, except at times in the very small ports, and there's a number of reasons. So I've been explained by Richard that the large ports have a larger number of applicants because technically the revenue and other things provide a better resource of funds for them to live on.

In 2017, I'll give you the stats on that just for your own information, we had eight
people -- we tested for different ports. In Key West we had eight applicants. Seven were approved by the Board. Five tested, and five passed that exam. In Miami we had twenty two applicants. Twenty one were approved, fourteen tested, and four passed. In Pensacola we had five applicants. Four were approved, one tested, and nobody passed. In Tampa we had twenty two applicants. Sixteen were approved, nine were tested, and three passed.

This is not untypical. We typically, as the record shows, at the bottom of that page you'll see that we have, roughly it has gone down a little bit from seventy five to sixty six in 2016. In 2017 it went down to 60% of actually testing. Out of that we had forty two in the first five years from 2007 to 2011 that actually passed the exam. In 2012 to 2016 it was 40%. In 2017 it was 41%, so we're relatively consistent overall, but realize these all right not first time takers that make this average increase.

Any questions?

CHAIR: Richard, based on where we are could we maybe stop and take a fifteen minute
break?

MR. LAW: That'd be great.

CHAIR: Okay, let's take a fifteen minute break, or nineteen minutes, and be back starting at 11:00. Okay, thank you.

(Thereupon, a brief recess was taken off the record and the meeting continued as follows:)

CHAIR: Okay, let's reconvene. Mr. Law, I'd like to thank you for taking a break, and let's resume. You were on Page 42 or 3.

MR. LAW: Okay, thank you. The next part of our report is projected changes in vessel traffic. I think it's important to see the handle data from 2006-2016 to see that fluctuation in the last several years. We have some captions out of the Port of Miami on cruise facts. Again Port of Miami is the cruise capital of the world. I think -- I think when you see this port, when you drive up on a Thursday, Friday, Saturday, Sunday, and see about five or six very large cruise vessels parked out there that this is the big league of piloting, and also considering the environment here, and this is a very critical piloting situation with the size of vessels and the
traffic that's here, not just the commercial traffic but also the recreational traffic. We got some more information on cargo tracks. I'm not going to -- it's all presented. There's no sense in talking about it, but I think it's relevant information.

Let's move on to the retirement plan. This subject brings up a lot of discussion because the retirement plan is unfunded. It's very common in the piloting industry around the country that these plans are unfunded. I think it has a lot to do with the fact that many deputy pilots come into the industry a little later in their career, maybe twenty eight, low thirties in age, and so they have a limited time, you know, health and skill, and whatever lies to put in a number of years to build up a retirement on their own, but I think that you will hear some testimony from the pilots, a lot more about this, of how prevalent these unfunded plans are in the industry, but it does present quite a problem on the expense side for the operation, as we presented with that history going back to 1990, and what that cost accumulates to each year.
In Florida really only the major ports have this unfunded plan. I mean in Pensacola, Panama City, Fernandina, there's just not enough traffic to even consider something like this, so this benefit that they earn over 22.9 years is something that is common in the large ports in Florida, but it's not something that is just guaranteed just because you're a state pilot in Florida. It's almost like because they can, because they can do it, they can fund it. I think that's a significant factor here.

In our experience of evaluating these, and hearing other rate review committees and boards consider this, you know, we've herd discussion like what can we do about it, what in setting the rate can you do anything about it, but these plans are binding plans, or contractual plans when a new pilot signs on and becomes a partner in their organization, and they're bound to those active pilots to pay that benefit, so it's really -- it creates as far as rate setting, and you look at the number, the amount of dollars involved, it does create an anomaly if you will of how do you relate a rate to the pilot benefit for the unfunded
1 retirement benefit.

2 It's just something that this Board has to think, consider on their own. The benefit is about 50% of an active pilot's net distributable income. There's no -- there's no adjusting. If you don't make it to your full retirement years you haven't earned anything. If you work ten years you don't get a part of it. There may be some plans that are a little bit different, but so it's hard to really say what's the value when there's such an extreme vesting amount. We did present some analysis of how we came up with the $30,000 to $45,000 valuation, but I think we've given you enough analysis, and negative factors and positive factors to think, have a look at this, and I think each person, whether you're an accountant or a businessman, or whatever, everything, each one of you would I think consider this in a little bit different context.

The last thing I'd like to present is some of this port data on Page 56, how the revenue per ton from 2008-2016, the passengers, revenue per passengers for the port for the same period 2008-2016, and then look at the revenue, the
pilotage revenue per ton for pilotage, and then
the pilotage fee per passenger is flat from
2008-2016. Of course it's simply a matter of
scale, you have larger ships, a higher number
of TEUs per vessel, spreading that cost, or
even the number of passengers over, even as a
larger ship the cost per passenger is about the
same. It's an important piece of information.

So that concludes our presentation, and
I'd be happy to entertain questions at this
point.

CHAIR: Great. Thank you, Mr. Law, for
going through that. That was very helpful.
Board members, would you like to Q&A any of the
information pertaining to his report, or any
other questions you may have related to the,
the cost side?

MR. OATIS: I'll bring up a couple while
everybody else is thinking of theirs. Did
Biscayne Bay have a third party accounting
audit by an accounting firm, and did you look
at that as part of your review?

MR. LAW: Yes.

MR. OATIS: And who does that?

MR. LAW: GSK.
MR. OATIS: Okay. And on Exhibit B, Page 12, on all that data about number of handles and passenger cargo information, you had mentioned the Biscayne Pilots provide that information to you. Was that audited from their accounting form, or, you know, how do you understand the accuracy of that?

MR. LAW: They compiled it, and it's not audited or compiled. It's not -- there's no attest by the CPA, it's just their data.

MR. OATIS: Okay. So, in other words, you (unintelligible).

CHAIR: I'll just go ahead -- I mean I just have like five or six questions. I had more, but you covered them.

MR. OATIS: Good.

CHAIR: You know, on Page 19 where you have the financials and revenue projections by pilot, and, you know, you show 2007 and then you jump to 2014, and you explained 2007 was audited, am I correct, isn't 2008 when the recession started, right?

MR. LAW: Right.

CHAIR: The amazing statistic here is that the revenue number in 2007 is not far off from
the revenue number in 2015, but in the 2008-2012 years, do you have, do we have an understanding of what revenue was like during that time frame? I mean did it dip with the recession; that's what I want to know?

MR. LAW: I don't have that available. I may be able to dig it out of my work papers if you give me a minute, and I'll look for that, okay?

CHAIR: Yeah, because the way the data looks, it looks like, well, we've been flat for ten years, and I was wondering, maybe is that really true, because a lot of things were happening in the economy during that whole time.

MR. LAW: Yes. Let me answer your question, and it may also answer your question about the exhibit as well. But the -- each pilot organization has to report their number of handles and their pilots' revenue each month to the Department, and so, because they pay a fee to the Department to be governed by the Board, and so the total revenue that's on Exhibit B agrees with substantially, with what is, they report to the Department. Not that
it's audited, but it is. But also that revenue, the Department has that. They keep it by every port historically back many years. I do have that. I brought it with me, the revenue in prior years.

CHAIR: Another question I had is on Page 28, where you show the pilotage fees for cargo vessels, and you have some numbers from some ports outside of Florida, you know, the shocking thing is it just seems their numbers are significantly higher in those other non Florida jurisdiction for a few of them. Do you have any color commentary on why? Are we comparing apples to oranges here in terms of costs they include, or is it just a fact that other markets outside of Florida charge more?

MR. LAW: I think it's a matter of physical dimensions of these ports. This is a short, a short handle in Miami and, and Port Everglades and Miami, and so it's -- if you -- if you compare this back to Tampa, which is on Page 30, you'll see some, the fact that there's an eight hour handle in Tampa gives you an idea of how those, they're paying based on time and tonnage. I mean the rate is established because
of time, okay, so these are the ports that
you're referring to, Charleston, Norfolk, and
New York. I don't have the distance for those,
but it might be a good idea to add that to our
table. Maybe we can get that next time.

CHAIR: Then on Page 31 there's a ranking
at the bottom on the port rankings. Can you
just explain what does that mean, the FCCA
proposed and BPC proposes ranking?

MR. LAW: From -- in Table 5 if you look
at from the least, let's see, the highest rate
-- if you look at the small column, and look at
Panama City, it has the highest rate for that,
for smallness, and the lowest is Port
Canaveral, 11, okay? And so the lowest rate
from the highest is 1. 2 would be the next
high, I mean the next lowest from that, going
up to 11 would be the lowest rate.

CHAIR: So the FCCA proposed is if the
rate increase, I mean decrease was calculated,
is that what they're trying to show?

MR. LAW: Right. But, you know, we didn't
do that through year 3, 4, 5. That was kind
of, it would get a little bit confusing.

CHAIR: Then on Page 46 when you're
talking about the retirement plan, I just want
to make sure I understand what the 20% cap
means, and so in my simple logic does that mean
they cap the amount of money that goes into the
retirement pool based on 20% of the revenue; is
that right?

MR. LAW: That's correct.

CHAIR: Okay. And that works in --

MR. LAW: First you determine what is a
half share, and then what would all the half
shares relate to the total revenue, 20% total
revenue, it's capped out at 20%.

CHAIR: Okay. So therefore if the revenue
goes down the retiree benefits go down.

MR. LAW: Right. If they're limited by
the 20%. And one thing -- can I point out
something?

CHAIR: Yes.

MR. LAW: I mean if you look on Page 40,
and I bet this project is the most not perfect
thing in the world, but when we projected
retirement out in 2019, 2020, and 2021, we just
said it's going to be 20% of revenue. Not that
it's going to be. I don't know how many
retirees there will be. We just said that's
the cap, so that cap could be -- the amount paid out could be less than that cap, and then therefore net income could be higher, okay?

CHAIR: That's true. But you did not a trend of obviously increased retirees over the last -- the assumption you used to make that assumption.

MR. LAW: Well, no, I really just said -- if you look at 2021 the retirement is 20% of revenue at capped, and it may not be that high but it will not exceed that number.

CHAIR: While we are talking about the benefits going back to Page 21, for purposes of how the estimated imputed value of the unfunded pension plan is being calculated, I know, let's say back in 2000 it's about $30,000 per year, and now you're currently estimating it's somewhere between $30,000 and $45,000. If you can give me high level process of how you came to that amount, came to that range.

MR. LAW: Well, it is presented in this, starting on Page 48 where we just try to back into a number, in other words what would it take to pay that amount of money, accumulate that kind of money to pay out let's say
$150,000 benefit, but with no residual, with all those factors, and there's too many variables to say that there's anything other than a range of numbers.

CHAIR: Okay. And then as far as I guess the per pilot that we're considering, does that include those pilots that have hit that vesting level, the 22.9, or is that for all pilots currently in the process? I'm just trying to figure out are we attributing the pension to pilots who might not get qualified for it.

MR. LAW: We're considering that if it took let's say $45,000 to accumulate that benefit, that's, you would attribute that to every pilot.

CHAIR: Okay, assuming that at some point they will all reach that --

MR. LAW: You assume that they will all, all qualify.

MR. OATIS: I had another question. You made a comment earlier, and I can't find the page number, but a difference in billing between the Everglades and Biscayne is something around the harbor --

MR. LAW: Harbor control.
MR. OATIS: Right. And so is that the County performs that function in Fort Lauderdale; is that -- explain --

MR. LAW: The Port Authority has a harbor master, that they charge a fee for harbor control.

MR. OATIS: The Port Authority does.

MR. LAW: Right.

MR. OATIS: They bill that separately, and so it's not part of the association there, where in Miami it is?

MR. LAW: Well, in Miami there's no harbor control. The Port does not manage traffic in the port the way Biscayne Bay Pilots do, so they're providing a service that is otherwise charged in Port Everglades, but given the -- I mean not -- but it's part of the -- it's --

MR. OATIS: But in Biscayne the pilots perform that service.

MR. LAW: That's correct.

MR. OATIS: Okay. All right.

CHAIR: Other questions? Yes, sir.

MR. WINEGEART: On Page 2 under FCCA's application. it states in 2013 34% of handles were passenger and 64% of revenue was passenger
related, and then the next paragraph it says, '15 and '16, I guess that's combined numbers, 39% were passenger handles and 60% were revenue. That's a 10% difference. Is there an explanation of why that changed in those two years? Is it because they're handling bigger cargo vessels that are bringing in more revenue, or --

**MR. LAW:** This -- that information is taken on the 2016 data on Exhibit B, and it's just -- it is what it is. I don't really have a reason why, it just is what it is. 2015 and 2016 were so close, like 60.2 and 60.7, so I just made it one number for the two years.

**MR. OATIS:** Also, and I don't have the page number, there's an administrative law judge that basically said average pilot compensation was around $400,000 for I forget what year it was, do you know did that include any pension calculations, or what, can you explain that number to me a little better?

**MR. LAW:** I saw it happen after I made this, you know, I don't know. I don't know if it includes all the fringe the way that we do it under 310. I think -- I was at the hearing,
and I think that the, in general it was a
general compensation number of about that.

MR. OATIS: Do you know what page that is?

MR. LAW: Number 36.

CHAIR: So the question, just to clarify
your point, was is that a comparable number
onto Page 19's average income per pilot, or is
it a comparable number to the subtotal, one of
the subtotals, or you do you know?

MR. LAW: That's -- that's right. And, you
know, that's why in the beginning I said if
some people get a W-2 and it's 400, and some
people are getting net income and it's 400 plus
their other benefits, it's, it's, it gets
un-comparable. And I think what Mr. Quick
from Masters, Mates, and Pilots, will have more
information for you on that, because I think he
was the one giving testimony to Judge Watkins,
and I think that's what that's based on.

MR. ASSAL: One other question.

Pertaining to the harbor master, do you know
what other services they are getting for that
fee, for the harbor master fees?

MR. LAW: Would that be Port Everglades,
or what Miami is requesting?
MR. ASSAL: Port Everglades. No, Port Everglades. You said Port Everglades has an additional fee for the pilots -- let me rephrase that. Port Everglades has an additional fee for harbor masters, right? What are they paid for for that fee? Do you know that?

MR. LAW: No.

MR. ASSAL: Okay, thank you.

MR. SOLA: You guys got my questions.

CHAIR: Other questions? Okay, Mr. Law will be here throughout the day, tomorrow, and possibly Friday, so we can always call him back up to clarify. So thanks so much for going through that. That was excellent, good little review. Okay, it's 11:30 so we can go ahead and start with Caribbean Cruise Association presentation to support its application for rate change. Mr. Panza, we can take some advice from you on how far you want to go, then stop for lunch --

MR. PANZA: I would appreciate it if we could -- I could do my opening statement, and then probably break for lunch. I don't think my opening statement will take more than fifteen,
twenty minutes.

    CHAIR: That's perfect. Okay.

    MR. PANZA: Okay. I hopefully can stay within that parameters. Thank you very much, members of the committee. We wanted to make some points of clarification as we start this case so that there's no confusion, as I believe that there was possibly in the last hearing. And we want to state that we are here seeking a rate decrease of 25% to be, to look at what would be fair, just, and reasonable rates. We are not here at all to denigrate the pilots. We are not here at all to say that the pilots are not necessary. We are not here at all to say that we don't need pilots. We are not here at all to say that the pilots do not perform a valuable service.

    Everybody in this room I would presume, I think, would probably agree that the pilots perform a valuable service, that they're entitled to a fair, just, and reasonable compensation for that valuable service that they perform. We are not looking to reduce the number of pilots that currently serve the Port of Miami, and we are also not looking to reduce
anything that deals with the number, like I say, the number of pilots and the methodology that they choose to use.

What we do want to point out, because it's a voluntary methodology that they choose to use with staffing, et cetera, which we will discuss, so when I discuss staffing it's not meant in any regard whatsoever to say that the pilots should choose less staff, it is just a fact that the pilots state that they have to operate as a business. This in fact is a monopoly, and it's a state run, or a state sanctioned I guess I could say, monopoly, and as a result of that monopoly there's no free market, so we can't go, so the cruise ships cannot go to some other vendor, so to speak, some other set of pilots, and say we would like to get a bid from you, and we'd like to get a bid from someone else, we'd like to do an RFP, we'd like to do an ITN, we would like to do some other type of procurement instrument to be able to procure these services.

These services are what are made available pursuant to the statute, and that's what we're required to do. As a result of that this
committee has the obligation, which I certainly think the committee clearly understands its obligation, to ensure that there is a strict oversight of the operations, and that the, and that the pilots are operating this in running a tight ship. Could we have Exhibit A please, the first one, which is Section 310.151?

And under -- under Section 310.151(5) is what you all are governed by, and what we're governed by, and what the State of Florida is governed by, and it basically clear indicates that in determining whether the requested rate change will result in a fair, just, and reasonable rates, the committee shall give primary consideration to the public interest, and promoting and maintaining efficient, reliable, and safe piloting services. We agree with that. The committee shall also give consideration to the following: The pubic interest to have qualified pilots available to respond properly to vessels needing their service. We would agree with that. And we would agree that that's what's been occurring in the Port of Miami since they've had pilots.

Now we go to Paragraph 2, or (b)2 a
determination of the average net income of pilots in the port, including the value of all benefits. So that when Mr. Law claims, states that we have to look at a W-4 or a W-2, or whatever it may be, or a 1099, or some other document from the IRS that indicates this is what these pilots receive, the statute here requires you to consider the value of all benefits. The legislature obviously could have written it not to consider all benefits, but it did, derived from the services as a pilot. So you must consider all those.

The purposes of this subparagraph, net income of pilots refers to the total pilotage fees collected that's paid by the rate payers. The rate payers are basically two classifications for the most part. That would be the cruise ships and the cargo ships. In the port minus reasonable operating expenses. And this is probably one of the primary responsibilities, in our opinion, of the Board. And that's why we come to the Board, and that's one of the reasons why we're asking for a rate decrease. The operating expenses need to be reviewed, and obviously reviewed carefully, as
any other business would be reviewed. And since it's not the free market where somebody could come in and bid, and say I'm going to bid for my boatman, I'm going to bid somebody getting paid $50,000 a year instead of $70,000 a year, we as the customers, as the cruise ship industry, do not have the luxury of doing that, so it's up to the Board to make a determination whether these operating expenses are really cut to the bone, they're really tight, they're really like any other governmental agency would have, and because that's in essence what this is.

Divided by the number of licensed and active state pilots within the ports, so you take the number of pilots -- now, who determines the number of pilots? The Pilots' Association determine the number of pilots. The Board does not determine the number of pilots, the association itself determines the number of pilots. If the association felt they could operate with ten pilots I guess they would operate with ten pilots, or with one pilot, or with eighteen pilots, or with more.

Then Number 3 is the reasonable operating
expenses of the pilots, so that's repeated again in here. So you have to look at are these, are these operating expenses reasonable. Then if you go down to Number 9 -- I'm not going to read you all of the sections in there, but let's go to Number 9, and Number 9 is the cost of retirement and medical plans. That's also something that you need to consider. It's not a discretionary item, it's an item that's part of the compensation package. It's what the entire compensation is made up of.

So those are kind of the parameters of what the Board obviously, and the committee obviously have to look at. We feel that the rates are not reasonable for cruise lines based on changed circumstances. And you'll say to me, well, what are they, you know, what are the changed circumstances. The current per call cruise rates are up to $13,000 for a call to the Dade County, to Miami-Dade County Port, Port of Miami, and that means going from the -- I believe some of you, or all of you may have been out on the, on the trip yesterday and saw that goes out to two or three miles beyond the buoy I believe, and going through the channel.
And it's pretty much of a straight channel, which you'll hear from the Admiral and Captain later on how, on how all that works.

In our estimation the pilots made somewhere in the neighborhood of about $499,000 a year when you take into account the benefits that are required under this particular section. Under Mr. Law's report, on Page 9 of his report he indicates that the pilots make somewhere between $396,000, or excuse me, $366,170 in compensation and benefits, plus $30,000 - $45,000 in retirement if in fact they were taking their retirement and basically funding it as you would have any other actuarially sound retirement plan.

And when I say that, actuarially sound, we're talking about a retirement plan, every single retirement plan, I can't say every single one because the pilots do it this way but the vast, vast majority, probably 95% of the retirement plans are funded in some way each year. There's a couple of reasons for funding them in some way each year. Some plans require the employee to contribute, such as say the state plan would do. Other plans, the
employer contributes the full amount of the, of
the plan, and it's an employee benefit, and
depending upon the industry and what they might
want to do.

But there's another fundamental reason for
that, and the fundamental reason for it is it
has compounded interest, so that if you took
the low end of $30,000, or the high end of
$45,000, and you put that money aside in an
escrow account, or a pension trust account, or
whatever account it might be, and you kept that
money for twenty years, that money is going to
grow, and it's going to grow exponentially so
at the end of twenty years you're not going to
have to collect as much money as you would
normally have to do if it was unfunded where
you just have to fund $2 million, as we have
done, and as the pilots have done in this
particular case, out of operating expenses.

You would have already recognized that
money. That money would have grown at probably
an average of about 5% a year in general, and
under Mr. Law's chart, which we'll talk about
in much more particularity in a little while,
or when we're doing our presentation, that
would have been a savings to the system of about $24 million. But rather than the pilots saving the $24 million because of the compounded interest they just pass it along, we'll just pass it along in an operating cost, it's non, so we don't have to take any money out of our pocket, because if they take any money out, the $30,000 or $45,000 would come out of their net operating funds, which would mean that they would get less money each year because it would be going towards their pension plan just like every other employee probably in the country does. But they don't do that, so we think that that's part of the unreasonable nature of this.

Secondly, the cost of pilotage for cruise ships has grown unreasonably over the last twenty years. The pilots, and Mr. Law and the pilots will tell you that they have not got a rate increase in the twenty, or since 2002. It won't be twenty years, that's fifteen years I guess. If we can look at the Graph C, or Chart C please? And we have smaller charts to give to you all so you don't have to worry about memorizing these, or having a photographic
memory. We will distribute these as exhibits at some point when it's appropriate to do. If you can read them -- we apologize for the way these are coming across with the room size and everything.

But the, the pilotage, the cost of pilotage for cruise ships, as I said we thought, we think, or we believe is unreasonable over the last twenty years. The rate -- this is a really important chart because the rate -- it says the committee shall fix the rates, you shall fix the rates of pilots pursuant to this section based upon the following vessel characteristics. Obviously the length, everybody understands what that is, you know, how long the ship is. The beam, how wide it is, that's not a big deal. Net tonnage, how much, if you put it on a scale what does it weigh. Gross tonnage, and this is really in red because this is what the, this is what the, creates this illusion, and it creates this fallacy.

And we're going to go into much, much more detail about gross tonnage because what gross tonnage does is gross tonnage measures the
space, the cubic space underneath a covered roof, which would be air for the most part. So that's what you're measuring here. Or dead weight tonnage, which would be the weight that that ship, mainly cruise, cargo ships can carry. The next one, (d) is freeboard, or height above the waterline. That's usually the part that's, when it ends with red and goes to blue, or whatever color the vessel is. And then (3) is draft, and that's one of the considerations that you have, and that's the amount of distance there would be below the water line, or any combination of the vessel characteristics listed in this subsection, or other relevant characteristics or characteristics, vessel characteristics or characteristics.

The other combination could be what is the sophistication of the electronics on the new cruise ships that cost $2 billion. What -- what is all of this? That's not counted. What's counted here in front of you to determine what the rates are are two measures. One measure is gross tonnage, and that should be gross registered tonnage, which is GRT,
which you'll hear a lot about, and the draft. The GRT is a measure of the enclosed volume.

GRT is not rationally related to safety and maneuverability of the ship, which you'll hear from both the Admiral and the Captain. These are billion dollar ships with the most sophisticated technology, with the most sophisticated propulsion system.

The ships, some of the ships that we will show you, many of them will have six propulsion engines, three azipods, which are what we've substituted for a rudder that goes in a 360° circle that could move these vessels, four bow thrusters, compared to a cargo ship that has one screw, one propeller, and it has a paddle, or a spade I guess they call it a spade rudder, which moves it, which are much more difficult to move, or to maneuver.

Many of the large cargo ships, the pan, the post panamax ships, pay a much smaller fee than the cruise ships for the same or smaller size vessel, and they're not as sophisticated, and quite frankly we believe they're more dangerous. The Captains on the cruise ship lines are extremely highly experienced, and
extremely capable, of which you'll hear. On the cruise -- we're going to go through who mans the com, or the bridge on a cruise ship, one of these cruise ships that cost a $1 billion or $2 billion.

You have a captain, staff captain, their master unlimited. You have a first officer, or second officer, or third officer. And we'll go through their experience levels, and we'll go through the experience levels that they have of taking these same vessels and going through ports all over the world without pilots. So we will -- we will explain all of that. The workload and the fees have just gotten out of control. Cruise lines are the majority of the pilots' revenue. They are either 54%, or if it's more currently 60%, but it's the majority of the revenues for the minority of the work, and we're going to have many of these slides that show you the differentials between those when we get into those particular areas.

In 2016, as an example, just as an example right now, in 2016 you had 1,700, it would take 1,795 cargo handles, this is the highest segment of cargo handles -- now, these
admittedly are smaller cargo vessels, but it's
still counted on the list as a handle by the
pilot, they still need a pilot, they're over
10,000 tons, or within 10,000 tons. They've
earned a small fee than 108 cruise handles.
Now, that 1,795 cargo handles that had to come
into the port, had to have the danger of coming
into the port, had to have all of the
characteristics that the pilots say, that
there's submerged reefs, and all the rest of
this, and they had to do it 1,795 times to earn
a smaller fee than it would take for 108 cruise
ships. And the only reason the cruise ships
have it is because they have the larger GRT,
which they have this larger open area, open air
area, which you'll see in some of our slides
this afternoon.

BPA, the BP, you know, the pilots, let me
just call it that. I'm getting mixed up with
my words here, BP that are the pilots face,
face more great risk, much greater frequency to
the, to pilot cargo lines, and they earn a
smaller fee, and it's just not a rational
split. We're not saying increase the, the
cargo fees, or anything like that, or to
decrease the cargo fees, but it's just not rational. There is just no basis for it.

Now let's look at the fundamental argument that the pilots have not gotten a raise since 2002. And we submit to this honorable Board that that's absolutely unequivocally unalterably false. It's just wrong. And the reason it's wrong is under any other set of circumstances in any enterprise -- and the pilots claim they're a business, they've got to run this as a business, they got to manage their operation as a business because this is the amount of money they're going to get. So in any other business if you do half the work, you know, and you get the same fee, you're probably making twice as much money, in any other normal kind of a business. What happens here is the increased sizes of the ship, the organic increase -- the ships have gotten much, much bigger, which we'll show you grafts and charts on that.

So that would be about twenty two years ago, twenty one years, twenty two years ago. The pilots had eighteen pilots. They did 10,585 handles. 10,585 handles. In 1989, or
excuse me, in 1998 -- I'm sorry in 1998 they had 8,909 handles, so that was about 1,000 or so less, 1,500 handles less. They had $8.9 million in total piloting revenue, and at that point they still had eighteen pilots. In 2006 -- now this is some, from now some ten, eleven years ago, they had 7,246 handles, so now they're down from 1884 by over 3,000 handles, 3,000 units of work they're down. They still have eighteen pilots. In 2016, which is the recent numbers that Mr. Law used, and the, and the pilots will use, they have 5,231 handles. They still have eighteen pilots, and the revenues are higher.

The revenues are $11.2 million for piloting revenue in the year 2016, so what's happened is in the year 1995 they had 10,585 handles, in the year 2016 they had 5,200 handles, which is half. They had the same number of pilots. I don't know what they're doing of the other half of the time but they had the same number of pilots, and they're making the same amount of money, so when we talk about the revenues remaining flat, the revenues have remained relatively, I guess
relatively constant, within $1 million or so.
The pilots' numbers haven't changed. What's
changed is their units of work. They work
less. They work half the time.

The pilots do an average if you take these
numbers and divide them, and we will show that
to you mathematically, it's not Panza saying
this, if you take these numbers it will show
with eighteen pilots, it will show they average
about 5.5 handles per week at approximately 2
hours per handle. When I say 2 hours per
handle I'm talking about the sea time, you
know, going from the buoy into the, into the
port. The pilots, and like I said it's unclear
as to what they were doing for the other, you
know, since only have the handles.

The -- then they have another category of
time that they spend which is, which is
legitimate, which is called central support
services. The statute allows them to charge
for essential support services. We think that
many of these essential support services are
completely dubious. We will show you a list
this afternoon of what these essential support
services are, many of which, if not most of
them, could be done, and could be performed by
nen pilots at much cheaper costs, so it seems
like a reasonable assumption that maybe the
pilots do not have that much to do so they're
going to go ahead and be a boatman, or be the
manager of the facility, of the, of the pilot
house. I don't think you need to pay someone
$499,000 to be a manager of a pilot house, but
that's one of the duties that we will talk
about.

Now, despite half of the workload, or
despite them having half of the workload they
have the same revenues. The revenues now are
at an all time high, so the revenues per handle
have gone up 25% in the last five years, just
in the last five years, the revenue for a unit
of work. And I think the only fair way,
because Mr. Law is correct, there's many, many
variables. The one thing that doesn't
variable, that doesn't vary, is a unit of work,
what is a handle. I think everybody can agree
on what a handle is, you go out to the buoy, or
wherever, you pick up the ship and you bring
the ship in, or you, you know, you come in with
the ship, that's a handle.
Those units of service which are clearly definable, the revenue per one of those units of service has gone up 25% in the last five years. The pilots in Dade County, excuse me, the Port of Miami, have the third highest revenue handle per hour in the state. So if you take the unit of service and you divide it by, if it's 2 hours to go into the port, which I think Mr. Law agreed would be a reasonable amount of time, if you took that, and you took it per hour, they have the third highest. The only one that's higher is Key West and Cape Canaveral. And probably the reason is, I'm speculating here a little bit, but probably the reason is they don't have a lot of the cargo ships, are mainly the cruise, cruise ships, and they're bigger.

So they have the third. If you were to give the FCCA the 25% discount, which we'll show you charts on, the 25% decrease rather, they sill remain the third highest per handle per hour rate in the state. The compensation package that we will show you through a CPA that we have here, and we show you that's valued at around $500,000, BPA operates an
unreasonable pension plan, which Mr. Law discussed a little bit, and in 2015 they paid $2 million into this plan. This plan, and Mr. Law said, well, this is what, when the pilots sign up they sign an agreement, they sign a contract. They sign a contract, and they pay a certain amount of money into this association, and when they sign that contract and they pay a certain amount of money into the association which they get when they leave the association, which is like buying into a law firm, or buying into any other type of a partnership, the, they pay that money in, the, excuse me, the pension plan that they get is not going to be, is not going to be funded, and they know at the end of the day, at the end of 20 years, or 22.2 years, or whatever it is, they're going to receive this pension amount.

And Mr. Law was indicating, well, this is what they, this is what it says, they're entitled to it. Well, they're only entitled to it because it's a voluntary agreement that all these people that are part of this partnership made. The State of Florida didn't say this is what you must do. I don't believe any pilot
commission in the past said this is what you must do. This is a voluntary association of pilots that came together and said this is what we will do. And I mean it's not a bad deal, who wouldn't do this, you don't put in a penny, you take out all your operating, you make as much money as you can, and then at the end of the day you're going to pay out this $2 million, and then what you say at the end of the day is it comes directly out of operating funds.

So at the end of the day you say it comes right out of this operating funds without taking any of the compounded interest, or anything else, you just take it out, and then you go to the rate payers, which is the cruise lines, and you say we haven't got a raise, we got to make more money because we got to, you know, we got these pension benefits that we have to pay. It's just not a rational system, cause no other business operates like that. It's not prudent.

The full healthcare benefits, if you look at the price of the healthcare benefits and the Workers' Comp -- well, let's just look at the
healthcare benefits. They pay full costs for the family, for the employees, the employees themselves, the actual, or they're not employees, but the actual pilots themselves and their families, and when they retire they pay for the coverage for the families as well. The issue here with the healthcare, and the issue that I believe is somewhat disingenuous about the Workers' Comp that they have to pay, is they choose to have a voluntary association. They choose to all be independent contractors. The reason they choose, in my estimation, and this is a supposition on my part, is they don't want the liability, so they're all going to be independent contractors.

Well, if you choose to be an independent contractor and you want Workers' Comp I guess you can, you can purchase it. If they came in, and they were an organization, yeah then maybe it would be a reasonable business expense, but I don't think it can be counted as a reasonable expense because you're getting the benefit of what they chose to voluntarily do. So when you count total compensation for, for their benefits it's about $500,000 per pilot. With
this 25% decrease the only thing that the

cruise industry is seeking is to maintain

stability, to maintain about the same level.

And the reason I say that, you can look at

me and say, well, what are you talking about if

it's a 25% decrease -- well, let's look at

historical data. Let's look at the last five

years. And let's look at the rate increase

went up in five years per handle per hour, went

up by 25%. The reason for that was because of

the organic growth of the vessels. Well,

you've heard much testimony, or you will hear

much testimony about the post panamax vessels,

how big they are, you'll hear about the cruise

ship vessels now, when they used to be, the

average was 94,000 GRTs, 94,000 gross tons. It

doesn't mean how much they weigh, that's gross

tons.

Now they're 230,000 gross tons, so for a

ship that's currently at 225,000 gross tons

they pay about $18,000, $18,000 to go from the

buoy into the port and dock. So they -- you

will also hear testimony that the pilots never

dock the cruise ships. They don't dock the

vessel, all they do is come in, and they're an
adviser to the Captain. Important adviser, extremely important, we're not saying we don't need them, but they don't dock, they don't dock the vessel.

If you gave them the increase that they're talking about, and I won't get into the -- my calculation was based on the 2% plus the 6% they were asking for. The 2% was the, was the amount of money for the cost of living, so whether you have that in there or not that was my calculation. You can go back -- and I think Mr. Law's was about 46%, 47% increase over the five years. That same vessel was paying $18,000, nothing changed about the vessel, but now it pays $25,000 with that 18% increase. As a result of the organic size if you keep these two measurement, measurement units that you use, gross tonnage and draft, as vessels get larger they naturally, organically the fees go up.

So in essence if you have a 46%, or 47% rate increase, and the vessels get larger, you're going to wind up with a rate increase of 65-70%, only because the vessels get bigger. Not for any other reason, they just got bigger.
So that's what it is. So the -- we have a set of questions which we're going to, we're going to leave up here, which we think that the committee should really, really look at, but one of the points that I do want to raise is that there is no shortage of pilots.

And there is no shortage of qualified pilots, and we're going to demonstrate what the qualifications are to be a deputy pilot, because that's the benchmark to become a pilot. There is no more qualifications after you're a deputy pilot other than the experience, you know, your training that you have as a deputy pilot, and as taking the test. But that would be the, that would be the benchmark. You heard the investigative report say that they have not faced a situation where there is no, where there is a shortage of pilots, they couldn't get enough pilots, and I submit to you that making anywhere between $400,000 - $500,000 a year you're never going to have a shortage of anything, and especially of pilots. If you gave -- if they received their rate increase they'd be making close to $700,000 for more per year, which we'll demonstrate, and we'll
The other issue is they continually, the pilots will continually tell you that the cruise ships make all this money. What ever money the cruise ships make, they're in private industry, and they're in there as any other kind of private enterprise would be, to make money. That's what the purpose of, or free economy is, and the free market is for the cruise ships. And I can use an analogy that we put in our report, and I'll close on that, that if you -- many of you probably live in some municipality that has cable TV, some of you have Comcast, Infinity, whatever it is, you know, and you're probably all unhappy with them, you know, as I am, but nevertheless you think you get charged too much because every little thing they do they charge you for. So you call up, and I say, you know, I'm getting charged $150 a month for this cable TV, and you got a monopoly because my city commission voted, because they have to have the cable line, so they get rid of a similar kind of monopoly, and so you, city commission, are supposed to go ahead and adjust these things
Now, when you do that, and you make that complaint to the cable company, you know, the cable company will respond to you and say we have to do this, or we have to do that, and you say to the cable company I want to be charged fair, reasonable, and just amounts, that's all I want to be charged, and the cable company will come back to you and say this is fair, reasonable, and just. The cable company doesn't ask you for how much money you made. It doesn't ask you for your financial statement. It doesn't ask you for your tax return. It doesn't ask you what you make, because what you make is completely irrelevant to watching the cable. The whole issue in the, in the matter, is what does it cost you to get this cable.

What does it cost you to get pilots? What is the fair, reasonable cost for that? And we submit to you, most humbly, that the fair and reasonable cost that they receive for doing half of the work that they did in the year 1995 is somewhere between $400,000 - $500,000. If you take our rate reduction they're still the
third highest work per hour, per handle, in this state. And they're still making -- you'll see our numbers, but they're still making over $400,000 with that, or close to $400,000 with that.

And I submit to you that the pilots, that the captains of our vessels who work 24 hours a day 7 days a week to take these vessels in unbelievable conditions and unbelievable locations are equally qualified to the pilots, and in many instances probably more qualified than the pilots. And I'm not denigrating the pilots, and I'm not saying the pilots are not qualified, they are, they are, but they shouldn't be saying that the captains can't do this. We have -- we will show you slides, and we'll have testimony for the captains that do this very thing, and can do this very thing.

So with that I would thank you all very much for listening to me. And I was about two or three minutes over my allotted projected time, which for me is a miracle. Thank you.

CHAIR: All right, very good. Thanks for that opening. So we will take a lunch break until 1:30, and then we'll resume at that time.
MR. JENNINGS:  Just a reminder, committee members, don't discuss anything at lunch please. Don't discuss anything related to this case at lunch.

(Thereupon, a recess is had.)

CHAIR:  We're ready to get back started. It's 1:30, and we will continue on with the Caribbean Cruise Association presentation in support of it's application for a rate change. I did have a request that, for all of us, that for all of us speaking in the mics, some of the individuals in the gallery are having hearing us unless we're up close to the mic, so please lean over to speak when you're using it. Okay, Mr. Panza, are you ready?

MR. PANZA:  Yes, sir, I am. Thank you. I'll try and talk into this. I'd like to if possible now, I have three witnesses, if I could enter their resumes at this particular time for all three. Further, Mr. Chairman, in the last hearing that we had I had two of the witnesses that were dealing more with the ship operations, et cetera, and the size of the ships, et cetera, the admiral and the captain, and I would go back and forth between them on
the questions rather than calling up one and
then calling up the other and then repeating it
and having one sit down. It just expedited the
matter tremendously. And they're not going to
both talk at the same time, they have different
subjects, but some of their subjects are within
the same confines of the same subject matter,
so it will be just be easier, if that's
acceptable?

CHAIR: Yes, that's fine.

MR. PANZA: Thank you. Thank you very
much. The -- we've talked about the increased
size of these ships, and over the last fifteen
years how the ships have increased, and the
rate decrease that we are, just to put this in
context the rate decrease that we are looking
at is based upon the tonnage size over the,
over the last fifteen years, how that tonnage
size has increased. And it really hasn't been
disputed at all by the investigative committee.
I think they have agreed that it has.

And what that I'll ask Admiral Baumgartner
to, if he can give you a little bit of
background of his credentials. We've put his
resume in, but I'll just ask him to give you a
short introduction of his credentials, and what
he's done in his past life. And the same thing
will go with Captain Hansen when I get to him
in a moment. Admiral Baumgartner.

ADMIRAL BAUMGARTNER: All right, thank
you. And good afternoon, I'm glad to be here
to speak on this matter. Just to give you a
preview of my background, right now I am the
senior vice president of global marine
operations for Royal Caribbean Cruises, Ltd.,
so that is the chief maritime operational
officer for forty nine cruise ships for all
brands and joint ventures across the globe
under the Royal Caribbean, the corporate
umbrella.

I've been with Royal Caribbean for four
years. Before that I was an admiral in the
U.S. Coast Guard. I had a thirty three year
career there. I started out studying
engineering with deck, was a captain of a
couple ships, and did other things in
operations. I think went to law school. I
have a JD from Harvard. I did things in the
legal field for many years. I was the chief of
maritime in the international law for the Coast
Guard, then I was the judge advocate general, or general counsel of the Coast Guard for four years. My last four years I was the operational commander for the U.S. Coast Guard for the southeast and the Caribbean, so my headquarters was here in Miami about a half a mile south of here. So that's generally my background, so I'm fluent operations, as well as, as law, regulatory matters, and other things. So --

**MR. PANZA:** Basically, Admiral, could you go through this next chart? We -- we have a chart up here that we're going to put up here, which is Graph Exhibit E. Could you please explain -- could you please explain to the committee what this chart represents?

**ADMIRAL BAUMGARTNER:** Okay, well, what this chart does show is the growth in the size of cruise ships over the last twenty, over the last almost twenty years. And this is obviously very pertinent for, for rates and revenues, since gross tonnage, or GRT, interchangeable really here, is the primary, primary factor in determining the pilotage rates for a vessel. So in 1998 the largest
cruise ship in the world was 108 GRT. Now in 2017, as you can see on the right side of the chart, that's about the average size, or the median size for vessels coming into the Port of Miami. I should say median, not average, there are many vessels that are in excess of that. In fact two vessels in excess of 150 GRT were using the Port of Miami in 2017.

In 2018 that will actually change significantly because Royal Caribbean will be bringing in the, the largest cruise ship in the world, Symphony of the Seas. It will be launched next year. Actually, I'm sorry, it will be delivered next year. It will be launched next month. Symphony and Allure of the Seas, which is currently operating out of Port Everglades, with both come to a new terminal here in Miami. They are very close to the same size, within a meter or two. They're 225,000 - 230,000 GRT, so you see it would be a significant change in gross tonnage, and as I'll explain a little bit later, I'll explain more what that really means.

But it does, when you're looking at the, the type of pilotage rate structure here, it
really shows dramatically how the structure doesn't really work, and isn't really very fair here. When these two vessels come for a full year they will increase, if nothing stays the same with rates if will increase the revenues of the Biscayne Bay Pilots by 16%, just those two ships calling, one on a Saturday and one on a Sunday. Four handles a week will increase revenues by $1.8 million.

That's because of the way the formula is. And that's I think -- and most people can see that doesn't really make much sense. And is --

**MR. PANZA:** Can you -- can we -- can you show the -- let's show the slide F please, or Graphic F. Are we talking about -- Admiral, we're talking about gross tonnage right here in this definition. That's when you're saying GRT, it's the same as that, correct?

**ADMIRAL BAUMGARTNER:** It's essentially the same. Gross tonnage is taken over from GRT. GRT will appear many places in the statute, but, or other things, but essentially that's the measure.

**MR. PANZA:** Can you explain this slide, what these two slides --
ADMIRAL BAUMGARTNER: Okay. Well, first you need to start out with is that gross tonnage doesn't have anything to do with weight. And in fact tonnage doesn't come from the word T-O-N, it comes from the word T-U-N. Gross tonnage, from that -- gross tonnage came from how much cargo could a ship carry, and actually how many wining casks to UN, that's a little name for a bow, or a wine cask, how many TUN's could it hold, and that it was a measure, and it's been a measure of volume, and particular cargo volume over a couple of centuries.

Now, when we get to gross tonnage, which is the most modern measure right now, it is essentially a formula to estimate the enclosed volume on a ship, and it, the idea is, let's say if you have a bulk carrier that's carrying grain then the enclosed volume of that ship pretty much can represent the cargo carrying capacity of that ship. The same might be true of a tanker. When you get to a cruise ship it's a very different thing because you don't carry cargo, you carry people, and people like large open spaces, they like air, they like
eight ballrooms, they like royal promenades, they like theaters. That means there's a lot of volume, and a lot of air there.

It's not grain, it's not going to be full of oil, it's not going to be full of cargo, so the measurement becomes very, very poor, and if you're kind of comparing say a cruise ship to a cargo ship. Now, it becomes even worse -- so it's bad enough if you try to compare it to say a grain carrier, but now you're compare to a container ship, which is the predominate cargo ship in the, in the Port of Miami, and in fact in most of the world right now.

MR. PANZA: That would be this ship.

ADMIRAL BAUMGARTNER: That's right.

That's the one on the left. Okay, so if you're going to say what is gross tonnage on these two ships; if you look at the one on the right, the Carnival Splendor, you will see that it, that it is enclosed all the way up to the dock deck, so all of the volume inside of there is counted, okay, and when you're computing gross tonnage.

You go over to the container ship, and you see all those containers, none of those count.
in gross tonnage, only the volume that is enclosed. So where you've got -- everything in the red doesn't count. Only the stuff that's in the blue below the main deck that's enclosed counts when you're determining gross tonnage.

So when you compare the two things, you see here relatively the same; actually, the draft there, you see of the Chateau here, it's -- it could be up to 44', which is significantly more than the Carnival Splendor at 27'.

Here you can see the gross registered tonnage, or the gross tonnage on Chateau D'IF at 54,778, less than half of what the Carnival Splendor has, let actually the CMA Chateau is a larger ship. And we don't have it depicted on here, but we have another chart that's even more dramatic later on, but it could carry the entire weight of the Carnival Splendor on it as cargo. And then you look at the pilotage fees, the pilotage fees because it's based upon gross tonnage and not actual, not actual displacement, or size of the ship, or many other, you have other permissible characteristics, the pilotage fee, theirs is $2,762 versus $4,596 for the Carnival Splendor,
or, you know, it's 66% higher for the Carnival Splendor.

So this is some of the things that, that it does when you use gross tonnage as a measure. If you compare cruise to cruise ship it's not a bad measure because it tells you how much volume is available for the passenger enjoyment. If you compared one oil tanker to another it's a good measure. If you're going to compare a cargo ship to a tanker to a cruise ship it doesn't really make much sense at all.

MR. PANZA: And let's go to the next slide please, which is a photograph of the -- or a depiction, I guess a rendering.

ADMIRAL BAUMGARTNER: Right. This would be a rendering of the Allure of the Seas. It's a cut out. So it just explains and displays a little bit more visually what we're, what you're looking at, and the enclosed volume that you see on a cruise ship. So here you have a cruise ship with a gross tonnage of 225,000 GRT, which is a lot of volume, so look forward, you'll see a huge theatre, that's all air. You'll see a royal promenade, which is almost like a shopping mall, again all air. Much of
the rest of the whole superstructure creating a
three story main dining room, mostly air, and
on and on. But that's all counted as gross, as
gross tonnage, so it's, that's how we get this
great disparity.

And as you see over time cruise ships are
finding ways to have more enclosed volume,
because that's what people want, that can
deliver a better product, but it also is not
the right measure really of the comparative
size, or many other, or the challenge of
navigating, or piloting a particular ship.

MR. PANZA: Okay. Excuse me. Captain, may
I ask, can you please give the aboard the
benefit of your background please?

CAPTAIN HANSEN: Good afternoon. My name
is Bjorn Hansen. I am the vice president of
nautical and port operations for Norwegian
Cruise Line Holdings, which includes Oceania
and Regent Cruises. I started my seagoing
carrier at the very young age. For the most
part I worked for Norwegian Cruise Lines. I
started in the early '80's when GRT virtual was
about 20,000, and the draft of the ships was
about the same as today. I spent nine years
with WesternGeco, Schlumberger, marine seismic
where I served as a captain, and also worked
with the safety in Asia and in Europe. So that
wraps up my career.

MR. PANZA: Okay, thank you. And your
present employment now is, I know you mentioned
it, you're working now where?

CAPTAIN HANSEN: Yeah, as I said I work
for Norwegian Cruise Line Holdings.

MR. PANZA: Thank you. Can you discuss
how the GRT, the gross registered tonnage
differs from the issue of ship displacement?
What does ship displacement mean, for the
benefit of the committee?

CAPTAIN HANSEN: Well, it -- it is
mentioned earlier that, or it has been
mentioned a few times, you know, that GRT is
volume, and when we talk about dead weight and
displacement it's the actual weight of the
ship.

MR. PANZA: Now can you please explain
what's represented in this exhibit? We'll go
the next exhibit, which would be H. This is a
chart, and could you please go through this,
it's the chart that's entitled Huge Growth in
GRT Equals Unreasonable Growth in Fees. What
-- would you go through the left, to the left
hand side of the chart, and please explain to
the, to the committee what these numbers
represent over here?

CAPTAIN HANSEN: So what we see here, I
think it is more self explanatory, but here we
see the average GRT in 2004, and over here we
see the average GRT in 2017, and as you can see
it has doubled compared to 2004. And as we
know the formula calculating, or computing the
pilot fee, is the same today as it was in 2004.

MR. PANZA: Okay, so the GRT, the volume
inside, the volume is covered, as the admiral
explained about the casks, et cetera, that's
what doubled, correct?

CAPTAIN HANSEN: That doubled. And also
like to mention that the draft of the ship,
which is a component of the formula hasn't
changed much. I would say of even the larger
ships, they have a lesser draft, or equal draft
to older ships, because of the design of the
ship. So back in the days the draft component
was much more significant than it is today.

MR. PANZA: Okay. And could you explain
what the bottom portion of this chart is, where it says the average GRT fee of $2,148, and then it goes over to the average GRT --

CAPTAIN HANSEN: So I think this speaks for itself too. We can see that because of the average GRT that the fee has doubled, and also if we look into the future it is likely that we will have to phase out the older ships with smaller ships, which means that the average GRT will increase, and ships that already been ordered, the average GRT going forward would for sure not be less than 140,000. 140,000 is conservative as with all the ships today are more likely to be 160,000 plus, and Royal Caribbean coming out with 225,000.

MR. PANZA: Okay, and the ships on the bottom, they will be paying the higher share for the higher pilotage fee just by virtue of the GRT, is that basically --

CAPTAIN HANSEN: The formula remains the same, so the higher the GRT the higher the pilotage.

MR. PANZA: Okay. And is it fair to say that a ship with a larger GRT still pays a significant tonnage fee, even with the 25%
CAPTAIN HANSEN: That is fair to say.

MR. PANZA: Okay. And would you be able to estimate what the discount would be on a ship that's 150,000 GRTs with, without the 25% discount, and with the 25% discount? Do you know what that is?

CAPTAIN HANSEN: I would have to look at the exact number, but if again look at the, the average GRT ten, fifteen years ago, and if you look at what we are paying in average today, the fee has more than doubled in, in US dollars.

MR. PANZA: Okay, thank you. Would the same be true for the 230,000 GRT ships that will be entering the port this year?

CAPTAIN HANSEN: No, no, I'd say we're talking about tripling compared to the average in 2015 at least.

MR. PANZA: Okay, and could we see Exhibit 5 please? Colonel, excuse me, Admiral, not Colonel, Your Honor, Colonel, I'm being all totally discombobulated.

ADMIRAL BAUMGARTNER: Don't worry, I'll still stay.
MR. PANZA: Whatever military you're at.

Thank you. Admiral, could you please explain to the committee what this exhibit represents?

ADMIRAL BAUMGARTNER: Okay. I think actually this is one of the key, the key exhibits to understanding what's going on here. This shows you that in 1998 the total pilotage revenue was, and how many handles, so they had almost $9 million in pilotage fees, and had almost 9,000 handles, so it comes out to about $1,000 per handle, is, is the, that was the rate per handle, okay?

If you look up in 2016 the revenue has gone up to $11,235,000, the number of handles has gone down to 5,231. So you see a 42% decrease in the number of handles, a 26% increase in the revenues, and that means that the per handle fee, or the actual amount of revenue per ship handle has more than doubled over that amount of time, so this really gets to kind of the heart if you say that the rate hasn't increased, well, the rate of what? The rate per gross ton hasn't increased, but the rate per handle has more than doubled over, over this period.
In many ways it's a little bit like looking at a realtor, and if your realtor came in to you and said I'm still getting the 6% commission, and that's what we were getting in 1998, and you said the housing prices are quadrupled, or more, you're not going to be very sympathetic, and in fact you're going to want to know why isn't, why isn't the rate going down because your actual income is going up. That's much the same that we have going on here, and we expect, not we expect, we know that a the size of ships continue to grow, particularly when, since passenger ships are growing, the gross tonnage is growing much faster than the actual say underwater body, or the weight, or displacement of the ship, you're going to see this grow more and more over the next couple of years.

As I mentioned here just with adding Symphony of the Seas and Allure of the Seas it will add $1.8 million onto that for two ships, one arrival on a Saturday, a departure Saturday afternoon, an arrival Sunday morning and a departure Sunday afternoon, and you're going to have a 16% increase. That will be 1/6th of the
total revenue just for those two ships because of the way the formula is calculated.

**MR. PANZA:** Thank you. Can we -- Zach, can we please have the next slide which is Graphic J? Okay, vast difference in fees in cruise ships with a higher GRT resulted, I believe Mr. Law said it in, Mr. Law said it before, in a significant cost ship, and I think it's been admitted in the investigative report that there is a significant cost ship. Captain Hansen, can you please explain to the committee what this chart represents, and where this comes from?

**CAPTAIN HANSEN:** This is also a very important slide to show, and even though it explains it I'll talk you though it. So as you can see in 2016 the Seaboard Patriot, which is a container ship with a draft of 19' and tonnage of 8,273 GRT handled 104 times, and the total pilotage fee was $65,728. The same year Norwegian Escape with a draft of 28' and a tonnage of 164,600 GRT handled the same number of times approximately, 4 times more, and a total pilotage fee was more than 10 times more than the container ship. So in other words 10
handles of the Patriot equaled one handle of
the Escape.

MR. PANZA: And on the top portion of
this, as -- my pointer is not working anymore
very well, but on the top portion of this does
this vary, depict the difference between the
amount of work that goes into the handles for
the cargo ships versus that of the cruise
ships?

CAPTAIN HANSEN: As it shows that the
handles of the, of the cargo ships here equals
about 3/4th of the pie.

MR. PANZA: Okay, thank you. You should
put up the next slide please. Okay, it's
another -- Captain Hansen, this is another
chart. It depicts various I guess points of
data, and if we look at this could you please
explain what -- the passenger handles do not
equal the cargo handles. Can you please
explain this to the, to the Board?

CAPTAIN HANSEN: So this is similar to the
last slide we showed you. If you look at it
here 108 passenger handles all done by one ship
larger than 160,000 GRT. It says revenue
$702,000, but this is the actual cost for the
operator. And beside it was see that 1,795 cargo handles of ships less than 10,000 GRT generated $667,000 USD. So you see the difference, 108 passenger handles versus 1,795 cargo handles.

MR. PANZA: Captain Hansen, when you say a handle, the handle is the same distance, is that correct, it would go from we'll say relatively the buoy, or a little bit further out than the buoy into the port, into the berth; is that correct?

CAPTAIN HANSEN: As far as I'm aware the pilot station for cargo ships and for cruise ships is more or less in the same location, which is a couple of miles out from the seaport.

MR. PANZA: Okay, and so the mere fact that a 10,000 GRT ship, does that require a tugboat?

CAPTAIN HANSEN: In most cases I'm guessing that the -- it depends, but most cargo ships, they are very simple as far as the way they are equipped. Very often it deals with a spade rudder, single screw, and sometimes not even a bow thruster, so it is common to use, to
get assistant from tugboats for cargo ships.

MR. PANZA: Okay, and could you look at the bottom portion of the slide where it has 1806 passenger handles versus the 1795 cargo handles, and the differences; please explain that.

CAPTAIN HANSEN: Well, here you see approximately the same amount of handles, and at the bottom we see the difference in the pilot fees, so it's $7 million plus versus less than $700,000, so more than 10 times more for the cruise ships than for the cargo ships.

MR. PANZA: Okay, thank you. Now, on these handles, on each of these handles is there any difference in the time it goes past? In other words we have a handle -- if it's a cargo handle does it also take 2 hours, similar to a passenger, or a cruise ship?

CAPTAIN HANSEN: I would say, yes, the time it takes for the pilot boat to get out to the ship, and for the time to navigate it into its berth is more or less the same.

MR. PANZA: As a general rule do the cargo captains, the cargo crew, the crew on a cargo vessel have the same qualifications as that of...
the crew on a cruise ship?

CAPTAIN HANSEN: On cruise ships the manning is definitely different. On most modern cruise ships today you, on the departure and arrival you will have enhanced manning on the bridge, meaning that the captain, in addition to the captain and the navigator, and the co-navigator, you'll also have the staff captain, who is second in command, and another officer, and a QM who is a lookout -- a helmsman, as opposed to cargo ships, as far as I know very often you might experience perhaps two officers when, when you board those vessels. I'd also like to add having more people on the bridge is not really the point, but it is how the roles are defined and delegated by the captain to the officers on the bridge so everybody knows what their role are, and communication is crucial during this time.

MR. PANZA: So if we were to look at, excuse me, in times of hours worked, and we looked at the 108 handles, if it's 2 hours that would be approximately 216 hours of pilot time on the sea, or during, doing the handle, it's actually doing the piloting, correct?
CAPTAIN HANSEN: That sounds to be correct.

MR. PANZA: Okay. And if we took the 1,795 handles that would constitute 3,590 hours; is that correct, at 2 hours a handle?

CAPTAIN HANSEN: Yeah.

MR. PANZA: Thank you. The next questions I want to ask is about the cost differential, bearing no relationship to the safety of the vessel. In the past we've heard as part of these arguments, and I'm just saying the context here, that the larger cruise ships must be harder to handle, and thus the increased pilotage fee. We do not believe this is true, and much of the cargo ships is not under the roof, or under an enclosed structure, and does not get accounted for in the pilotage fee for the Port of Miami.

I'd like to show you Graphic L, which I think will depict this. Okay, we have Graphic L here for our purposes, which is a large cruise ship, and could you please explain what this depicts, Admiral?

ADMIRAL BAUMGARTNER: Certainly. Okay, we're going to go back to some, some
measurements, and some terms here again. So what this does show here is it shows some critical dimensions of two ships. 1. The Maersk Altair, a container ship that does call in the Port of the Miami, as well as Allure of the Seas which will be coming in 2016.

So I just talked before about tonnage, gross tonnage being volume. There on the bottom we'll see the gross tonnage. It's 108,393 for Maersk Altair, 225,000 for Allure of the Seas. Looking at those numbers you'd think Allure of the Seas is over twice as large. Actually you would be quite wrong. Draft for the Altair, we show 40' here. Actually the maximum draft of the Maersk Altair is more than that, it can be 45', 46'. Allure of the Seas is actually less than 31'. We typically are under 30' all of the time regardless of where we're at.

If you looked on here pilotage fees because it's based upon gross tons, you see $4,644 for the Maersk Altair and $8,730 for Allure of the Seas, almost twice as much. Now we get to some important things down here. There's a new term we're going to talk
about, dead weight tonnage. This is actually weight. This is how much the ship can carry in terms of cargo, fuel, and supplies. It's things other than the weight of the ship itself. If you look here the Maersk Altair has a dead weight tonnage of 110,294. That means it can carry that much weight, okay? That's a common, that's another statutory element you're allowed to look at here. Allure of the Seas 19,750 dead weight ton. That's how much she carries in fuel, people, and food. Now, that would be a deceptive measure if you based pilotage fees on that, right?

Now, another thing I'm going to talk about now is the total weight of the actual displacement of the ship itself, how much does the ship weigh itself. Okay, Allure of the Seas actually weighs about 100,000 tons. That's actual weight. That's called displacement tonnage. When you look at it here the Maersk Altair can carry the entire weight of the Allure of the Seas as Cargo. If she carried the entire weight of the Allure of the Seas as called into the Port of Miami she'd pull about half the pilotage rate that the
Allure of the Seas does. That gives you an idea of how off this particular system is. And besides, if you look at (unintelligible), but they're roughly equivalent, Allure of the Seas is a little bit longer.

Now if you're going to look at something, what's the, what's the challenge of bringing these ships in. Now clearly here Maersk Altair is a larger ship. If you can carry the other ship as cargo you're probably larger, okay, it depends on how much she's actually weighted with containers, but when you look at the ability to maneuver the ship, and look at the characteristics of the ship, are vastly different. The Maersk Altair has one engine, it's -- diesel, and if you want to shift directions with the engine you have to physically stop it and start again in the other direction. She has one single rudder, and that's it. She is nice and powerful if she's going in a straight line in the deep ocean. Allure of the Seas, on the other hand, is made to run in pilotage waters, and channels, and (unintelligible). She is made with six propulsion engines, has almost 100 megawatts of
power available to her. She has three azipod propulsion pods.

**MR. PANZA:** Can you explain maybe what, maybe what the --

**ADMIRAL BAUMGARTNER:** Sure -- sure, azipod population consists of 20, 20,000, 20 megawatts each, so we've got 60,000 megawatts of propulsion power if you need it. That's far more than you've ever need inside of a channel. We usually use far, far less than that. But an azipod is actually a 250 ton pod that hangs beneath the stern of the ship, and it steers all the way around 360 degrees, and you can direct the thrust of that azipod in any direction you want. It's all controllable up in the pilot house simply by turning the levers that direct the pod to whichever and, whichever direction you want.

And you've got three pods on that ship, and they can all three be pointed in different directions if you wish, and you can really do just about anything you want with them, and they're very, they're very responsive. They're electric motors so that if you want to change the speed it happens very quickly. You don't
have to stop and start an engine, and turn -- or anything like that. Up on the bow you have four bow breakers. Each one has over 5 megawatts, or 7,400 horsepower, so altogether you've got almost 30,000 horsepower in thrust available on the bow to maneuver the bow of the ship as well. The ship also has a (unintelligible) system on it. What that does, means that you can turn (unintelligible) the computer. You can hit a button and the computer and all of the thrusters will keep the ship in the exact same spot in the exact same angle despite wind or current, the same kind system that you'd use on a deep, ultra deep water drilling rig drilling for oil, and many other things like that. So very response, a lot of maneuverability. Yeah, she's large, but she's got, she's built to maneuver in ports with all the recent best equipment.

On the navigation side she also has the latest in --

**MR. PANZA:** Before we get to the navigation on the Altair here, how would that ship get into the port, would it need tugboats, or how would it go in?
ADMIRAL BAUMGARTNER: Absolutely, absolutely she'd need tugboats. And that's a good point. She would need a few tugboats I think according to the Biscayne Bay Pilot rules. And actually when you look at the Biscayne Pilot rules for tugboats the differentiator on what size tug you need and how much power you need isn't gross tonnage, its draft, and the draft on most of the cargo ships exceeds what you're going to see on cruise ships. Cruise ships all have to be built so you can get into the small ports in the Caribbean or you don't have a viable, you don't have a viable business.

MR. PANZA: Okay, thank you. Let's go to -- let's talk about the navigational system on the, on these ships at the cruise, the Allure of the Seas as an example.

ADMIRAL BAUMGARTNER: Okay. The Allure of the Seas does have a state of the art navigation system on her, so you have multiple GPS, and multiple other satellite systems that are integrated. She can actually take herself back to a position within a few centimeters if she's been at the dock before. In transit in a
channel, you also have advanced electronics, electronic charts that will show you where the ship is going to be so many minutes in advance. They can computer the currents, the winds, the current impact on their, on their, whatever the environment, however the environment is affecting the ship, and then project that ahead so you know now when you need to make your turn.

It can also -- it also (unintelligible) angle. So if you do have winds, you -- you can't go directly. You can't go directly at that if you've got a wind. Sometimes you have to pivot a little bit, and that's called crabbing, and so you're actually going at an angle. This electronics shows you how you crab in the channel, shows you were your stern is, as well as your bow, gives you a pretty good representation, and also projects ahead where those components are going to be. It's a great assist if you're, if you're (unintelligible) use of officers or pilots, but you have a tremendous amount of electronics, a system to help you, to help you navigate and predict.

MR. PANZA: Could you explain what a track
mode is on a ship?

ADMIRAL BAUMGARTNER: Well, a track mode is also a place where the ship can, depending in their electronic system, can actually follow a predetermined track. It can make the adjustments from wind and current, and so forth, and keep you, keep you exactly on track.

MR. PANZA: And what are the requirements for ECDIS training? Can you explain that to the Board, what that is?

ADMIRAL BAUMGARTNER: I think I'll let Bjorn, if you don't mind?

MR. PANZA: Okay, that's fine.

CAPTAIN HANSEN: ECDIS, it means Electronic Chart Display Information System, and most ships today are certified to sail paperless, meaning that the electronic charts are valid charts. There are different types of ECDIS. For those who have been aboard ships you will see that there are different manufacturers. So today there's a requirement for all officers, in addition to have a generic ECDIS course they're also required to have a type specific familiarization course, so whatever ship they are serving they need to
have this type specific training before they can become officer on the watch.

MR. PANZA: Thank you, Captain Hansen. Are the pilot -- is it your experience in the Port of Miami, the pilots, are they trained on all of these new technologies that are on these particular ships? Do they have a particular training course that they go through? Do you know?

CAPTAIN HANSEN: I don't want to answer that, but maybe the committee can ask the pilots that question.

MR. PANZA: Okay, thank you. Fair enough.

ADMIRAL BAUMGARTNER: One question -- you asked me about tugs and maneuvering, and actually I got off track, but the thing I think for the committee to understand with say the Maersk Altair coming and needing tugs, is actually if you're going to stop the vessel, if you have to try to reverse the engines to, in a kind of emergency, or if you just need to slow down, it's a very different thing than on a cruise ship.

Here first, I said before, you've got to stop the engine physically, turn it in the
other direction, and get it up to speed, but also because it's a single screw if you reverse the ship starts to lose control, and you'll actually, there's a lot of side force when, when you reverse, and that's why you need tugs, to slow down the vessel and control it. So actually just for the normal maneuvering in and out, they're difficult enough to control because of their configuration. They're not designed to be in port, they're designed to be on the ocean, that's why you need all the tugs, all the extra control, the coordination.

On a cruise ship on the other hand, so like Allure of the Seas if you want to slow down you simply do that. If you need to in an emergency stop you can stop actually very quickly, you can turn the azipods, and in a few seconds the azipods will actually be sending the thrust in the complete opposite direction and it's all under control, and if you need to you also have thrusters and, and other things to control the ship. So in emergencies it's a much easier ship to control, and to stop, and to stabilize, and it can even go into dynamic positioning mode if you had a real emergency
and you had to simply stay put in the, in the
channel in current or wind. And it's a very
different scenario from a cargo ship that
really isn't designed to be in port, it's
designed to be out on the ocean.

MR. PANZA: Does the cargo -- do the cargo
ships have the same type of sophisticated
navigational equipment, in your experience?

CAPTAIN HANSEN: I doubt it. It is likely
that they have electronic charts, and ECDIS,
but here we are talking about dynamic
positioning, and other (unintelligible) and
equipment that we find useful on a cruise ship,
which is designed to be self sufficient, and
also designed to operate in area where tugs are
not available.

MR. PANZA: Thank you. Captain Hansen, one
of the issues that has come up is the captain,
or the ships' captains' qualifications, and the
safety and pilot liability. Can you discuss
with the committee please what are the
requirements of a cruise captain, and how are
they qualified, and what, and could you explain
about liability please, their liability?

CAPTAIN HANSEN: To become a captain on a
cruise ship it is a long path. Most captains that we have today, it took them average fifteen years from they started their entry level as a third or second officer. Probably longer if you include seagoing career as deckhands or deck cadets, so I would say at least for Norwegian cruise line for the captains we have today it took them between fourteen and twenty years to become captains in command of a ship. You asked me something, something else?

MR. PANZA: Yeah, what I -- okay, we'll get back to that in one moment. Can you explain to the members of the panel what it means for the, what the pilot does when he gets on board, what it means when he takes the com, what exactly does the pilot do?

CAPTAIN HANSEN: When the pilot comes on board there is a pilot exchange between the captain and the pilot. A pilot exchange is basically a briefing to the pilot, or it's a two way conversation. The pilot will be provided a pilot card with the ships specifications, the particulars of the ship, draft, tonnage, and also the capability and
limitations of the ship, so any information
about the propulsion and navigation of the ship
would be shared with the pilot. In exchange
the pilot will inform the bridge team and the
captain about any inbound or outbound ships, or
any other local information that he or she may
have.

So when the pilot exchange has been done,
and the ship is on a course that everybody
agrees that they are comfortable with, the
pilot will then take over the com, or the
conduct of navigation. This is usually handed
over from the office of the watch, and when the
pilot takes over the conduct of navigation
three main factors that comes into play here,
and that is compass course instruction, speed,
and rudder.

MR. PANZA: Does the pilot ever take
physical control of the ship?

CAPTAIN HANSEN: In the sense of control,
the captain is (unintelligible) in command and
is responsible of the guests, the crew, and the
safety of the ship.

MR. PANZA: Can the captain override the
pilot if the captain feels the pilot is going
too close to the, to the shore, to whatever?

CAPTAIN HANSEN: The captain can at any

time intervene if the situation becomes of a

nature where that's necessary.

MR. PANZA: And who -- who is responsible;

is the captain held responsible for the safety

of the ship?

CAPTAIN HANSEN: Yes, the captain is

overall responsible for, again, the ship and

all the people on board.

MR. PANZA: Admiral, do you have something
to add to that, please?

ADMIRAL BAUMGARTNER: I do. We're lucky

that the Biscayne Bay Pilots are very expert,

and very, very good. That's not always the

case. And in fact, what I was going to say is

when the (unintelligible) captain override, we

actually discipline captains who don't override

the pilots soon enough when they should have

known sooner that the pilot was making an

error, and as we go throughout the world, but

that's the level that we require, that's the

level of responsibility we place on the

captain. And we even have a dismissed captain

that, you know, that had an incident, and the
vessel was under command of a pilot but the
captain did not exercise what I thought was
sufficient judgment to control, and to ensure
the overall safety and integrity of the ship.

So to really emphasize this, this is, you
know, it's not words, this is what we do with
our captains, and what we fully expect of them.
Again, here in Miami it's a completely, and
it's a very, very, very high level of
professionalism, and when I'm talking about
case where I've had to intervene like this is
not Miami, and not the Biscayne Bay Pilots,
thank goodness.

MR. PANZA: Thank you. Captain Hansen,
does the pilot ever dock the ship, the cruise
ship?

CAPTAIN HANSEN: I can only speak for
Norwegian Cruise Line. Here in Miami the
captain or the staff captain always do the
docking of the ship, and also departure,
bringing the ship out from the berth before the
captain takes over the com.

MR. PANZA: Does the -- does the pilot
turn over the com to the captain when it gets
ready to dock?
CAPTAIN HANSEN: Yeah, normally when the ship is approaching the berth they, this is also part of the exchange, the briefing, that when the ship is in a certain distance from the berth the pilot the pilot will give the com back to the captain.

MR. PANZA: And is that same with your cruise line?

ADMIRAL BAUMGARTNER: Yes, it is.

MR. PANZA: Do you know if it's the same with the cargo ship? Does the pilot dock the cargo ships, or is that done by the captain of the cargo ship; do you know?

CAPTAIN HANSEN: Again perhaps the committee can ask the pilots, but of the pilots that I have spoken with have explained to me that very often they are doing the berthing of container and cargo ships.

MR. PANZA: Thank you very much. Could we have the next graph please, which is Graph M? Okay, this graph depicts, or not depicts, but it's the Florida statute that sets forth, 301.071, and it sets forth the requirements of the, of a deputy pilot. And in this particular slide, this is taken right out of the statute,
and I'd like to ask the admiral, can you please explain what these requirements are here, and what the level of services to be a requirement for a deputy pilot?

**ADMIRAL BAUMGARTNER:** Well, I think the first two are self explanatory. As you said the good physical condition and mental health. When you look at maritime experience there are four different ways that a candidate for deputy pilot according to the statute can demonstrate the requisite experience. The first (unintelligible) is two years -- well, all of them require two years of service at sea at some point, but the first one is having one year, and must have been serving at an unlimited, with an, as an unlimited second mate, and that's going to be generally the third or fourth senior officer on board the ship.

Another way is to serve as a first class unlimited pilot with at least an underlying second mate's license, or a license as a master of freight and towing vessel of at least 1,600 gross registered tons upon oceans.

**MR. PANZA:** Can we stop there for a
second? Will you explain to the committee, since we haven't talked about any vessels that are 1,600 gross registered tons, what, what would a vessel like that be like?

**ADMIRAL BAUMGARTNER:** A 1,600 gross registered tons would be about the size -- actually if we had opened the windows we might see some coming by. It's about the size of a cargo ship that you see come up the, up the Miami River, one of the Island, Island freighters, they would be in the neighborhood of 1,600 to 2,500 gross tons. It varies on them. There are some large private yachts in this area that are 1,600 gross tons, or about that, but you're looking at a small cargo ship that would be something, to be 1,600 gross tons probably 160' - 200' would be about the right length. It could vary. It could vary somewhat.

**MR. PANZA:** And an unlimited second mate, does that say on what size cruise ship?

**ADMIRAL BAUMGARTNER:** Unlimited, it means there's no limit on the size of the ship.

**MR. PANZA:** So that could be -- if you had a cruise of 1,600 -- let's say the one that
goes to Bimini, the Bimini fast boat, or
whatever it's called, it's small cruise ship,
would that be in that range?

**ADMIRAL BAUMGARTNER:** Yeah, it would
probably require an unlimited second mate on
there. Or if it was -- an unlimited second
mate is a U.S. license category. There's
international license categories, and Bimini
ferries would have, it's not a U.S. flagged
vessel so it would be slightly different, but
if it was a U.S. flagged vessel it would be, an
unlimited second mate would be one of the
officers on there.

**MR. PANZA:** Okay, and what about the last
one, the two year towing --

**ADMIRAL BAUMGARTNER:** Right, and at least
one of that would be, is the master of a type
of barge combination of at least 5,000 gross
registered tons, and some of the other. But to
know what that is, that would be a fairly large
coastal barge. Typically it would be an
integrated tug/barge combination, which is
pretty common, moving oil, petroleum, and other
things along the coast.

**MR. PANZA:** And do you know -- would you
know what other -- would there be any other requirements, if you know, other than the length of time it would take for a deputy to become a pilot, and to pass a test, are there any other licensure requirements that a deputy pilot would have to have to be promoted to a pilot?

**ADMIRAL BAUMGARTNER:** Okay, no other threshold items that I'm aware of.

**MR. PANZA:** In other words you wouldn't have to have an unlimited master --

**ADMIRAL BAUMGARTNER:** Many -- now -- of course many, or most of them, most of them do, or acquire it during their tenure as a pilot.

**MR. PANZA:** Now, what type of licensure and how many years of experience do your captains have on your vessels?

**ADMIRAL BAUMGARTNER:** On our vessels of course they're going to have a master unlimited tonnage. Typically you would have fifteen to twenty years experience before you'd be promoted to captain, and then it's not unusual for our captains to have ten to twenty five years service as captains. You also have a staff captain on board who also holds a master
unlimited license, and typically you have a chief officer that also has a master's unlimited license. So you typically have at least three officers on board with master's unlimited licenses.

MR. PANZA: Okay. And do your captains and crew have experience going in and out of foreign ports without pilots?

ADMIRAL BAUMGARTNER: Yes, they are --

MR. PANZA: With or without.

ADMIRAL BAUMGARTNER: With and without pilots, yes, there are some areas, some ports that don't require a pilot. There are other ports in the world where the pilots are very, are very passive, and so our, our captains are really trained and expected to be able to maneuver and transit whatever port it is regardless of whether there's a pilot or not, particularly because, as I mentioned before, we expect them to oversee, detect if something is going wrong with the pilot, to see if he's made a misjudgment, to see if there's anything wrong, and to be fully, fully capable of completely taking over, you know, the entire transit if necessary.
MR. PANZA: All right. And, Admiral, would your captains meet and exceed the maritime requirements of becoming a deputy pilot?

ADMIRAL BAUMGARTNER: Yes. Yes.

MR. PANZA: And, Captain Hansen, what is the type of licensure that your captains have to have to be on your vessels?

CAPTAIN HANSEN: It the same as being mentioned, and in addition several of our first officers have unlimited captain license as well.

MR. PANZA: Okay. Would your captains meet and exceed the maritime requirements of the deputy pilot?

ADMIRAL BAUMGARTNER: Yes.

MR. PANZA: Captain Hansen, can you explain to the committee what a bridge resource management is; what does that mean?

CAPTAIN HANSEN: Bridge resource management, in general it means communication. The ships are complex. There's a lot of sophisticated equipment, and there are many things that go into place, especially doorings mooring operations and in general, so in order
to prevent misunderstandings it is crucial that the team on board have a standardized way of communicating. We call it close lip communication. It is similar to aviation. So when you give an order, for instance if you say half a head to the navigator, the captain gives that order to the navigator and the navigator will respond half a head, and then the captain will confirm by saying yes.

That is one part of it. All our officers, they go to bridge resource management training on a regular basis. All our officers who are starting with the company, they will have to go through BRM, ECDIS training, and other STCW training before, before they join the ship.

From the position of first officer, which is officer on the watch, all our officers before they can take over as officer of the watch they have to go through a two week overlap period when they are new to the company.

MR. PANZA: Okay, thank you. Admiral, can you explain what the jobs and the obligations of a captain are working on the, on board on a cruise ship during their whole, during their time, during their whole tenure out there on a
cruise ship?

ADMIRAL BAUMGARTNER: Okay. Well, the captain is first and foremost ultimately responsible for the safety of the ship. He's also responsible for the whole performance of the crew on board there, so, in some places the crew is up to 2,200, so you end up with great leaders, and so forth. But when you're looking at the essential items he's, he's responsible for, absolutely responsible for the safe navigation of the ship at all points in time.

MR. PANZA: Can you explain the stresses that captains endure on on time arrivals and departures, and potential implications of delays?

ADMIRAL BAUMGARTNER: Well, the -- in our business, as is many others, arrival on time is very important, not as important as arriving safely, so one of the great stresses the captains always have is, yes, they are supposed to be some place on time, but they also are responsible for slowing things down, stopping, intervening if everything isn't absolutely safe. In fact one of the major portions of my job as the senior vice president is to be the
insulator between any other corporate factors and the captain's responsibility for, absolutely responsibility for safety of the ship, and to ensure that any time he make a decision in the interest of the safety of the ship, and the safe navigation of the ship, that he's completely insulated from anything other than professional navigators and professional seamen reviewing his performance.

**MR. PANZA:** Admiral, in the past the pilots have claimed they have significant liability if there's a maritime accident. We hear that quite often. Could you explain to the committee the maritime liability the pilots would have, and have had in the past?

**ADMIRAL BAUMGARTNER:** As you said before the captain, the operators, and the owners of the ships, are the ones that are liable. The fact that a pilot may be on board doesn't do anything to absolve the captain of his responsibility, the operator of the ship's responsibility, or the ship owner's responsibility for anything that happens while that pilot is on board. The pilot doesn't, it doesn't change the liability at all.
As I mentioned before we consider -- if the pilot makes an error and the our captain doesn't catch it we hold the captains responsible, and simply we're responsible as the ship owner and operator in the court of law for anything that happens, or any damage that that ship might do. Probably a good example of how some of this liability issue with captains come up -- sorry, it seems I'm breaking up. I'll try to be a little bit more -- with the microphone.

**MR. PANZA:** Back -- back off.

**ADMIRAL BAUMGARTNER:** Back off? Okay, is that better?

**MR. PANZA:** Yes, sir.

**ADMIRAL BAUMGARTNER:** Okay, I was trying harder. Okay, the Cosco Busan is one of the prime examples that's often shown as pilot liability, and if I -- I actually have first hand experience of the Cosco Busan because I was the judge advocate general of chief counsel of the Coast Guard during that particular incident. In that incident a pilot --

**MR. PANZA:** Can you tell them what the incident was about?
ADMIRAL BAUMGARTNER: Yeah. In this particular incident there was -- a container ship left the dock in Oakland. There was almost zero visibility. They were under the control of a pilot. As they left to proceed out San Francisco they had to go underneath the San Francisco Oakland Bay Bridge, okay, not the Golden Gate Bridge, first they had to get underneath the Bay Bridge. Okay, as they approached the Bay Bridge the pilot was apparently confused, and to go back to some of the language from the NTSB investigation it appeared that his cognitive functioning was impaired, he couldn't understand symbols on the electronic chart, he asked questions of the captain, what does this symbol mean, a symbol for a buoy, and the captain said, who was Chinese, said that means the center, or he asked him is that the center of the bridge, and they said yes.

This particular bridge has a pier in the center of it. The center of the bridge itself is not actually the center of the span, there are multiple spans. He was queried by the vessel traffic service as to what his
intentions are because he appeared to be not lining for his, as his intended course. He made a course change, and steered right for the symbol on the chart, which was not the center of the span but was actually one of the piers on the bridge. And the bridge pier was detected just before impact. They did impact the bridge pier. They discharged I believe about 60,000 gallons of bunker oil into the, into San Francisco Bay.

Now, as it turns out here when you look at pilot liability, this particular pilot also was under the affect of multiple medications, several narcotics and opiate medications, as well as medications for sleep apnea and many other things, none of which are disclosed on his physicals that he had submitted to the U.S. Coast Guard for his federal pilots license. In this particular situation because of the failure to disclose his medications so that that could be monitored appropriately and the extreme recklessness for actually steering the ship directly at a bridge pier he was faced with criminal liability.

He was charged with, initially with two
felony counts for lying on his, and hiding his medical history. And he was also charged with a misdemeanor count of negligent, negligent in causing pollution in the Federal Water Pollution Control Act, and a misdemeanor count under Migratory Bird Treaty Act for interfering with birds through pollution. In this particular case he was sentenced to ten months for one of the, for the misdemeanor violations. The felony violations were removed in a plea agreement. He wasn't fined, and he did have to surrender his license.

In this particular case though the ship owners paid over $54 million in fines and penalties, plus the full liability for one of the most expensive cleanups prior to the Deepwater Horizon that we have had in the United States. That was all borne by the ship owner and the ship operator, not by the pilot. There was also action, of course, with the captain on board, and the captain was, was taken to task for not intervening, and not forcefully supervising the pilot in this particular case.

And this is one of the few cases where
there's actually something that's happening with the pilot, and in this case you can see, you know, the falsification of the documents, and literally as you look through steering the ship right at a bridge pier despite the electronic charts, and despite the radar information, and despite the queries from the vessel traffic service, that's what we saw here. So you really -- I'm not aware of any other case where there's been any kind of significant pilot liability for any kind of an incident, and certainly not one where there was reasonable judgment taken, and where there wasn't some type of other manifestly, you know, criminal intent to defraud or submit false statements.

**MR. PANZA:** So to summarize would it be fair to say that you're not familiar with any other maritime accidents which cause liability to the pilot other than a situation where there was a felony or someone was drunk?

**ADMIRAL BAUMGARTNER:** Not that type of liability. I mean I know other times where there's, there may be some suspension of their license by the Pilot Association, or something
along those lines.

MR. PANZA: Okay, but I'm talking about financial liability.

ADmiral Baumgartner: I'm not aware of any, no.

MR. PANZA: Okay. You're talking about licensure restrictions or, okay, disciplinary --

ADmiral Baumgartner: Yes.

MR. PANZA: Okay, thank you. Captain Hansen, are you familiar with the pilots' ability to restrict the movement of a vessel calling on a port because of wind restrictions?

CAPTAIN HANSEN: In I believe it was last year, 2016, the Biscayne Bay Pilots implemented restriction for vessels that are larger than 165,000 GRT, and larger than, and in between from 125,000 - 165,000, and what the restriction is, if we have, if there are winds from north or south ships will not be able to approach the channel if the wind exceeds 25 knots for ships with a larger than 165,000 GRT, and 30 knots wind for ships larger than 125,000.

MR. PANZA: So that the pilots -- so the
pilots have the right to restrict for safety reasons if the wind is too strong on a particular direction; is that correct?

CAPTAIN HANSEN: That is what I understand, that they can decide to wait until those, until we go below those thresholds.

MR. PANZA: Okay, we handed out a, I think what is a memo that reflects that, and that as an exhibit. If can -- excuse me. Another issue that's been discussed many times in here is the risk of, the physical risk of piloting, and the physical risks of piloting in FCCA's belief is not as severe as the pilots would make them out to be, particularly on the cruise ships.

Captain Hansen, could you please explain how the pilots board the cruise ship versus that of a cargo ship?

CAPTAIN HANSEN: There is a schedule for when the pilot is expected to arrive on board. Prior to boarding the pilot the ship will have to position itself in order to give a shelter and lee to the pilot boat when the come alongside. When the pilot boat is alongside there will be a pilot ladder rigged for them. On all cruise ships the shell door where the
pilot ladder is rigged is relatively close to the surface. They will have to, if I remember right, four to five steps in order to get on board, and as soon as they arrive on board they will be met by security who will escort them up to the bridge.

MR. PANZA: Is this the same door -- you said the shell door? Is that what you called it?

CAPTAIN HANSEN: Yes, it’s a shell door. It is the same shell door that’s been used to (unintelligible) in the various ports that we (unintelligible).

MR. PANZA: If there was a, if you were in a port where you were anchored and there was no, there wasn't a dock, and you had tenders coming up to pick up passengers, is that the door they would go out?

CAPTAIN HANSEN: That is correct.

MR. PANZA: Okay. Is there any type of safety harnesses, or any other equipment that would be provided to a pilot if requested?

CAPTAIN HANSEN: We do have safety harnesses if they request. Request harnesses will be provided. And if I may add we have
compared cargo and container ships with cruise ships. If a cargo ship is in ballast, which means coming in empty, very often they have a very high freeboard, so for the pilots to enter a cargo ship may sometimes having them climbing 30' plus vertical in order to get on board, which is, goes without saying, a much riskier approach.

MR. PANZA: So when we're -- we're talking about the cargo ships, and we were talking about the earlier slides of 1,795 handles, that means they would board 1,795 times I presume; is that correct?

CAPTAIN HANSEN: That is correct.

MR. PANZA: Okay, and if that's on -- if those were cargo ships they would have to walk up a rope ladder, or some other type of ladder up the side of the vessels, the cargo vessel, to get on the vessel; is that correct?

CAPTAIN HANSEN: That is correct.

MR. PANZA: In your estimation as a captain, and your experience, is it more dangerous to do that than it is to enter the shell door on a cruise ship?

CAPTAIN HANSEN: Without a doubt.
MR. PANZA: Do you position the ship, either through dynamic positioning or any other device, to keep the position, to keep the position in the Gulfstream in such a fashion that is the safest for the pilot to enter off of the pilot boat, and could you explain that to the committee?

CAPTAIN HANSEN: During peak season in particular where you have a convoy of ships read to enter, and with the time interval, it is crucial to position the ship so that it's possible to enter. And the currents from the Gulfstream can sometimes be very strong, as we know, so it can be challenging. And especially from time to time for various reasons the pilot boat may be delayed, and in those cases the equipment that we have on board with the dynamic positioning may come into place.

MR. PANZA: Okay, thank you. We'll to go our next theme, which is the time spent on piloting and the essential support services. And this is what I discussed in my opening statement about the time spent on piloting, piloting, and the essential -- am I talking loud enough, everybody can hear me? Am I
talking too loud?

CHAIR: No, no, you're fine.

MR. PANZA: Okay, I was trying to --

whatever.

CHAIR: Yeah, you got to share that one mic. I'm sorry.

MR. PANZA: Okay, no problem at all, but I just was trying to keep it in a relatively decent level. Excuse me. In the past the piloting duty was defined, and other essential support services are defined, which were, and I'm going to say this, allegedly adopted by the Board of Pilot Commissioners. And these -- these are two definitions, and I'd like to bring these up now because I don't think that they apply, and I think that the pilots were using those as part of their application, or as part of this as demonstrating the piloting duties.

An the actual piloting duty means the time elapsed from the time when the pilot leaves his or her home, office, or other location, to a closer alternative location of his or her choosing plus any additional time need, or excuse me, I left out part of it, I'm sorry.
Let me just start over.

It mean the time elapsed when the pilot leaves his or home office or origin, or to a closer alternative location of his or her choosing, plus any additional time needed to document the piloting services performed for billing purposes. Then it has a definition of other essential services.

Other essential services mean the time spent by pilots and their agent, representatives, employees, in performing task that contribute to the provision of safe and efficient piloting services, to include time spent on training, business operations, security, and maintaining adequate infrastructure, interaction with both governmental authorities and private parties involved un port operations and port security.

Our research indicates that these two definitions were never adopted by rule, and that they shouldn't be the definitions that are used in here for, used in this proceeding rather, for piloting duties, or other essential support services. And I would direct that to Mr. Jennings because it goes to the time that
the pilots use. I -- we could not find any 
rule that was -- we found minutes that said 
they were going to adopt the rule, but then 
there was never any rule adopted. Do you know 
if there was a rule adopted on this, and then 
if there is then I'll -- I'm just trying to do 
this as a point of clarification so I don't 
make a record that I'm wrong on.

MR. JENNINGS: And, Mr. Panza, I can't 
answer that question as I'm not familiar with 
whether or not there is a rule dealing with 
that. What are you reading from, just for my 
benefit?

MR. PANZA: From their application. From 
the pilots' application.

MR. JENNINGS: Okay, thank you.

MR. PANZA: Okay, so if we could just take 
a look at that later, because it would deal 
with whether there is a rule or isn't a rule, 
and there's a big difference that I was trying 
to point out, and I didn't have a witness to do 
that.

MS. BLANTON: May I just speak to that 
briefly. The rules are a matter of record. 
They're public information. Anybody can do on
the Florida Administrative code and get the rules.

MR. JENNINGS: Yeah. Yeah, I'm just saying that I don't have them committed to memory.

MS. BLANTON: No, I understand. I'm just -- Mr. Panza is asking a question, and I'm just not sure why he's not clear on what the rules are.

MR. PANZA: Well, we looked and we didn't a rule to that affect.

MS. BLANTON: Okay, then fine.

MR. PANZA: Okay, thank you. Admiral, the Biscayne Pilots operate with eighteen pilots currently. Those pilots work a schedule of two weeks on and two weeks off. Is that your understanding of the pilots' schedule?

ADMIRAL BAUMGARTNER: Yes, it is.

MR. PANZA: And based upon that schedule is there only nine pilots operating at any one given time?

ADMIRAL BAUMGARTNER: It would appear so from that schedule.

MR. PANZA: Does this take into account peak hours in your estimation?
ADMIRAL BAUMGARTNER: It would appear to, yes.

MR. PANZA: Okay. And if there is a need for nine pilots at any given time does it seem reasonable to have eighteen pilots?

ADMIRAL BAUMGARTNER: Well, we're --

MR. PANZA: From a rate payer's standpoint.

ADMIRAL BAUMGARTNER: Yeah, I think what I would -- it says -- from what I understand from the application that there are peak times that might need that many pilots on the weekends, but that certainly looking at the rest of the data most of the rest of the time they're not needed, that you can, that there's -- if we didn't have those peak times on the weekends there would be a much lower staffing during the rest of the week.

So looking at it from a business, or an efficiency standpoint, you would say if you know you have peak times then staff or peak times, but when you know you don't have peak times you send people home and you give them their time off when you don't need them rather than having a set number all of the time
regardless of what the, the demand signal is. So that's from -- from a rate payer's perspective you look at that and you say there's a more efficient way to meet that demand, especially if it's, you know, a fairly predictable demand, and the cruise business is predictable, then to -- I'm sorry.

The way it is right now, it appears to be, is that 365 days a year we staff, the Biscayne Bay Pilots are staffing for peak demand that happens during part of the year on the weekends, so if you simply rearrange your time so that you have more people assigned on peak periods and fewer people assigned during non peak periods when you know you have non peak periods you could have significant, you could have less staffing.

MR. PANZA: Okay, if you had less staffing would there be less operational costs?

ADMIRAL BAUMGARTNER: Yes.

MR. PANZA: Have you seen any evidence as a rate payer that the Biscayne Pilots have engaged in any type of feasibility study, or any other study that would demonstrate that they've looked at these cost efficiencies?
ADMRAL BAUMGARTNER: I haven't seen anything where they've looked at alternate staffing models that would be more efficient, that used their resources more efficiently.

MR. PANZA: Do you -- do you have any knowledge of -- the pilots when we first were talking in the beginning we were talking about in 1995 the pilots had eighteen pilots and they did 10,585 handles. In 2016 they have eighteen pilots and they did 5,231 handles, which is less than half. Do you know as a rate payer what these pilots were doing for the other half of the time that they were doing back in 1995 that they obviously must not have been doing in 2016 if they had half the handles?

ADMRAL BAUMGARTNER: No, I don't.

MR. PANZA: Captain Hansen, do you know what they might have been doing?

CAPTAIN HANSEN: No, I don't.

MR. PANZA: The -- in 2014 the pilots indicated in their financial statements they had 15.17 FTE, full time equivalent pilots. In the year 2015 in their statement they had 16.58 FTE pilots. Do either one of you representing your particular line noticed any particular
change in the service which you received in
either 19, either in 2014 or 2015 as a result
of the, you know, reduced amount of pilots,
15.17 and 16.58 respectively?

ADMIRAL BAUMGARTNER: No, not from my
perspective.

MR. PANZA: What about from you --

CAPTAIN HANSEN: No, I haven't noticed any
changes.

MR. PANZA: Do you know how many pilots
the pilots have now other than what you've seen
in the application, either one of you?

ADMIRAL BAUMGARTNER: No.

CAPTAIN HANSEN: No.

MR. PANZA: May I ask the chairman if we
are close to getting to a break time, for
natural causes?

CHAIR: Sure. About five minutes.

(Thereupon, a brief recess was taken off the record
and the meeting continued as follows:)

CHAIR: Okay, let's start. Okay, we're
ready to start back here. It's 3:15, and we
will try to continue now to 6:00 when we
finish.

MR. PANZA: Thank you. Okay, we all have
our own mic now. Thank you. Okay, we would thank you for letting me have that break. Can we go to the graph again --

**CHAIR:** Can you provide us slides to all the --

**MR. PANZA:** I can provide them to you any -- I just thought it was going to be confusing if I started handing them out now. If you'd like me to do the now --

**CHAIR:** Have you already made copies?

**MR. PANZA:** Yes, sir. Yes.

**CHAIR:** Could you please distribute those?

**MR. PANZA:** Yes. Can we have a couple minutes just so we -- we had them, they were individual, so if you give us a couple minutes we can collate them, and we'll give you a whole set.

**CHAIR:** That would be perfect.

**MR. PANZA:** No problem, I'm sorry.

**MR. JENNINGS:** And, Ms. Blanton, when your time comes if you have exhibits could you also go ahead and have them presented?

**MS. BLANTON:** We have ours in a bound notebook, and we'll give them to you at the beginning of our case.
MR. JENNINGS: Perfect, thank you.

MS. BLANTON: And we would appreciate a copy of whatever Mr. Panza is handing out to the committee as well, thank you.

MR. PANZA: Yes, we'll give you one.

Okay, ours are sorted separately. I could hand them out individually, and you all can pass them out, or we can collate them here. It will take us about five minutes to collate them probably. Which would you rather have? And I do apologize for the delay.

MR. JENNINGS: Why don't we just hand them as he presents them going forward, and then I guess the rest of them --

MR. PANZA: Okay. And then as soon as the hearing gets close to the end then I'll give you the, we'll collate them. Thank you so much though. Okay, so excuse me, Chairman Wilkins.

MR. CREW: I just have a -- I have a question real quick on the exhibits just for purposes of tomorrow. You have a couple of power points, would the Board appreciate like copies of the power point slides as well? I just wanted to make sure so we could make copies and put them -- great, thanks.
MR. PANZA: Okay, thank you very much.

You all have a slide in front of you, which is the same slide as we have up here on our chart, and Colonel -- Colonel, I'm sorry, Admiral.

Next you'll be general. Would you please explain getting into the details of this, the actual time spent on piloting? Have you investigated -- have you reviewed the investigative report?

ADMIRAL BAUMGARTNER: Yes, I have.

MR. PANZA: Okay, and the investigative report estimates approximately 2 hours on average per handle, is that -- would you say that's reasonable?

ADMIRAL BAUMGARTNER: That would probably be the maximum actual time actually piloting.

MR. PANZA: Is it your understanding that this chart shows that in 2015 the pilots did approximately 5,099 handles?

ADMIRAL BAUMGARTNER: Yes. Yes, that's true.

MR. PANZA: Okay. And across the eighteen pilots at 52 weeks a year is it about 5 1/2, 5.45 handles per week, would that be the math on that?
1        ADMIRAL BAUMGARTNER: That's right.
2        MR. PANZA:  Which equates to about 10.9
3        hours in actual bridge time, would that be
4        correct?
5        ADMIRAL BAUMGARTNER: That would be.
6        MR. PANZA:  And when we say bridge time
7        we're talking about the handle, correct, so
8        we're all on the same page?
9        ADMIRAL BAUMGARTNER: That's correct.
10       That's correct, that's presuming that it did
11       take them up to 2 hours, yes.
12       MR. PANZA:  Okay, and so we don't mislead
13       anyone we're saying per week.  Based upon the
14       pilots' schedule of two weeks on and two weeks
15       off what would the impact of that be?
16       ADMIRAL BAUMGARTNER: Well, that would be,
17       it would then be about 22 hours per working
18       week, and then nothing during the non working
19       weeks.  So that's how it would work out.
20       MR. PANZA:  So if you took this at 52
21       weeks a year then that's basically --
22       ADMIRAL BAUMGARTNER:  Right.
23       MR. PANZA:  Thank you.  Okay.  The
24       investigative committee and the pilots account
25       for additional time other than bridge time,
which includes thirty minutes for commuting to
the pilots' station for each handle. Would you
say that's reasonable?

ADIMIRAL BAUMGARTNER: I mean that I --
that I don't know. Normally we don't look at
commute time for most, for most businesses when
we estimate, or pay people. And if they're
staying at the pilot station, or have multiple,
multiple handles during the day, then that
doesn't seem quite right.

MR. PANZA: Okay. And the investigative
committee includes, includes 45 minutes of
average time on the pilot boat per handle.
Does that seem like it's a reasonable
assessment to you?

ADIMIRAL BAUMGARTNER: I think it is
reasonable. Again I think that's probably on
the high end, but it's reasonable.

MR. PANZA: Okay. And that includes three
boats and seven boatmen.

ADIMIRAL BAUMGARTNER: Right. Right.

MR. PANZA: Okay. And the investigative
committee includes 30 minutes of time to get
off the boat once docked and back to the pilot
station, for the gangway to be lowered, et
cetera. Does that seem reasonable?

ADMIRAL BAUMGARTNER: That actually seems a little bit long since it's all on the same island, but that does seem a little bit long.

MR. PANZA: Okay, and I'd like to show you -- can we have the map?

ADMIRAL BAUMGARTNER: Yeah, and this is what we're looking at, so from --

MR. PANZA: Okay, one second. We're going to hand this one out. This is marked as, or this is indicated as Royal Caribbean Terminal J the Biscayne Bay Pilot Boat Docks, and it's a Google map. Could you explain to the committee what this depicts?

ADMIRAL BAUMGARTNER: Yeah, it's just as I was mentioning before, the pilots' station, or, you know, the pilots' station and the terminals are all on the same island, and this is, you know, basically as it says, you know, about 2.2 miles from one end to the other, so it's a fairly short distance.

MR. PANZA: Okay. And the -- if we use the investigative committee's figures this only totals to about 1.25 hours of additional time per handle, correct?
ADMIRAL BAUMGARTNER: That's right. If you use those figures that's the additional before and after time.

MR. PANZA: On average instead of doing 10.9 hours of work per week, that would be, you know, per actual week, an average port pilot does about 17.8 hours per week based upon the additional time of 1.25 and the 2 hours?

ADMIRAL BAUMGARTNER: That's right.

MR. PANZA: Do you know of any captain on your, in your fleet that works 17.8 hours a week when they're on duty?

ADMIRAL BAUMGARTNER: In just a day maybe, but no.

MR. PANZA: No.

ADMIRAL BAUMGARTNER: No, it isn't. It's -- it's much more, much more intensive than that.

MR. PANZA: Can you explain very briefly to the committee what you mean by more intensive than that for the captain?

ADMIRAL BAUMGARTNER: Well, the captain is under 24/7, you know, just a mandatory, mandatory rest hours, but, you know, the captain is going to be up for all revolutions,
and unlike cargo ships generally our ships are in port almost every day. Generally at least five out of seven days they're entering and exiting ports, usually arriving early in the morning and sometimes leaving late at night, sometimes in the afternoon. Plus they have the whole administration of the ship, the whole safety of the ship, drills, exercises, all of those kinds of other things to attend to. And then of course they do have guest facing activities that they have to, have to deal with as well, but, you know, they're, you do see an extremely full day for, for all of the captains.

MR. PANZA: And this would be seven days a week?

ADMIRAL BAUMGARTNER: Yes, our captains work obviously seven days a week, ten or thirteen weeks on, on duty, and then they have ten or thirteen weeks where they can, where they go on vacation. And of course when they're on the ship they're on 27/7, called during the night, all of, all of those normal things that (unintelligible) to being a captain underway.
MR. PANZA: Okay, thank you. We'll go to our next graph that talks about the essential support services, and we'll hand this out to you all. On the, this chart, the source of this chart comes from the application of the pilots, and it shows what the other component is, besides bridge time, or handle, the actual handle is the other essential support services that they perform, and they indicate that it's 15 pilots at 500 hours plus 3 pilots at 1,000 hours. That constitutes 10,500 hours, 52 weeks, is just the math that's in their application, and it's 202 hours spent per week every work, every week on other essential support services. As a rate payer have you looked at these, Admiral, have you looked at these essential support services?

ADMIRAL BAUMGARTNER: Yes, I have.

MR. PANZA: Okay, and do you question any of these essential support services; is that what a pilot needs to do as an essential support service?

ADMIRAL BAUMGARTNER: As I'm looking here, 202 hours per week is essentially 5 full time employees, which is kind of hard for me to
understanding, having been in the business on, particularly that we would need, you know, 5 people of the pilots' level of experience and qualification full time, as essentially full time employees to handle these other services. Many of these things, some of these things on here are actually, you know, very important. Certainly the South Florida, the Coast Guard South Florida Area Committee is important, in Hurricane season the Strategic Weather Advisory Committee, those are things that are quite important. The Harbor Safety Committee, those quarterly meetings are very important as well.

I look at some of the other things, and in terms of the boat manager, building manager, computer manager --

MR. PANZA: Well, let me ask you, do you know what a boat -- excuse me, I didn't mean to interrupt, Admiral, but do you know what the boat manager is?

ADMIRAL BAUMGARTNER: I don't know exactly, but I know it's, as I'm looking at it I'm wondering if it needs the level of expertise and competence of, of a Biscayne Bay Pilot to fulfill that, to fulfill that job. It
would seem something that you could have somebody of much lesser qualifications handle it at a more efficient and effective price.

**MR. PANZA:** As part of -- as part of piloting in your experience in the Coast Guard and on see is a building manager that normal function of a pilot?

**ADMIRAL BAUMGARTNER:** I wouldn't normally think so. I think you could get somebody of far lesser qualification to handle that, that function well.

**MR. PANZA:** And what about a computer manager, is that something that typically a pilot needs as part of his qualifications?

**ADMIRAL BAUMGARTNER:** I mean I don't think you would need a, you know, a pilot's qualifications to be a computer manager. No, no I don't.

**MR. PANZA:** What about the communications officer; do you know what that does?

**ADMIRAL BAUMGARTNER:** I don't know exactly what that does with the --

**MR. PANZA:** Okay, and the training officer, do you know what they do?

**ADMIRAL BAUMGARTNER:** I don't, but I would
— I can definitely, depending on what the job is, I mean that could require the expertise of a pilot. On the other hand if it's somebody that's scheduling and organizing then it definitely doesn't. But it depends on what the job is.

**MR. PANZA:** Okay, and the next one is one pilot serves on the Board of Pilot Commissioners. Do you know how often the Board of Pilot Commissioners meet?

**ADMIRAL BAUMGARTNER:** No, I don't.

**MR. PANZA:** Do you know how many, how many duties they have in the intersessional time when they're not meeting?

**ADMIRAL BAUMGARTNER:** That I don't have. I don't know.

**MR. PANZA:** Okay. Now, do you know what the Florida Harbor Pilots Association is?

**ADMIRAL BAUMGARTNER:** I'm not that familiar with it, but I believe it's the industry of the lobbying group for the Florida Harbor Pilots.

**MR. PANZA:** Their trade association.

**ADMIRAL BAUMGARTNER:** Their trade association, yes.
MR. PANZA: Okay, and do you know what they do on the Florida Harbor Pilots Association?

ADMIRAL BAUMGARTNER: Well, I think they -- well, they lobby, they advance the goals of the, of the harbor pilots.

MR. PANZA: And you feel that that's an essential service, for them to lobby?

ADMIRAL BAUMGARTNER: That's not really for, you know, for me to say here, but as a rate payer, you know, I'm never inclined to have, that would be an expense to, to lobby on the other side of the issue. There may be other things that the Board of Harbor Pilots Association does that, that may be very different. If it's exchange of expertise between areas, sharing best practices, and those types of things, then --

MR. PANZA: Okay. And do you know what the -- well, the executive committee, that would be of the Florida Harbor Pilots, okay. Customer relations, do you know what that means? Do you know how much time they spent on that?

ADMIRAL BAUMGARTNER: That I don't know.
MR. PANZA: And who are the customers?

ADMIRAL BAUMGARTNER: Well, I think that would be us.

MR. PANZA: When you say us who's us?

ADMIRAL BAUMGARTNER: Is -- as one of the ship owners and ship operators the cruise lines would be one of the customers.

MR. PANZA: Okay. And do you have regular meetings with the pilots as the ship owners?

ADMIRAL BAUMGARTNER: Our fleet captains do have regular, and I shouldn't say regular, but they have good relationships with them, and good open lines of communications. And that's certainly one of the things that I do hear well from my fleet captains.

MR. PANZA: Okay, and mentoring students, do you know which students we're talking about?

ADMIRAL BAUMGARTNER: Here I don't know.

MR. PANZA: Okay. And the USCG Coast Guard South Florida Area Committee meets quarterly. Would you know about that --

ADMIRAL BAUMGARTNER: Yes, and I think the pilots are -- that's an important function, an important contribution the pilots do make, so it's quarterly meetings, yes.
MR. PANZA: And how long do these quarterly meetings last once they happen?

ADMIRAL BAUMGARTNER: You know, I don't know the exact schedule of the ones down here, but they're generally, most places they're generally a morning or an afternoon.

MR. PANZA: Okay, so 3 or 4 hours probably?

ADMIRAL BAUMGARTNER: It could be, and there could fluctuation to that, but, you know, that's the -- you know, that's -- the pilots are an important part of that.

MR. PANZA: Okay. And the Strategic Weather Advisory Team it says meets in the event of a Hurricane. Is that when we have a Hurricane, they meet to talk about the port?

ADMIRAL BAUMGARTNER: Yes, preparations for that, and certainly the response afterwards. And the pilots are a very important part of, very important part of that, and their input when the Coast Guard looks to reopen the port is absolutely critical.

MR. PANZA: Okay, and do you know how many hours a year they would spend on that?

ADMIRAL BAUMGARTNER: I don't know
MR. PANZA: Do they only do that if there's a Hurricane that's impending -- I mean South Florida here hasn't had a Hurricane in the last few years, so.

ADMIRAL BAUMGARTNER: I don't know the exactly schedule, but I would expect that there would be preparatory meetings. You want to know the other people, and you have drills and exercises so to make sure that you're ready, so even if you have no Hurricanes there would be work.

MR. PANZA: Okay, and what about Miami Harbor Safety Committee that meets quarterly? Do y know how long that Committee meets for when it meets quarterly?

ADMIRAL BAUMGARTNER: That's probably, generally probably an afternoon or a morning, and that again is something that the pilots are a very essential part of, the Harbor Safety Committee, and that's, I think that's necessary, it needs the expertise certainly of Biscayne Bay Pilots to participate in.

MR. PANZA: And do you know about the Miami River Commission, what that is?
ADMIRAL BAUMGARTNER: Yes, I do.
Overlooking the Miami River, the uses of it,
and many other projects.

MR. PANZA: Do you know if the pilots met
at all, went to any of those meetings in 2016?

ADMIRAL BAUMGARTNER: I don't know. I
don't know.

MR. PANZA: The propeller club, do you
know what that is?

ADMIRAL BAUMGARTNER: Yes. Yes.

MR. PANZA: What is it?

ADMIRAL BAUMGARTNER: That's an
organization of marine interests. There are
local chapters of it. There's also national
chapters of it.

MR. PANZA: They meet once a month. For
how long do they meet?

ADMIRAL BAUMGARTNER: Generally they do,
and generally there's an evening meeting. Most
-- sometimes they vary between, between
different locations.

MR. PANZA: Okay, so it would be once a
month, maybe on evening?

ADMIRAL BAUMGARTNER: Yes. Yes, sir.

MR. PANZA: And then the Greater Miami
Chamber of Commerce meets once a month; do you know what that, what they would do there?

ADMIRAL BAUMGARTNER: I mean I think -- I haven't been at a meeting and seen the pilots there, but there are general meetings, and the Port of Miami is a huge part of the economic engine of, of the Metro-Miami area so that does make sense to me.

MR. PANZA: Okay. On any of these areas that you've described is there any of the areas that you think that there's civilian, when I say civilian I don't mean ones in the military, but non pilot personnel could do?

ADMIRAL BAUMGARTNER: I'm -- certainly I -- when you look at both, manager building, manager computers, manager of public communications, officer and so forth, those I don't see why, why a pilot would be, to be necessary, a pilot's level of expertise would be necessary for that. It would seem like it could be done much more efficiently. And I would imagine that those would be items that would take up, I don't know, a significant portion of the 200 and some hours per week.

MR. PANZA: Okay, have you seen any, any
research, or any type of documentation that the pilots have produced that would show you what the, the boat manager does, and whether it could be one of the seven boatmen that would be paid a little bit more possibly?

ADMIRAL BAUMGARTNER: I haven't seen the (unintelligible), no.

MR. PANZA: Does it seem reasonable to you as a, as a rate payer, to have the pilots spend 202 hours per week, or 5 full time employees per week on the services we just outlined?

ADMIRAL BAUMGARTNER: No, it doesn't. It seems -- it seems pretty high.

MR. PANZA: Captain Hansen, I'm not going to go through all these questions again just to expedite this matter, but I would ask you the same questions. Do you think that it's reasonable to spend 202 hours per week on these functions that we just described.

CAPTAIN HANSEN: No, I don't, and I don't have anything else to add.

MR. PANZA: Thank you. We'll now move on to the actual navigation of the, of Port Miami, or Port of Miami. And there's been -- there is information in the application, and what the
pilots will say, that this is a very difficult port, et cetera, to navigate, and I would like to bring the Board's attention to this. Admiral, one argument that is made is the Port of Miami complexity because of unmarked reefs. Can you explain whether there's any unmarked reefs present that propose a hazard to your cruise ships?

ADMIRAL BAUMGARTNER: Okay, from our point of view the harbor is well marked, and it's fairly straightforward, and there aren't a whole lot of hidden or undisclosed hazards to navigation in this particular port.

MR. PANZA: Captain Hansen, has your, in reference to any of your cruise ships have you run into any difficulty with unmarked reefs causing a hazard to your cruise ships?

CAPTAIN HANSEN: As Commander Dunton mentioned earlier Miami is the cruise capital of the world, and it means that it's a modern destination, it's a modern port, and which means that we have very accurate chart data, we have very accurate weather forecasts, current predications, there are current buoys right outside the cut, and also the location of marks
and buoys are well known. If any of the buoys are drifting out of position this is monitored on a very early stage. We also have Coast Guard sector Miami rights inside the Government Cut that is patrolling the coastal area where the cruise ships are entering, and also as we know stringent security in Port of Miami, so to answer your question Miami is a safe, a very safe port to operate in from a navigational point.

MR. PANZA: And your captains haven't reported to you problems with unmarked reefs, have they?

CAPTAIN HANSEN: It has never been brought to, to my attention, no.

MR. PANZA: Thank you. Captain Hansen, I'd like to ask you about the Gulfstream. Can you explain the challenges posed by the Gulfstream? The pilots have indicated that that's a challenge.

CAPTAIN HANSEN: As I briefly mentioned earlier the challenge is to position the ship for the pilots to, to board, meaning that we need to provide shelter the best we can when the pilot boat is coming alongside, and at the
same time keep our slot for entry. So again for various reasons it may happen that the pilot is slightly delayed, and that can be a little bit challenging when the current is at 2, 3 knots north.

MR. PANZA: Does your position directed --

dynamic positioning system, I'm sorry, does that, is that used when you're trying to maintain a particular position for the pilot to gain entrance to the vessel?

CAPTAIN HANSEN: From time to time we use it, especially if the delay is longer than expected, or if it's challenging to keep the ship in position.

MR. PANZA: Thank you. Captain Hansen, can you explain how the Port of Miami is a modern port, and how it's dredged, and whether there are obstacles or other conditions that change from day to day?

CAPTAIN HANSEN: Again as mentioned it is a modern high tech port where for us as an operator there are not many, or if any surprises as far as conducting safe navigation, we know how deep the channel is. We know the width of the channel, and we know where our
navigational markers and, and buoys, and also the charts are up to date in Miami.

MR. PANZA: Captain Hansen, do many of your ships visit the Port of Miami on a weekly basis, on a regularly scheduled weekly basis, in other words they come in and out at least once or twice a week?

CAPTAIN HANSEN: That is correct. The Norwegian Sky sails year round from Miami doing three or four day cruises, so two turnarounds a week.

MR. PANZA: And Admiral, would your cruise lines have the same situation; do you have ships that come in and out on a weekly basis?

ADMIRAL BAUMGARTNER: We do, and we have some that turnaround twice a week in Miami as well.

CAPTAIN HANSEN: And sorry, in addition to the Norwegian Sky doing two cruises a week we also have the Norwegian Getaway and the Norwegian Escape on weekly turnarounds in Miami.

MR. PANZA: Okay, when they -- when they come in on weekly is it the same captain and staff captain?
CAPTAIN HANSEN: The captains and the staff captains typically do a ten week contract, so we have two captains sharing the ship, ten weeks on, ten weeks off, and the same with the staff captains. Then we also try to have an overlap so that they don't sign on and sign off at the same time. And we try to keep the same captains and staff captains on board the same ship for two to three years. That can of course be challenging, as we are building new ships, or if we need to transfer them to other ships on a need to be basis.

MR. PANZA: What is the purpose of keeping a captain on the ship for two to three years?

CAPTAIN HANSEN: It is to continue to make, so they are familiar with the ship, and also as was mentioned earlier it's not only to navigate the ship, it is also to get know your, your crew and, and the overall operations of the ship.

MR. PANZA: So would it be your opinion based upon your staffing model that these ship captains that come in here are always experienced with the Port of Miami?

CAPTAIN HANSEN: Yes, they are. And I
mention this, or near as well -- when you --
not only when you are a new officer coming to
the company, if you are transferred from one
ship to the next it is required for a 14 days
overlap if you are transferring from a
different type ship, let's say if you're going
from a public ship to a conventional it's a two
weeks overlap. If it is -- if it is a sister
ship, meaning same type of ship, it's usually
one week overlap, or it can be extended if, if
found need.

MR. PANZA: And Admiral, would your answer
be the same? I mean is that what your company
does?

ADMIRAL BAUMGARTNER: Yes, we tend to keep
the same captains, and do try to keep them on
the same ship for two to three years. Of
course you can't always do that, and generally
he captains that are going to be on the ships
that call every week are going to, are going to
be familiar with, generally very familiar with
the port. You do have some ships that are
occasional callers where maybe they are lesser
familiar, but the ones that call consistently
each week are going to have very, captains that
are familiar with the area.

MR. PANZA: Okay, can we move on. Greg would you hand out Graphic O, or Q? Okay, Admiral, could you please explain to the committee what this slide demonstrates?

ADMIRAL BAUMGARTNER: What this slide does demonstrate is it just compares the Port of Miami to the, to the Port of New York and New Jersey to give you some idea of the relative complexity of the two ports. One of the things I would point out right away as you're looking at these is that these two photographs are not to scale at all, and that's one of the things that you would see right off if you're comparing say these two ports, is that in general the length of a run in terms of miles is going to be for the most part three to four times longer in New York than in Miami.

And as you see there are many, many more facilities in New York that, you know, that the pilots and so forth have to deal with. You have various waterways. Just inside New Jersey itself you have Bayonne, then you've got the Port of Newark, and then the New Jersey Kills where there are many different facilities, so
you've got main channels, sub channels, and various different things. You go up the Hudson River where some of the cruise ships are, is quite a way up the Hudson River. As you're navigating in, in New York, actually one other thing is that probably a third of the run isn't even on this chart, it's just -- to make things simple, but there's a much longer run in in Lower New York Harbor to get up through to the bridge and then into New York Harbor itself.

Unlike Miami, where the actual waterways and channels are well defined, and if you do have traffic going in the other direction, or you do have any other significant traffic, their path and your path are well defined, and you have very few actual reaches, or channels. In New York it's very different. There are multiple different locations. You have traffic crisscrossing at different angles all the time, you have multiple ferries, including the large Staten Island Ferries.

You have large tugboats and tows that are cutting across things. You've got an anchorage in the middle of the harbor that helps, that blocks the view, particularly at night, and the
currents are quite extraordinary in portions of New York, and they work across, sometimes directly across the channel that you're navigating in. So when you look at just relative complexities of different ports this is just one example of one that is much more complex than Miami.

MR. PANZA: Thank you. Captain Hansen, can you compare in the application of the -- on Table 3 of the pilot's application, and compare their fee to a fee of large cruise ships that would pay in other ports around the country, such as Mobile, San Francisco, Columbia River, Tampa, Baltimore, Puget Sound, and others? Would you -- could you describe why you believe it's not a fair and accurate comparison?

CAPTAIN HANSEN: All ports we call into have their challenges, and some are higher than others. And Miami is a very well structured port, as mentioned not very many surprises. We do have currents, and sometimes strong northerly and southerly wind, and we have to be aware of the crabbing of the ship, which in my opinion is at least of the top three of the risks in Miami. That said if you compare Miami
to many other places that we go to, take, for instance New Orleans, where you have -- transit of 9 hours to get up to New Orleans. Sometimes with very strong currents you have tugs and barges, you have crossing traffic. If you compare the two I think it's pretty obvious about you are facing more risks, and notably hazards when you are transiting up through, to New Orleans. And you also mentioned Tampa here in Florida where quite often there is restricted visibility and narrow passages, and the pilotage, pilot transit up to Tampa, if I'm not wrong I think it's about 3, 3 1/2 hours one way.

MR. PANZA: Thank you. Have you, Admiral, have you been made aware that there's been any difficulty in the Port of Miami on finding qualified individuals to serve as pilots, or a shortage of pilots in general?

ADMIRAL BAUMGARTNER: No, I haven't been made aware of anything.

MR. PANZA: And when you were in the Coast Guard you was actually stationed here in Miami. Did you -- were you aware of any shortage of pilots, or any difficulty in obtaining the
qualified pilots?

ADMIRAL BAUMGARTNER: No, there wasn't anything brought to my attention, no.

MR. PANZA: Okay, and Captain Hansen, the same questions. Based on your experience here in Miami have you become aware of any situation where there are a shortage of pilot applicants for deputy pilots, or actual pilots themselves?

CAPTAIN HANSEN: Not that I'm aware of.

MR. PANZA: Are you aware of any difficulty in the pilot, in the pilot organization having the ability to fill, fill open spots, open slots; have you noticed any delays that you would have at your company because they have not had the ability to fill these open slots?

CAPTAIN HANSEN: Not to my knowledge, no.

MR. PANZA: Okay, and are you familiar with the investigative report that indicates that most deputy pilots are not skilled enough to be pilots without significant training, so would that be your, would that be your assessment as well?

CAPTAIN HANSEN: Can you repeat that?

MR. PANZA: Yeah. Would your assessment
be that a deputy pilot wouldn't be skilled
enough to be a pilot without significant amount
of training?

        MR. PANZA: If -- if I get your -- yeah,
it requires a good amount of training. Okay, if
you come in with the requirements that were,
were here before, you were unqualified second
mate, that would require training, correct?

        CAPTAIN HANSEN: That is correct, yeah.

        MR. PANZA: Versus a captain of a ship
that's been a captain with unlimited for thirty
years.

        CAPTAIN HANSEN: Yeah, if I understand
your question correctly if you meet the
requirements to, to become a pilot, you would
first have to pass the exam and then serve as a
deputy before you become a pilot. Does that
answer the question?

        MR. PANZA: Yes, that's fine. Were you
aware that in approximately 2000 or 1990, well,
in 1995 the pilots were handling 10,500
handles. Do you know if they were doing those
okay at that particular point, competently in
1995?

        CAPTAIN HANSEN: Yeah, I believe so.
MR. PANZA: Okay, and that would be about 600 handles per pilot per year.

CAPTAIN HANSEN: That sounds to be right, yes.

MR. PANZA: And the pilots were working with eighteen pilots at that time; is that correct?

CAPTAIN HANSEN: As far as I know, yes.

MR. PANZA: Okay, let's go to the next graph please, the next chart. Okay, Admiral, I'd like to ask you about this chart, and ask you what does this chart depict with the, it's entitled Miami has the third highest revenue -- I'm sorry, my apologies. I'm just waiting until everybody got their copy. I'm sorry. This chart here is entitled Miami has the third highest revenue handles per hour before and after the 25% reduction. Could you explain this chart please to the committee?

ADmiral BAUMGARTNER: Right. What this chart does show, it does divide the revenue by handle hour to put it in the, in the different display, I think that's probably a more accurate representation of the work that's done. And you can do -- you can see that, you
know, Miami right now is the third highest revenue per, per handle, and even with the requested reduction it would still be the third highest. It would still be higher than Port Everglades, Jacksonville, and all of the ports in Florida except for Key West and Port Canaveral.

MR. PANZA: Okay, and do Key West and Port Canaveral have the volume that Dade County, that Port of Miami has?

ADMIRAL BAUMGARTNER: No, it doesn't. Key West has a fairly low volume, which would explain the high, the high numbers. And then Canaveral also has less volume, and it's, it's mostly cruise ships, again with the same gross tonnage issues.

MR. PANZA: And so you know if this report comes from the investigative committee report on Page 32?

ADMIRAL BAUMGARTNER: That's my understanding.

MR. PANZA: Thank you. Okay, I'd like to go to the next chart please. Okay, thank you. Admiral, I'd like to show you this chart, which it says History Supports the FCCA's Rate
Decrease. And you as a rate payer, it says the pilots have received a total fee increase of over 25% in the past five years, the FCCA's rate decrease which applies only to cruise lines would still leave fees at a 5% above 2012. Could you explain this chart please to the committee? It's pretty self explanatory.

**ADMIRAL BAUMGARTNER:** It is. And this is looking at again revenue per handle, and it does show that between 2012 and 2016 the revenue per handle did go up 25%, and as is explained here even with the requested FCCA decrease the revenue per handle would still have been, would still have gone up from 2012 to 2016 by 5% per handle. So it -- it shows that, you know, that the actual rate per unit of work is going up, even with the requested gross tonnage discount for cruise ships.

**MR. PANZA:** And is that because -- and is the causation of that because of what we talked about, about the measurement of the gross registered tonnage, or the GRT?

**ADMIRAL BAUMGARTNER:** That's right. That's right, that's due to the increase in the size, the gross tonnage primarily of cruise
vessels.

MR. PANZA: Okay, so it's not that the handles have increased, and that caused it to go up, it was just the size of the ships, the organic increased size of the ships; is that correct?

ADMIRAL BAUMGARTNER: That's right, actually the handles went down, but the gross tonnage went up, and so that, they ended up with that 25% increase at the current rates, and it would still be a 5% increase per handle at the requested FCCA rate.

MR. PANZA: Okay, thank you. If we could go to Graph P. Thank you. I'll ask you again, Admiral, could you please explain this chart?

ADMIRAL BAUMGARTNER: Okay, well, this chart shows that soon the same growth in size, well, there will be a growth in size in the cargo ships, or the container vessels in particular as a result of the Panama Canal expansion, and the now post panamax container ships. This will yield, we'll have maybe some increase in handles, but they'll be a larger size vessels coming so the revenues will increase without any type of a rate increase.
And this is even discounted because here we're
talking back to container ships. Gross tonnage
is not a good representation of the, of the
cargo carrying capacity of a container ship, so
we may actually double the, double or triple
the carrying capacity of the container ship.
You won't actually see the gross tonnage
increased by that same, by that same multiple,
but it will still go up, and you'll still see a
revenue increase, even with the same rates.

MR. PANZA: Is the reason it will go up is
because of the more covered space below where
these, where it depicts the containers now --

ADMIRAL BAUMGARTNER: Right.

MR. PANZA: -- because the ships are
bigger; is that why, there's some that are
below deck?

ADMIRAL BAUMGARTNER: It will be more --
that's correct, there will be more enclosed
volume. So here the, the length, the allowable
length post panamax size is greater. The beam
is significantly greater, and probably most
important is the draft is, is greater. And
particularly the beam and the draft increasing,
those are, those are going to result in greater
enclosed volume numbers, that will be more
gross tonnage.

MR. PANZA: And the, Captain Hansen, the
cruise ships will continue to increase in size;
is that your understanding in the future?

CAPTAIN HANSEN: Yeah, and also eventually
we will start phasing out the smaller ships and
combining the two, that the ships will not get
smaller. The average GRT will increase
proportionately.

MR. PANZA: Thank you. If we could go to
Chart U please. Okay, Admiral, I will start
with you because you're sitting next to me
here. This one is entitled Moderate Growth in
Work Equals Substantial Growth in Pilotage
Fees. Can you explain this chart please? And
where it says cargo ships dock, does that mean
handles? Is that the same? Would that be
comparable to handles? What does that mean?

ADMIRAL BAUMGARTNER: Actually, I would
presume that that would be half of handles.

MR. PANZA: Half of a handle.

ADMIRAL BAUMGARTNER: Because you've got
two handles per ship docking.

MR. PANZA: Okay.
ADMIRAL BAUMGARTNER: So this is sort of the -- the last slide was the future, this is actually going back a few years to show the trend even before we had the Panama Canal expansion in affect. But you can see TEUs, that's actually, that's the normal measure of the size of a container ship. That's the 20' equivalent units, or how many equivalent 20' containers it can handle. Most containers are 40' rather than 20', but that's the standard notion.

So you can see that the TEU is growing over the last, the last five years, from 909,000, there was a dip, but it's projected to be over 1,000,000.

MR. PANZA: Excuse me, Admiral, does that mean that's 909,000 containers?

ADMIRAL BAUMGARTNER: It would be -- actually it would probably be about half that, because again a TEU is a 20' equivalent unit. Most containers would (unintelligible) at 40', so you would have like, you know, half size, full size, except that they count them by half size more or less.

MR. PANZA: Okay, thank you.
ADMIRAL BAUMGARTNER: And you see that the actual number of ships docking goes down, so again it's the same thing, it's more, you know, larger ships, fewer, fewer, encounters, and the others are the actual, this is actually the tonnage weight of cargo going in and out, and you can see the total tonnage handle is, is going up from 2012 at 8,100,000 up to almost 8,800,000 in 2016.

MR. PANZA: And what does that outbound and inbound tonnage mean, does that mean how much, if you weigh, if you put a scale underneath one of these containers that's what they would weigh?

ADMIRAL BAUMGARTNER: Well, this is going to be the weight of the, of the tonnage of cargo coming on and off here.

MR. PANZA: Okay, that would be --

ADMIRAL BAUMGARTNER: We're not back to the gross tonnage volume. It's T-O-N not T-U-N.

MR. PANZA: Okay. And all of this tonnage that's above the deck is not counted at all for any fees, any GRT fees.

ADMIRAL BAUMGARTNER: That's right.
That's right, the containers, again, carried above the deck which are visible, if you can see it it's not counted. If you can't see it isn't counted, so that's sort of how the way it works.

MR. PANZA: Okay, thank you. Do you believe that the, just by virtue of these numbers and the increases that the, the natural increases will increase pilot rates currently?

ADMIRAL BAUMGARTNER: Well, I think you'll see revenues will go up, there isn't any question. And the revenue per handle will go up, and it will go up quite nicely over the next couple of years.

MR. PANZA: Okay, thank you. And let's have -- and we'll go to the Comparability of Marine Professionals, and I'd like to have Graphic V. Okay, this is the Florida statute 310.150(5)(b)6, and it talks about the prevailing compensation available to individuals in other maritime services of comparable professional skill and standing as sought in pilots, it being recognized that in order to attract the profession of piloting,
individuals as pilots, the overall compensation accorded to pilots should be equal to or greater than that available to other individuals in comparable marine employment.

I would ask you first, Admiral, to please give us your opinion based upon your experience as to what other marine services of comparable professional skill and standing would be to that of pilots.

ADMIRAL BAUMGARTNER: Well, certainly you do have -- the first thing that comes to my mind, obviously, all right captains of cruise ships. A lot of experience getting in and out of harbors, docking. That's definitely, definitely comparable in those skills, and actually in leadership and management, and many other things, and quite a few additional demands for those positions. That would certainly be comparable.

There would probably be many comparable positions inside, it could be inside the Coast Guard as captains, ship captains, and so forth. And I think probably other, other professions in there, or rather parts of the profession that, you know, would be, could be similar or
MR. PANZA: You believe that ship -- is it your opinion that ships', captains of cruise ships would be comparable to that, to be considered comparable from an economic standpoint, or a compensation standpoint, to that of pilots?

ADMIRAL BAUMGARTNER: Yes.

MR. PANZA: Okay. And, Captain Hansen, would you believe the same thing, that captains of your cruise ships would be comparable to that of pilots in the professional skills, and that of compensation?

CAPTAIN HANSEN: Yes, I do.

MR. PANZA: Okay. And do you -- do either one of you believe that you can only compare pilots to pilots to determine compensation under this statute?

ADMIRAL BAUMGARTNER: No, I don't think the statute limits you there. No.

CAPTAIN HANSEN: Me neither.

MR. PANZA: Okay. And let's go to Graph W please. Captain Hansen, can you explain this chart? What does this indicate, the Pride of America Pilotage Bonus?
CAPTAIN HANSEN: The Pride of American is registered in the U.S. and is operating in Hawaii. The ship, it is in port every day. The captain, both captains and staff captains on board, they have, I got to look at my notes, federal pilot examination, which means that they have endorsements qualifying them to call into these ports without taking an additional pilot on board. The exam that they have to go through is the written part, and also there is a blank sheet where they will get the coordinates in a port and then by memory sketching down the contours of shallows and land, and this is a pass/fail exam.

When they pass this exam, which our captains on the Pride of American have done, they are as I said going into port on a daily basis without having to take a pilot on board, an the chart I showing what we are compensating them for carrying two hats. So on each call they are compensated $214, and if both the staff captain and the captain have the pilot endorsement they split that amount between them.

MR. PANZA: And if that -- is this captain
on this Pride of America, would that captain
ever serve here in the Port of Miami, I mean is
he qualified to serve here in the Port of
Miami, take that vessel into the Port of Miami?

CAPTAIN HANSEN: As a matter of fact one
of our captains, he used to be captain on the
Pride of Aloha, which today is the Norwegian
Sky, so when Norwegian Sky was registered with
U.S. flag and operated in Hawaii he was the
captain on board that ship without having to
take a pilot on board.

MR. PANZA: Okay. And Admiral, could you
please explain to the committee what the
difference is between a foreign flagship and an
American flagship, and why that an American
flagship does not need a pilot?

ADMIRAL BAUMGARTNER: Well, first an
American flagship would need a pilot, but it
would be somebody with a federal pilot's
endorsement. But it could be a federal pilot's
endorsement, a foreign flagship is a statute
that removes the foreign flagship, pilotage for
foreign flagships from federal jurisdiction and
makes it exclusively a state matter. However
U.S. Flagships, that statute doesn't apply to
them, and U.S. flagships of any size are
controlled and regulated by the Coast Guard,
and the Coast Guard sets the requirements for
pilotage endorsements in particular ports, or
particular waters, so there is a specific
requirement, the testing regime, the
qualification regime, to get a first class
pilot's endorsement in any given waterway in
the U.S. if you want to get a federal pilot's
endorsement, and then you're able to act as a
pilot in those waters.

MR. PANZA: Okay, and could explain to the
Board what the difference is between a foreign
flagship and an American flagship, I mean the
tax reason -- what's the reason the have that?

ADMIRAL BAUMGARTNER: Well, okay, so for a
U.S. Flagship to engage in say passenger,
carrying passengers, their requirement is that
it must be built in the United States, and then
have an all, all United State's crew, actually
we've shown -- it's demonstrated quite, quite
conclusively with a couple of the ships that
now Norwegian Cruise Lines has, that United
States is not a, is not a good producer of
cruise ships, and really can't do that, so for
a cruise ship right now the vast majority of any large cruise ships are built in four different shipyards in Europe, so to, almost with very, very few exceptions you almost have to be a foreign flagged vessel to be a large cruise ship. And then you're going to be regulated by the flag in which you fly, and the classification society that controls your ship.

MR. PANZA: Thank you. And Captain Hansen, does all of the employees of the ship if it's an American flagship have to be a United State's citizen?

CAPTAIN HANSEN: That is correct, either a resident or citizen. A few years back we had three ships operating in Hawaii with an American flag, and if I remember correctly we had to interview 80,000 people every year in order to man those three ships. And why is that? And the answer is there's not very much culture for being an American crew member, so we had to, even after we reflagged two of the ships we needed to get approval from Congress to get an exemption so that we could man the ship with 25% international crew. So there are many reasons why we do carry foreign flags on
our ships.

MR. PANZA: Okay, thank you.

ADMIRAL BAUMGARTNER: And let me just note here, just is it much of that crew is the hotel crew, and the food and beverage? The officers and the main line marine crew is a very different thing in terms of culture to man a cruise ship. You know, we have -- in our company we have American captains, and American officers, and so forth, in addition to all kinds of other nationalities, but the real difficult thing is getting the entire, you know, large hotels, hotel crew that all have to be U.S. citizens.

MR. PANZA: Thank you. And Captain Hansen, what is the, without giving any trade secrets I guess, what is the salary level of a captain of one of these major cruise ships that we've been showing? We'll just take the one that's here, Pride of America. How big is the Pride of America, how many tons is that?

CAPTAIN HANSEN: It's about 80,000. Our captains and officers, they are compensated based on their position, and there is no other factors. If they are the captain on our
largest ship Norwegian Escape, or on our
smallest Norwegian Sky, the compensation is the
same. And our most experienced, or our
captains with the longest seniority, they
average about $120,000 a year compensation.

MR. PANZA: Okay, and that's for -- is
that for -- so that we're accurate here that's
for six months?

CAPTAIN HANSEN: That is for six months,
so they are only paid when they are on board.
So if they do 10/10, and average spend six
months on board, that's what they're
compensated.

MR. PANZA: So even if they worked all 12
months that would be approximately $240,000 --
I guess you're saying it's $120,000 for 6
months, so it would be approximately $240,000
for 12 months.

CAPTAIN HANSEN: That is correct.

MR. PANZA: Okay, and Admiral, is your
captains in line with that, or the industry?

ADMIRAL BAUMGARTNER: Yes, we're roughly
in line with that. And just so, you know, the
option of working 12 months, we would not allow
that. I mean -- you did the math there, but
just so nobody would be confused there for
safety and other purposes, you know, we do
require our captains to take that vacation, and
we don't allow them to work continuously
because they need to recharge batteries. It's
pretty demanding to spend 10 weeks, 10-13 weeks
onboard as the captain of a major cruise ship
today.

MR. PANZA: Okay, thank you.

CAPTAIN HANSEN: And it's the same for us,
and of course we also have to comply with ILO,
International Labour Organization.

MR. PANZA: So that would be compared to
the amounts that the pilots are receiving, if
we take the investigative report it's somewhere
around $360,000 or so, that was in the
investigative report, against $120,000 for the
captain on a cruise ship; is that correct,
Captain Hansen?

CAPTAIN HANSEN: That would be correct.

MR. PANZA: Thank you. So fi the,
Admiral, at the Harmony of the Seas -- and how
big is the Harmony of the Seas?

ADMIRAL BAUMGARTNER: Harmony of the Seas
would be about 230,000 gross tons.
MR. PANZA: If the Harmony of the Seas enters into the Port of Miami, which it will; is that correct?

ADMIRAL BAUMGARTNER: That's the plan, yes.

MR. PANZA: Okay, and that will pay approximately how much in pilotage fees for that single call?

ADMIRAL BAUMGARTNER: For the call, which would be two handles, it will be about $17,600 or so, calculated.

MR. PANZA: Okay, so would that $17,600 for a single call be more than what one of your captains on your ship makes in a whole month?

ADMIRAL BAUMGARTNER: Yes. Yes, we would pay about -- yeah.

MR. PANZA: Okay. Captain Hansen, would your situation, or your company be virtually the same?

CAPTAIN HANSEN: Yes, it would. We would actually pay more for one call than for a monthly compensation.

MR. PANZA: And that would be one call that would last 4 hours of sea time, we'll say.

CAPTAIN HANSEN: That is correct.
MR. PANZA: Okay, at this point, sir, I am -- Mr. Chairman, I'm going to change witnesses. I'm going to have the accountant come up, so if that's okay we can --

CHAIR: Yes. How much longer do you expect --

MR. PANZA: We have the accountant, I would assume would be about at least an hour, probably so, or more. Probably about an hour. Do you want to take a break and then --

CHAIR: Let's take a ten minute break.

(Thereupon, a recess was taken off the record and the meeting continued as follows:)

CHAIR: Okay, let's get started. Well, thank you. Thank you all. Excuse me. We're going to start with our next witness, which is Joel Glick, which will be our final witness. And this will be the accounting component of this, or the economic component I guess. We had to set up a projector with the charts, but since we're going to hand out the charts -- I think it would be easier if we just give you all the charts, and you can look at them, rather than everybody trying to go blind looking at this projector, and everything else.
So we're going to hand you out all of the charts that Mr. Glick prepared, and we'll go through those.

Let's just do them individually then.

Okay, so take the first two pages.

MR. GLICK: We're going to hand these out to you because some of them look similar, and I think it may cause confusion to do it another way.

MR. PANZA: Thank you. Mr. Glick, could you please explain, or tell the committee a little bit about your background? Be very brief, they have your resume.

MR. GLICK: Good afternoon, my name is Joel Glick. I'm with Berkowitz, Pollack, Brant. I'm a director in our forensic practice. I've been a CPA for over 22 years. That's it, pretty brief.

MR. PANZA: Thank you. Mr. Glick, the estimated salary of $366,000 which was in the, in the report, assumes that the pilots' operating expenses are reasonable, and that the pilots have provided all the information necessary to analyze the compensation with scrutiny and detail. Can you explain your
history as it relates to these proceedings?
You testified at the last hearing; just give a brief explanation of that.

MR. GLICK: As Mr. Panza said I was --

MR. PANZA: And talk up a little bit too so they can hear you.

MR. GLICK: I testified as part of your predecessor hearing three years ago at the prior rate decrease application, and I discussed a lot of the same issues that we're discussing today.

MR. PANZA: Okay. And have you reviewed in detail the pilot's financial statements and investigative committee findings?

MR. GLICK: I have.

MR. PANZA: Can you briefly discuss the pilots' various claimed operating expenses?

MR. GLICK: Sure. But before actually, Mr. Chairman, you asked a question earlier of Mr. Law and I have the information that from 2007-2014, the revenue you wanted to know if it dipped or not. 2008 was $10.6 million, $10.1, $10.8, $10.4, $10.1, and $10.2 through 2013, so it was relatively flat.

I'm sorry, so as far as operating
expenses, just going down the income statement you've got employee related payroll and costs, repairs and maintenance on the boats, building, and vehicles, subscriptions, contributions. The largest item is the retired pilot payments, employee benefits, training, education. Another large item is insurance of about $1.8 million, depreciation, professional fees, rent and utilities.

MR. PANZA: Are there any expenses you cannot identify what they're for?

MR. GLICK: Well, I mean I -- excuse me. I was not provided any detail with any of this. I mean some of it's obviously self explanatory.

MR. PANZA: What are you reading from?

MR. GLICK: I'm looking -- I apologize. I'm looking at the audited financial statements. This is the -- it's not part of the handout, it's just part of the -- that was the information provided. It's the combined statement of income, and it just, it shows the revenue and expenses.

MR. PANZA: In order for you to be able to test the reasonableness of the expenses would you have to know what exactly the expenses were
for?

MR. GLICK: It would certainly help, yes.

MR. PANZA: Okay. And were you able to identify if any of the fees that were identified in that financial statement that you're looking at, as far as the audited statement, are reasonable? Can you tell if there's any that are not reasonable in there?

MR. GLICK: So for example the dues and subscriptions of over $300,000 there's no detail. From looking at what Mr. Law put together, he was able to discern what it related, the certain fringe benefits that would be added back. The information that I was provided would not allow me to, to get to that granular level.

MR. PANZA: When you say fees and subscriptions $300,000; is that what you said?

MR. GLICK: Dues. Dues and subscriptions.

MR. PANZA: Dues and -- do you know what there were dues and subscriptions for?

MR. GLICK: I do not.

MR. PANZA: Okay. Is there any documentation you would have liked to have had, or needed in order to complete a comprehensive
analysis of this information?

MR. GLICK: I mean I think that the most important would have been census information with regard to the retirement benefits, and also the various employee benefits, and insurance that is being paid.

MR. PANZA: And were you provided any actuarial data?

MR. GLICK: I was not.

MR. PANZA: Okay. Would that have been of assistance?

MR. GLICK: Yes.

MR. PANZA: And what would that have been assistance for?

MR. GLICK: Well, that would have allowed you to know who, who the different recipients were, their ages, when they, when they came on, things of that nature.

MR. PANZA: Can you give the committee an overview of your understanding of the pilots' compensation plan, and their retirement plan, how are they paid, the pilots paid?

MR. GLICK: I'm not really sure exactly how they're paid. From -- from reading the financials my understanding is the service
corporation Biscayne Bay Pilots, Inc. is owned by each of the pilots as a shareholder of the corporation. I'm not sure if it's a C corporation or S corporation. And then the Biscayne Bay Pilots Association is a general partnership. Each of the pilots has their own entity, I don't know what type of entity that is, that owns their partnership interest in the association.

My understanding is the service corporation Inc. Owns the employees, the personnel, owns the vessels, the equipment, and so forth, and provides the support services to the pilots who then obviously perform their services for the rate payers.

MR. PANZA: Do you know if the pilots buy into this, if you're a deputy pilot, you become a pilot, you buy into this as you would, say a law firm or an accounting firm, or anything else where you're buying a share?

MR. GLICK: Yes, my understanding is that the buy in is based on the value at the time of the buy in, and it's, I think it's paid in, or I think it's actually deducted from your distributions over a 100 month period.
MR. PANZA: Do you ever recapture that money upon your retirement?

MR. GLICK: Yes, so it's basically the same thing going out. So when you retire my understanding is, is that you're paid out based on the book value of your shares at that time, and you are paid out over a period of time.

MR. PANZA: Would you have any information on what the value of those book shares, of, you know, of the book amount is?

MR. GLICK: No.

MR. PANZA: Would that have been of any benefit to you?

MR. GLICK: It would have been additional information. I don't know if it would have necessarily impacted any of my calculations.

MR. PANZA: Okay. And is it your understanding that each of the pilots operate as being their own independent contractor, or they are an independent contractor?

MR. GLICK: Like I said, I'm not really sure how they bill for their services to the rate payers, and how they're actually -- how that money flows through to the actual pilots themselves.
MR. PANZA: Can you please explain to the Board what benefits the pilots receive by way of compensation?

MR. GLICK: They are -- they receive -- again, based on my understanding of the committee's report and reading the financial statements, is that there are cash, monthly cash distributions based on the monthly revenues, and then there is the retirement benefit, health insurance, life insurance, and the other items that Mr. Law added back to his calculation.

MR. PANZA: Okay, and where does the money come from when a pilot retires and receives their payout?

MR. GLICK: My understanding is that is sort of at the same time someone is going out someone is coming in, so that money is sort of sort of coming, coming in and going out at the same time. I'm not sure if that's accurate or not.

MR. PANZA: Okay, well when a pilot retires does the pilot get a retirement benefit?

MR. GLICK: Over and above the, what we'll
call the, their capital, their return of their capital, they receive health benefits in retirement, and then they receive what previously they referred to as a consulting agreement revenue which was the, Mr. Law indicated it was the 50% of what the acting pilot were making at the time, cap that at 20% of the revenue of the, the entire revenue of the association.

**MR. PANZA:** Okay, before we get into the specifics, can you give us your overall thoughts on the retirement payments? Do you know why historically this retirement system was set up in this nature, being unfunded and paid for upon retirement as it is?

**MR. GLICK:** Do I know why it was done that way, no. My understanding, this was done back in, I think I read 1981, so I don't know why it was done this way. And I do understand that reading, I think it was Admiral Quick's report, that this is a very common practice in the industry. I don't think that necessarily makes it right, or fiscally prudent, but I can't tell you why they did what they did.

**MR. PANZA:** Is it a reasonable and
rational plan in the general business community, forgetting about, just about the pilots and what Captain Quick said?

MR. GLICK: In my opinion, it is not.

MR. PANZA: Why would that be?

MR. GLICK: Because they're, again as I said it's not, they're not being fiscally responsible. They're not taking any risk on their own. They're not funding anything into the plan. It's just all being paid -- the current obligation is being paid out of current cash flow.

MR. PANZA: When you say they're not taking any risk what do you mean by that?

MR. GLICK: Well, when you -- if you were to put money aside into a retirement plan -- if it's a defined benefit, basically what I'm, as the employer what I'm telling you is that when you retire you're guaranteed to get X, which means as the employer I'm going to put in some smaller amount today that has to grow to the amount I told you that you were going to get. So if the market tanks, or other things happen, and so value of the pot of money that I need to give you is not there when I need to give it to
you, that's on me the employer, not you as the employee, because I promised you that it was a defined benefit, versus a defined contribution, which is something more, it's like a 401K, which everybody is used to, or familiar with now, is I'm going to give you a certain amount, and then whatever it is when you retire it is. If it goes up, great, if it goes down that's on you, not on me the employer.

MR. PANZA: And what is this; is this either one of those two?

MR. GLICK: This is -- they're writing it up in the financials as if it's a defined benefit plan. If you look at -- if you were to look at the notes of the financial statements it shows a $50 million liability for this plan based on the required disclosures that came out in late I guess 2008 that affected basically tax years starting 2003, audit years starting 2009 forward.

MR. PANZA: We'll go to the first chart, which is the one we handed out. It's this one. Okay, so the first chart that you all have, Mr. Glick, could you please -- do you agree with the investigative committee, or the pilots'
determination of the value of the present compensation over the past years, what it's been, and regardless of the rate increase or decrease; do you agree with the value?

MR. GLICK: That was a multi-part question. Could you --

MR. PANZA: Okay, so I'll break it up. Do you agree with the pilot and the, the pilots and the investigative committee on what the value of their present compensation over the past few years has been?

MR. GLICK: No, I would -- I used Mr. Law's report, Page 19 as a starting point, and then I added to it.

MR. PANZA: And what do you mean by when you say you added to it?

MR. GLICK: If you want --

MR. PANZA: Yeah, go ahead, go through the -- please walk them through the chart. That will be easier than me interrupting you.

MR. GLICK: All right, so if we start with the schedule that's in front of you, I tried to break it down into smaller sections. So the first section is information that's coming right off of the audited financial statements.
And again as Mr. Law indicated this is based on the audited information, so it's there for comparative purposes even though there's a big gap between 2007 and 2014.

So this shows you based on the audited financial information, and let's just focus on 2015, that that the average net income per pilot before adjustments was just over $279,000. The next section, the adjustments is something that I added that Mr. Law did not include in his, and it goes to the retirement plan. So the -- as I understand the statute, and it talks about reasonable operating expenses, in my opinion the $1,960,000 that was actually paid to the, the pilots, again that was the value of what was due to them in this year.

It was not an amount that was to be put aside to grow for some future payment, which is in my opinion, again, not a reasonable expense, is a business, is a reasonable company would fund an amount, let it grow, and, and have that pot of money which would now be outside of operations. It would be some other pot of money, whether it's outside managed by some
fund, pension manager, or whatnot, and payments to the retirees would come from that source of funds, not out of operating funds. So I added back the entire $1,960,000 million, but then I deducted $1,126,000. If you go to the next page I can walk you through how we came up with that number.

So using as a stating point again what Mr. Law did, so that top section is from I think Page 48 of his report, which basically said that for 2015 there were 13 retired pilots, they received $1,959,000, so each received approximately $150,762. So I used that as a proxy and said, okay, well, now I'm an active pilot, what should be put away for me, what should be put away for me today to fund my retirement in the future?

So I worked backwards, and I said, well if I want to, if I want to receive, I'm rounding, $151,000 a year, and I used 28 years cause that's, at 55 that's the life expectancy of a 55 year old male. If there's female, female pilots, I apologize, I do not, I don't have a census so I don't know if they're all men or women. But so that's -- 28 years is the life
expectancy of someone at 55. Clearly someone could, you know, die sooner than that, live longer than that, but that's, the social security data says that that's the life expectancy.

So if I want to receive $151,000 a year for 28 years, and I'm using a 5% rate, which was a little bit more conservative, what pot of money do I need to exist when I retire at 55. That's $2,246,000 and change. Okay, so now if I'm going to pay in, and this is again where the census would have, would have been helpful, I'm assuming a first year, a first year pilot, and I need to be on the job for 20 years before I can be eligible, so now what amount of money do I need to put in every year for 20 years, again let's assume 5% growth, that when I retire at 55 I will have that pot of money of $2.2 million to then draw out the $151,000 for the next 28 years.

So again I worked backward. So that number was $67,927, so call it $68,000. I then said, well, that is what I need to put away for one pilot to fund his retirement in the future, and there are 16.58 full time equivalent pilots.
today, or again as of 2015. That number, the
math is $1,126,000 and change, so that is my
reasonable, in my opinion what my reasonable
expense would be for a retirement. Because I
know someone mentioned before that, you know,
it's being funded. Nothing is being funded.
Something is being paid, not funded, there's a
difference.

So -- so the $1,126,000 now going back to
that first page is, is a deduct, so I'm adding
back the 100% that was actually paid and
deducting the amount that should have really
been set aside that year for the future.
Running through the rest of the calculation I'm
adding that adjustment to the $4.6 million up
above, I've now -- I have net, average net
income per pilot after adjustments and before
add- backs of roughly $330,000. I think add
back the fringe benefits and the discretionary
costs. Many -- most of them are coming right
from Mr. Law's report.

There's a couple that I added in, and I'll
go through those, well, first the crew post
retirement costs, both add-backs, but the same
add-backs Mr. Law added back as well, he just
added them back in a different place, but it's the same numbers. I then added back depreciation because depreciation is non, a non cash item, and they're compensated based on cash distributions, so I added that back. I think also added back that $1,126,000 which is the imputed retirement benefit that the pilots are receiving, or theoretically would receive.

Then there's two other items. One is an employee portion of health insurance, and then the other one is, it's not an add-back because I don't have enough information, but I put a line in it for employee portion of 401k contributions. I will say that based on my understanding that the pilots are very generous employers. From the information I've seen is that they pay 100% of an employee's health premiums for the, for the employee and their family.

MR. PANZA: And which employees are there you're referring to?

MR. GLICK: This is everyone but the pilots themselves, so the dispatchers, the boatmen, things of that nature. So that is very generous. I, you know, the clients I deal
with, my firm itself, no one does that. They're -- they're -- that's not the norm whatsoever. There is actually data, and so what I did was I took the health insurance costs for those employees and added back 26% percent. That $83,000 and change represents 26%.

There is a study that the Keyser Family Foundation, which has been studies for 18 years, it's health insurance cost surveys, and that's where that information came from, and so based on the mix of the single premiums and family premiums that are being paid for by the pilots, about 17% of employees with single coverage are -- I'm sorry. Employees with single coverage are paying about 17% of their premium. Employees with -- this study. Employees with family coverage are paying about 28% or 29%. You'll see it in the next schedule we provide. So on average based on the mix of coverage that the pilot employees have I added back, it was a little over 26%. I just used 26% as an add-back to the pilots.

So they -- they can pay that. They can pay 100% if they wish, there's nothing saying
they can't, but it's not -- in today -- in
today's business world that's not reasonable.
Likewise on the, as I understand their 401K for
their employees they contribute 7.5% of an
employee's salary up to the FICA limit wage
base, and then 5.7% of anything over that. And
then on top of that they also will match 100%
up to 7.5% of the employee's salary for
anything that the employee puts in. So if the
employee wishes to max out they're basically
paying 15% for their employees for a 401K.

The average labor, labor statistics on
just the matching part, it's about 3%, so again
it's a very rich plan. I don't -- the total
expense for the year was $95,000, so I don't --
it wouldn't be -- whatever the percentage would
be divided by the full time equivalents, it
wouldn't be a huge impact. I just wanted to
point out that, again, the plan is very
generous but it's not a reasonable operating
expense.

And then for the rest -- the rest of the
items listed there were all right from Mr.
Law's report, so that results in, when you use
the 16.58 full time equivalent an adjusted
salary of roughly $499,000.

MR. PANZA: That's with all the add-backs in, $499,000, correct?

MR. GLICK: Correct.

MR. PANZA: This is approximately $87,000 - $100,000 per pilot higher than the investigative committee estimated; is that correct?

MR. GLICK: Mr. Law came up with $366,000. If you added the $30,000 on the low end for his retirement number it would get you to $396,000, so it's, yeah, it's just over $100,000 difference. If you use the $45,000 and change it would be about an $87,000 difference.

MR. PANZA: Okay, and what is the -- and can you explain why your imputed retirement plan is higher than the investigative committees?

MR. GLICK: The main thing -- well, two things. One is -- actually it's a lower rate, which would make the amount -- the lower the rate the larger the current pot of money that you need in order to grow. You're basically saying it's going to grow slower so I need more money now. And I also used 28 years versus Mr.
Law used 20 years.

MR. PANZA: And if the investigative committee imputed $30,000 - $45,000 per pilot for 18 pilots that amount is $540,000 - $810,000, correct, per year that they would have to collect?

MR. GLICK: I'm sorry, ask that question again.

MR. PANZA: If the investigative committee imputed $30,000 - $45,000 per pilot, and there's 18 pilots, that amount is $540,000 on the low end to $810,000 on the high end; is that correct?

MR. GLICK: I didn't do the math myself but I'm assuming, yeah, I mean the easy math, yes.

MR. PANZA: Okay, well, if that's the $30,000 - $45,000 for 18 pilots, let's assume the math is correct, why would you, what did you base the actual retirement payment on in 2015?

MR. GLICK: I'm not sure I understand the question.

MR. PANZA: Okay, I'm sorry. We know the actual retirement payment in 2015 was over $2
million; is that correct?

MR. GLICK: Well, the cash payment was $1,960,000.

MR. PANZA: Do you know how the investigative committee accounts for the other $1.5 - $1.2 million depending, the difference between the actual payment and the imputed amount of $540,000 - $810,000?

MR. GLICK: No.

MR. PANZA: Do you know where it is? In any financial statements can you see it?

MR. GLICK: Are you asking me as far as what Mr. Law, Mr. Law's adjustments?

MR. PANZA: No.

MR. GLICK: No.

MR. PANZA: Have you created this chart on healthcare costs claimed by the pilot, this next chart we're going to show you?

MR. GLICK: Yeah, I mean that -- that was the, again for 2014, '15, and '16, that was just the information from the KFF study.

MR. PANZA: The next chart -- does everybody has the next chart? It's based on FCCA's requested rate reduction, the heading -- okay, you all got it? Okay. Mr. Glick, did
you do an analysis of what the FCCA's 25% rate
decrease would do to BBP's compensation?

     MR. GLICK: Yes.

     MR. PANZA: And could you explain this
exhibit please?

     MR. GLICK: Sure. So this exhibit --
there's a lot of columns, so if we just stay to
the very left column, that is starting out with
-- again the layout is as similar as I could
make it to the previous schedule as far as the
sections. The $11.2 million is the actual
revenue for 2016. I'll just point out that
that's about $700,000 more that the pilots'
estimate for 2016. The GSK projection has
$10,542,000, was their 2016 projected revenue,
and the actual revenue was to be $11,235,000,
so I don't know how that may or may not impact
the future projections.

     So anyway just -- so $11,235,000 was --

     MR. PANZA: Well let me understand this so
that we're all clear on it. They actually --
they projected -- they did a pro-forma and they
projected something less than $11,235,000,
correct?

     MR. GLICK: About $700,000, yes.
MR. PANZA: $700,000. So they actually collected $11,235,000.

MR. GLICK: Yeah. Yes. Yes.

MR. PANZA: Okay, go forward.

MR. GLICK: I deducted the operating expenses based on the projected financials. I tweaked a little bit to account for the additional dues that would be incurred, because my understanding is there are certain dues that are (unintelligible) revenue, so to the extent that I didn't start with the actual revenue that was in the projection I adjusted the operating expenses accordingly, and the result was for 18 full time equivalent pilots that the unadjusted revenue was about $276,000 and change.

Again going down, making the similar adjustments that I made for 2015, which was adding back 100% of what they say they would pay to the pilots, because again that's not a, that's a current value, not a, the represent value of a future amount. That was about a $639,000 adjustment. That increased the per pilot income to just over $312,000. Again using -- a lot of this information is the same
information from Mr. Law's report, other than the same adjustments that I made for 2015, I'm not going to go back into them, which results in just under $466,000 per pilot revenue for 2016 before the rate reduction.

Going -- so now going to the second column, that's applying the 25% rate reduction to the passenger volume, reduce, would reduce the corresponding revenue, operating expenses, and you would just follow that down. That drops to the $270,000 I'm rounding, $277,000 per pilot income dropped to about $179,000 when you make all the adjustments and go straight to the bottom the $460,000, I'm going to round, the $466,000 would drop to just under $368,000 after the, the 25% reduction.

Then Counsel had asked me to do the same set of analysis to the next two sets of columns. It's the exact same analysis, it's just using the 2014 or the 2015 full time equivalents, pilot equivalents to see what the, the income would have been at that lower level of staffing. You can see the numbers.

**MR. PANZA:** Do you have anything else to add to this particular chart?
MR. GLICK: I don't think so.

MR. PANZA: Okay, let's have the next chart. Okay, could you please explain to the committee the next chart. It says Comparison to Net Income Per Handle.

MR. GLICK: Sure. So this -- the first two columns comes right off of the committees report, the 1995-2015, and the corresponding net income per pilot. The next column over, the number of pilots, that comes from the FCC application, and then for, for a portion of it, and then for 2007-2015 that handle data comes from the investigative committee's report on Page 42. So having the net income per pilot, and the number of pilots, I grossed, it, grossed it back up to come with the total net income for each of the years. I got -- I took the number of handles off of the investigative committee report and then divided that in order to get net income per handle. So that's -- now we're about halfway through the chart.

And then you see a column that says years, and then there's three columns of CAGR, compound annual growth rate. So just jumping down to 2015 what, you'll see it says 25 years,
which means that it's from 1990 - 2015, 25
years. To the right of that is net income per
handle at 5.5%, which means counting for annual
growth, means that on average every year for
the last 25 years the next income per handle
went up 5.5%. Again it's on average. Some
years it could go down, it could be less than
that. Some years it could be more than that,
but on average for the 25 years that was the
growth.

The next column over is the same
calculation, but just on the actual net income
itself, and if you look at those two columns
side by side you'll see that the net income,
that the total net income increased 3% a year
each, on average, each of the last 25 years.
But the net income per handle over that same
time period increased 5.5%, and that's because,
you can see in the middle of the sheet the, the
decrease in handles. In 1990 there were 9,230
handles. In 2015 there were 5,100 handles, so
almost, almost half.

Then the very last column, I compare it to
CPI, and so on the 2015 row, what that says is
over the last 25 years on average CPI has
increased 2.5% for each year for the last 25
years, and so then if you compare that to the
column to the left it shows net income outpaced
CPI by 0.5%, so it's 3% versus 2.5%.

Then the next -- the next groupings, I was
asked to do the same calculations but using the
2014 adjusted net income numbers from the prior
page, and then also 2014 based on the 25% rate
reduction. Similarly I was asked to do it for
the 2015 adjusted net income per pilot revenue,
and then also again in 2015 applying the 25%
rate reduction. And what that shows is that --
so if the $499,000 that we're talking about,
before it would work out to be, compare that
same 2.5% per year CPI increase, income, net
income would have gone up 3%, net income per
handle 6.8%. And then even after a 25% rate
reduction which would put the pilots at just
under $384,000 per pilot of income it would be
3.2% growth of the income versus the CPI of
2.5%, and the net income per handle was 5.7%
versus 3.2% for the income itself.

**MR. PANZA:** Okay, do you have anything to
add to that chart?

**MR. GLICK:** No.
MR. PANZA: Okay. Mr. Glick, can you please explain this chart? It's entitled Comparison of Retirement Plan Funding FCCA.

MR. GLICK: Sure. So this is going back to the original schedule we talked about. The -- just up the top section, the middle line says annual costs, you'll recognize the $1,126,000 figure that I calculated. It's just comparing it to that same calculation that Mr. Law did, using his numbers, and it just -- so the top shows that under a, under the numbers that I calculated there would be about $22.5 million, over the next 20 years about $22.5 million actually funded and, you know, and deducted on a current year basis as opposed to using $1,960,000 that was actually paid times 20 year, you know, assuming obviously it stays flat, times 20 years. That would be $39.2 million, which would basically cost the rate payers an additional $16.7 million.

Using Mr. Law's calculations it would be even higher. It would be -- the differential is $24 million cost to the rate payers. And I will give the same caveat that Mr. Law did, that again without actual census and actuarial
MR. PANZA: Okay, and as -- what makes up the difference in this, we'll say either your $16,673,000, or the $24,110,000, what, what's that made up of, is that interest?

MR. GLICK: In this particular case it is, as I said earlier it's -- I used 28 years as a, excuse me, as a retirement period that it would be collecting, and I also used a lower interest rate, so that is basically what accounts, when you then multiply it out times a 20 year period of funding that's what accounts for the difference.

MR. PANZA: No, but what I'm asking you is -- maybe I wasn't clear. I probably wasn't. The $16,673,120 -- is how much the rate payers could have saved by virtue of the compounding interest in either one of those two models; is that correct?

MR. GLICK: Yes.

MR. PANZA: So without doing that this is just passed along to the rate payers I guess to pay; is that correct?

MR. GLICK: Correct, the current way that the retirement is being paid, and I'm not going
to say funded because it's not being funded, it's being paid, is under Mr. Law's calculation saying had it been done more fiscally prudent versus how it's being done now it, it is costing, it's actually costing the rate payers $24 million, $24.1 million. If you use my calculation, again same underlying rationale, is that you should, you should be, your cost should be something smaller today to grow to what you're obligated to fund in the future, that's, my number is $16.7 million.

MR. PANZA: Okay, thank you. And this is the last chart that we have with this witness. I have a few comments I want to make. I don't know if the Board has questions of this witness, but I mean it's not my place to ask that, but before I let him go --

CHAIR: Does anybody have any questions? Are you completed with your presentation?

MR. PANZA: Yes, sir, I'm completed with the presentation. I just have a few, just a few comments, but, yes, I'm completed.

CHAIR: Yeah, we have thirty minutes or so here, so does the Board want to ask any questions? What we'll do, we'll wait until the
morning for your response back.

MS. BLANTON: Sure, that would be fine.

And just to -- we want to be respectful of your time, and what we would like to do tomorrow, if it's agreeable to you, is we will have an opening, which we will sort of combine our rebuttal with our opening, and then we will rebut during in our case in chief, so it won't be two cases, it's going to be really one case. And it will take most of the day, but we think we can finish tomorrow.

CHAIR: Okay, perfect. Okay, so let's spend the next few minutes with questions from the Board on what we've heard for the last five hours. Any questions? Yes, Mr. Winegeart.

MR. WINEGEART: In your calculations on the retirement plan -- you say it was started at one point, right, whatever year that was, so there was a whole generation where there was zero payments; is that what you would --

MR. GLICK: Yeah, basically when the founding members of the Biscayne Bay Pilots Association started this they made a decision to not take any money out of their pocket and start putting money aside. They basically
1 took, you know, put, kept all the cash, and I
2 guess relied on the fact that the guys that are
3 going to come after them are going to pay for
4 their retirement, and --

5 MR. WINEGEART: So there was a generation
6 where there was zero retirement costs?
7 MR. GLICK: Yeah, I mean up until 2007 I
8 think there was -- I think that's when there
9 were three retirees.

10 MR. WINEGEART: Okay, so there's no
11 calculation as to the overall cost of the
12 retirement plan over time. We're -- we're
13 using like one year at a time, not a forty,
14 fifty, sixty year period for the costs; that's
15 correct?

16 MR. GLICK: I'm not sure I understand the
17 question.

18 MR. OATIS: You're looking at it from the
19 current perspective, right, you're saying as of
20 right now. If we were to implement a plan like
21 this --

22 MR. GLICK: Yes.

23 MR. OATIS: -- how would it, how would
24 that be transitioned, because obviously there's
25 a first generation of retirees that are now
being funded out of current funds, but how would that be funded if we had a direct benefit?

MR. GLICK: My calculation doesn't address the conundrum of what's a reasonable operating expense, and what is the, have that translate into pilot income, versus what has been created, and perpetually, and how to pay for that. They're, you know, they're at odds, but, you know.

MR. OATIS: So essentially it's theoretical in nature, because there'd obviously be a large gap in the actual implementation of a plan like that.

MR. GLICK: Correct.

MR. WINEGEART: Thank you, sir.

MR. ASSAL: From what I understand you said the health and welfare, or the pension fund started in 1985, correct?

MR. GLICK: I thought I read in the 1998 financial that it was 1981.

MR. ASSAL: 1981.

MR. GLICK: I think that's what I read.

MR. ASSAL: So basically pre 1981 no one knows what they did with a pension plan, or a
MR. GLICK: No, based on my understanding is I think that's when the association was formed. I don't know, I mean I guess tomorrow they can tell you that. I don't know -- I don't have that information.

MR. ASSAL: Okay, thank you.

MS. KURTZ: I have a couple of things. You made a statement that according to a study that, a (unintelligible) study, that it's not reasonable to pay a full health benefit and a generous retirement contribution. I guess this is more of a comment than a question, you know, I think it's really up to the employer to decide that, and not every business model is the same. And, you know, some of these employees work, you know, around the clock in difficult conditions, so, you know, perhaps it's something they do that they can retain employees. So, you know, putting that as an add-back, to me that's really theoretical, and not, I'm not sure that is something that you can decide, and that we use that number to compare, because --

MR. GLICK: This information is all for
you to --

MS. KURTZ: Right, I understand that. It just struck me as -- in common, and --

MR. GLICK: -- this is in order for you to make that decision, and -- and I -- well, I -- what I had said was is that they're, they're within, well within their rights to pay whatever they want to pay, but based on what is a reasonable operating expense, if the study says that across all employers these are the statistics the I would say that that may not be reasonable.

It doesn't -- I wasn't say that they're not allowed --

MS. KURTZ: Sure, no, I understand the difference between allowed and optional, but reasonable I think is up for, up for discussion, because perhaps for them to retain employees this is reasonable, to have a more generous benefit, that that (unintelligible).

You made the comment a few times that there was information that wasn't available, or that wasn't provided. Was that information requested and you didn't get it, or just as you were compiling things you realized you didn't
have certain information that you needed. You said that there was no actuarial information --

MR. GLICK: Yeah, I believe that was requested, and it was not provided.

MS. KURTZ: Okay, and so that would include if they had pilots that retired at age 55 or later, like we don't know how old, you don't have any of that information.

MR. GLICK: Correct. Correct.

MS. KURTZ: That's all I have right now.

Thank you. Wait, I'm sorry, I have one more thing. In this last paper you handed out, and you used the 16.58 pilots, I'm wondering why you didn't use the 18 pilots as the number, because that seems to be what they have currently.

MR. GLICK: This is -- this is the -- this is based on the 2015.

MS. KURTZ: '15, okay.

MR. SOLA: I have a couple for the admiral.

MR. OATIS: Are we done -- are we still going with the CPA, or are we trying to move on from him, because I have more questions?

CHAIR: No, any questions.
MR. OATIS: I was just thinking about that, I was just thinking about the retirement plan, and I maybe this is a comment, I'm just thinking through the risks that you had mentioned, or not, not taking a risk by putting the money into a defined benefit plan and allowing it work in the market to build towards an ultimate egg for them to be paying out of. Thinking through a pay as you go plan like we have for Social Security, you know, the largest plan in the world, to some extent it's the most risky of plans if you think about it, because what happens if the port were to shut down?

At that point then there's no revenues coming in to then make payments out of, so I guess as far as when we think about risk, I guess how do you, how do you integrate risk into your thoughts, into the computations?

MR. GLICK: Well, I -- it's a fair point, and I guess that would be the ultimate risk, is that the port would shut down. But the question is, what is the reality of that really happening?

MR. OATIS: Sure.

CHAIR: Sir, I have a question. So you've
been in the CPA business for 20, 30 years, right?

MR. GLICK: 30 years. 30 years plus.

CHAIR: Okay. Have you ever worked with an organization that had a retirement plan that was in a management consulting type of contract like this that didn't define benefit, or define contribution?

MR. GLICK: I have not.

CHAIR: Never.

MR. GLICK: No.

CHAIR: You've never seen another organization like that. Have you ever seen an organization, a non government organization that paid all healthcare benefits like this?

MR. GLICK: No.

CHAIR: Never, okay. Any other questions for the accountant?

MR. OATIS: I just also was thinking about the depreciation as I'm just kind of going through the list. I'm going to think about it some more as well. But when it becomes an amount of depreciation, obviously it's a cash outset on the initial purchase, right?

MR. GLICK: Right.
MR. OATIS: And so from an add-back perspective -- I mean I understand what you're saying, kind of thinking from a cash flow perspective, there's no cash, but ultimately if you look at it they're almost penalized to some extent by depreciation, right? They can't take the full expense within the first year, it's a matter of amortizing that, and depreciating that over a period of time, so it's -- there was a cash outlay at some point that rather than taking the reduction in that year against income they were forced to basically depreciate it and add that back in a capitalized manner to take over a future period.

MR. GLICK: Unless they were financing it, which I don't -- I don't -- I don't know.

MR. OATIS: Okay.

MR. PANZA: May I -- at the appropriate time I'd just like to respond to one or two of the questions that are being asked to clarify some of them up.

CHAIR: Are they on the accounting issues?

MR. PANZA: Yes, sir.

CHAIR: Okay, yes, go ahead.

MR. PANZA: On the depreciation did you
see anting in there that was a sinking fund, or any other type of fund where they would take a depreciation, put it in a separate account so when the vessel was 41 years old and they had to go replace the vessel they would have had all the money that they accumulated for the depreciation in a fund, would have gained interest, and been able to repurchase the vessel; did you see anything like that?

MR. GLICK: No. And actually the -- the statement of cash flows, I don't think I said this earlier, is 2015 there was $5,665,000 of cash generated from operations, and their distributions to shareholders and partners was $5,775,000, so they're taking out all the money. I mean that year there was a net cash increase of $16,000, in 2014 there was a net cash decrease of $8,300 on $5,755,000 of net cash available for, for the operations.

CHAIR: Any questions? Mr. Sola, do you want to --

MR. SOLA: Thank you very much. Admiral and Captain, thank you for coming out today. I appreciate it. I had a couple of questions that I wrote down. They're in no specific
order. You mentioned that Symphony of the Sea and Allure were going to be based here in the Port of Miami in 2018; is that correct?

ADMIRAL BAUMGARTNER: That's correct.

MR. SOLA: How do you see just offhand the turning radius, because we went out yesterday in a tour and we saw that, that area specifically. Those are very big ships. How would you address that?

ADMIRAL BAUMGARTNER: The turning radius is, is adequate. It's not -- it is tight, but they are very capable ships, and they can do it.

MR. SOLA: Will they be based here year round?

ADMIRAL BAUMGARTNER: Yes, they will be.

MR. SOLA: We mentioned before how many tugs are required for a cargo vessel at that size, but you didn't mention how many tugs would be required for a passenger vessel at that size.

ADMIRAL BAUMGARTNER: With that particular class there's no need for tugs because they have far, they have much more capability when it comes to that.
MR. SOLA: And is that because of the azipod system that you mentioned?

ADMIRAL BAUMGARTNER: The azipod is primarily that, but also the bow thrusters. That class has four bow thrusters at 7,400 horsepower each, so almost 30,000 horsepower in bow thrust, as well as three azipods. In maneuvering both you can have 10 megawatts on each of the azipods, so 30 megawatts, or roughly like, you know, almost 40,000 horsepower to maneuver --

MR. SOLA: Now, both of your fleets are very extensive, you have a lot of ships. How many of those ships would have that advanced technology as, as similar to the azipods and the advanced bow thrusters?

ADMIRAL BAUMGARTNER: For our -- for our company generally anything that's going to be over 100,000 tons has got azipods and bow thrusters. Actually probably about 90,000 tons is about the threshold because 90,000 tons is going to have azipods. All of our vessels have bow thrusters, but generally you're going to have azipods I think just, I think you'll exclusively has azipods and multiple bow
MR. SOLA: The same with Norwegian?

CAPTAIN HANSEN: Yes, the same. Today we have fifteen ships in the Norwegian brand, and eleven of them have azipods --

MR. SOLA: And you have a high season and a low season, so you rotate ships in and out, is that --

CAPTAIN HANSEN: The peak season in Miami is during the winter. During the summer time we send ships over to Europe, and also to Alaska.

MR. SOLA: Do you have ships that have over 100 handles per year? You mentioned -- you mentioned that you did, you had a couple.

CAPTAIN HANSEN: (Unintelligible).

MR. SOLA: Yes, you each did.

ADMIRAL BAUMGARTNER: And one of the things that will happen here revenue wise, is Terminal A will be constructed, that's why Symphony and Allure will come here, because there will be a brand new terminal constructed in the next 18 months.

MR. SOLA: The Board saw the location
yesterday that --

ADMIRAL BAUMGARTNER: So from a revenue point of view that's an additional terminal, and the two large ships that are going to be coming over are additions, they're not displacing other ships that (unintelligible).

MR. SOLA: Okay. Mr. Panza, could you give us according to the 310.151(6) which we have right here that specific category that you'd like to create for passenger vessels?

MR. PANZA: Well, the categories that we would probably be talking about with the other categories -- I'm sorry. I might leave this up to the Admiral, as to what they would think would be the fairest measures, but I believe that the other characteristics would be all of the electronics and all of the sophistication, and the self maneuvering would be one of those. Another one would be the draft.

And I would ask if I could, if it's okay with you, sir, if I can have the Admiral or the Captain, who are much more familiar with marine engineering than I --

ADMIRAL BAUMGARTNER: Right. I mean here actually in the application for FCCA you're
looking at cruise ships in general that are going to have zipods, greater maneuverability, so the 25% rate reduction was a simplification. If you started with a blank slate, and you wanted to be more even handed about what the actual challenge of a particular ship was, the size of it, you'd do something similar to what New York does.

And New York actually calculates something called a pilotage unit, which is the length times the beam times what would, it's the depth, the height of the ship up to the first continuous deck. Now, that gets a little bit technical, but it's basically the draft plus the freeboard, so when you say look at a container ship, and you say none of those containers count, you'd look at the cruise ship and you'd say the superstructure doesn't count. You're basically counting the main ship volume up to the main deck, so that makes it roughly equivalent if you, you can work with both items.

You could also go and simply create a different scale for different type of vessels. You could have TEU for container ships, gross
tonnage for normal freighters, and something else for cruise ships, that brought things in line so that, you know, a ship the Maersk Altair that can carry the allure of the seas as cargo doesn't end up paying half the, half the pilotage rates. If could you calibrate them something -- the Panama Canal does something similar to that so that, because they recognize that gross tonnage wasn't a good way of doing it, and other ports do the same thing. Those are some of the things we would --

MR. SOLA: But -- but specifically your recommendation in your application --

ADMIRAL BAUMGARTNER: Well, that is the 25% reduction for cruise ships, and that's based on the supplication that most of the cruise ships are going to have, that their size is overstated because you're using gross tonnage, and that they also, a large majority of the larger ones, all the larger ones are going to have azipods and the bow thrusters.

MR. PANZA: And if I could add, ask the question, that is the measure that's used currently. That's why the (unintelligible).

MR. SOLA: Okay, thank you.
MR. OATIS: I have a question for you. Going back to one of the charts, it's the comparative difficulty and cost in cargo ships versus cruise ships, I guess just for my understanding, so when we talk about the dead weight and we're comparing the Maersk Altair to the Allure of the Seas, dead weight, is that the capacity that it has to carry, or is that the actual tonnage that it carries?

ADMIRAL BAUMGARTNER: Dead weight tonnage is the capacity, the carrying capacity of the ship, so how much additional weight can you put on the basic ship structure.

MR. OATIS: Okay, so if I'm looking at the Allure of the Seas where it says 19,750, that's based on actual load.

ADMIRAL BAUMGARTNER: That is how much weight you can put on, you can add to the basic ship. So for us -- actually the cruise line would be very happy if you used dead weight tonnage to calculate rates. I would -- I would revise if I could --

MR. OATIS: -- all the options that are up there as well.

ADMIRAL BAUMGARTNER: I'm sorry to be
MR. OATIS: No, no. But understand that the, that dead weight then is what it actually carries, or what it can? What is the capacity for dead weight on --

ADMIRAL BAUMGARTNER: Dead weight tonnage is the capacity that it has to carry.

MR. OATIS: So theoretically what would be the capacity for the Allure, let's say it wasn't a cruise ship, let's say the Allure is bringing some sort of product in that --

ADMIRAL BAUMGARTNER: All you could bring in is 19,000 tons, that's it. That's it. And it's just that -- and on the Allure of the Seas you can fill that up with people, fuel, food. That's basically what you carry on there. Other than that the rest of the structure is playground so to speak.

MR. OATIS: But theoretically we could fill that space, if we were bringing some product into the -- if we wanted to use that ship we could fill it up even in that space the --

ADMIRAL BAUMGARTNER: Well, you could -- you would be out -- you could not actually,
because there are restrictions on the
classification of the ship. It's not designed
to carry -- say if you wanted to fill up the
royal promenade with bauxite you would fit, you
know, 10s and 10s of thousands of tons in
there, but the ship stability is not designed
for that, the strength of the ship it not
designed for that. It would far exceed the
design over the maximum allowable draft of the
ship. You would have all kinds of problems
with discharges, and so forth. It's just you
just can't. You just can't do it. And you
wouldn't be permitted to do it. We would be
stopped immediately by authorities because
that's outside the design of the permissible
operating parameters of the vessel.

MR. OATIS: Thank you for clarifying.

MS. KURTZ: So just to address something
to what Commissioner Oatis just said, on a
cargo ship the dead weight measures the cargo,
and you can have high value cargo and low value
cargo, so you can be carrying jet fuel, which
is a very high value cargo, or you could carry
fertilizer or coal, which is a very low value
cargo, so it's the same weight, that value
that's on board, you know, it really varies.

It's always been my understanding that gross tonnage is a measure of the revenue earning capacity of the ship, so when you're talking about passengers and larger spaces each passenger may not weigh that much, but each additional person on board is capable of generating more revenue so the value goes up based on, again from my understanding, you know, the ticket price of what they spend, and all of that, so I do, I have a couple of questions for the Captain and/or the Admiral.

From one of the smaller ships, let's say the Carnival Paradise type size to, you know, your largest more modern ship, how many more passengers are you talking about from, you know, let's say one of those, a 900' to, you know, the latest ship to come out? What's the increase in the number of passengers on one of those vessels approximately?

CAPTAIN HANSEN: The capacity of the ships that was built before 2000, around 2000 in the Norwegian fleet, they have a capacity of about 2,600 passengers. The newer larger ships carry around 4,000.
MS. KURTZ: Okay, so that's an increase in approximately 1,400 passengers per vessel.

CAPTAIN HANSEN: That is correct.

MS. KURTZ: At capacity.

CAPTAIN HANSEN: At capacity.

MS. KURTZ: Is the ticket price different on the smaller --

CAPTAIN HANSEN: I'm glad you asked the question, because it was mentioned earlier that the passengers are paying the pilots, and as we know we have peak seasons and we have low seasons. During low seasons we are, to exaggerate, sometimes almost giving away the tickets, and quite often the ships are only sailing half full. So -- so yes, but --

MS. KURTZ: Okay, I see those differences, but from a smaller ship to a larger ship is the, is the ticket the same price for a seven day cruise, or is it --

CAPTAIN HANSEN: It -- it all -- it all depends on itinerary and --

MS. KURTZ: So a one week cruise from Miami to the Caribbean in, you know, an outside cabin without a balcony, you know, kind of a typical sort of mid level type thing, is it
going to cost more to go on the newest biggest ship than it does to go on an older smaller ship in the same company, not to go on Seaborne, or Radisson, or you know, something super high end that's smaller?

CAPTAIN HANSEN: I would have to go back and look at it. If you take the Norwegian Sky for instance, which is calling into Cuba now, the tickets, the ticket price are relatively high, so you would pay more to go on the Sky, which is older, an older ship as opposed to the Escape, which is the newest --

MS. KURTZ: Right, but I'm talking just same itinerary, you know, apples to apples, Cozumel, you know, Groton, Key West, on the Paradise or, you know, the Allure. And I think you understand my question, I mean it's --

CAPTAIN HANSEN: Yeah, no, I do, and I tried to --

MS. KURTZ: -- have to go on a cruise an older --

CAPTAIN HANSEN: And I tried to answer it the best I can, and on the newer ships you have more categories of state rooms, you have from large suites to small inside cabins, so you
have a much bigger variety. So if you compare
-- if you take a similar cabin on the older
ships and on the new ships I would say that the
ticket is about the same.

**MS. KURTZ:** Okay. But in any case you're
looking at a capacity, and increased capacity
of about 1,400 passengers at the same time of
year from one ship to another, right, 1,400
more due to this increase in air that you're
carrying around you do have an increased
earning capacity on the vessel.

**CAPTAIN HANSEN:** That is right, yes.

**MS. KURTZ:** Okay. And the newer ships,
they're bigger, so would you say that they take
up more room in the channel than a smaller
ship?

**CAPTAIN HANSEN:** Obviously.

**MS. KURTZ:** Okay. And do you think
there's any increased risk or difficulty in
bringing a larger ship through a same sized
space?

**CAPTAIN HANSEN:** As we talked about
earlier when a ship is longer and wider there
is less space, so the pilots have implemented
limits for wind speed, if you have northerly or
southerly winds 25 to 30 knots. The reason why they have done that is to reduce the risk.

MS. KURTZ: But there is more risk because you're bringing a bigger ship in through a place that's the same size, even, unless they (unintelligible) which they wouldn't restrict, but you have exponentially more --

CAPTAIN HANSEN: Yeah, you will -- you will have a bigger crab the longer the ship is, but it's a fact. And also the newer ships, the propulsion and the maneuverability has been designed proportionately so you have more power in order to compensate for those forces.

MS. KURTZ: Okay. There were also some comments made about, you know, if the ship has been to a dock before, you know, the ship on, I forget what term you used, you know, on track mode or something to get back to that position, you know, without -- I thought I remembered something about repeatability, you know, just by --

ADMIRAL BAUMGARTNER: Yeah, we have some things that will tell us where you are very closely, but no, and track mode is something else. We didn't say that track mode will take
you back to the dock, no, no, no.

MS. KURTZ: Okay. All right, I apologize for my --

ADMIRAL BAUMGARTNER: Actually the industry will tell you that they are, that the -- the maritime industry vendors will assure that they can do that in a couple years.

MS. KURTZ: I'm sure they will.

ADMIRAL BAUMGARTNER: And they will tell you that you -- yes, I know that. I know that. And in fact they're telling us that we would be, they're advising very much against the long pilots and captains to dock ships after the next three or four years, but I'm not there at all. But, no, no, that's not what we meant. If we got the two things conflated or confused I apologize for that.

CAPTAIN HANSEN: -- pilot is a steering program.

ADMIRAL BAUMGARTNER: The other thing is you, with wind bear and the size of the vessels, the newer and the larger vessels often have much, much more power and maneuverability to overcome the wind, so it does depend on the size of the port, and different issues inside
of the port, but in our corporate screening for
different thresholds, and when a ship must get
permission from higher up ashore to consider
going into a port the wind thresholds are lower
for the smaller older ships than they are for
the larger newer ships because of the design
elements in the ships.

There is a lot more windage, and wind
affect, of course, on Allure of the Seas, but
the power, the automation, the understanding of
it, the fine tuning at exactly what angles and
exactly what kind of vectors you're going to
see is, is quite different, so our older, our
older ships, smaller with conventional
propellers are going to have much higher, or
much lower wind restrictions in general from us
as a company, but crabbing is a very different
thing, like Captain Hansen said. It's a factor
of length of the ship very much.

MS. KURTZ: Okay. You both mentioned DP,
dynamic positioning, at different points in
your presentation. Are your officers DP
certified? It's my understanding that there is
a certification for vessels that are DP
certified for the officers to be able to
operate that equipment, are your, do your
officers --

**CAPTAIN HANSEN:** When -- when we are
saying dynamic positioning it is a light
version, so it's compared to, to the oil
industry where you have to have, where you have
to place a rig within inches. It is a
positioning system, and as far as I know
there's no requirement to be certified in order
to operate.

**MS. KURTZ:** So then is it really dynamic
positioning?

**CAPTAIN HANSEN:** It is a positioning
system which works the same way as a dynamic
positioning does.

**ADMIRAL BAUMGARTNER:** Yeah, there are
different levels of gradations in types of DP
systems, and so we are not in the business of
drilling in 15,000 - 20,000' of water in a one
meter hole underneath us, which is, you know,
that's the highest level of DP, DP
certification. We don't need to do that.

**CAPTAIN HANSEN:** It is basically to keep,
keep it in position in cases where it's
necessary.
MS. KURTZ: Okay. We also touched on the safety of boarding and disembarking, and you know, the pilots and the passengers use the same shell door, you know, in getting on and off the ship, so, you know, you're saying that they use the same access points to get on and off the ships, you know, to sort of minimize, you know, the risks that the pilots take in getting on and off.

What would be the maximum sea condition that you would allow a passenger to board or disembark from a tender?

CAPTAIN HANSEN: About your first question, I think the point that we wanted to make regarding where you board a cruise ship compared to a cargo ship is that you have on a cruise ship, 3, 4, maybe 5 steps to get on, as opposed to a cargo ship where you have a vertical climb of sometimes 30' or more.

MS. KURTZ: Right. No, I understand that, and on loaded ships it is, it's a much smaller climb, and I do agree on an empty it is a much harder climb. Since the comment was made, it may have Mr. Panza, but I apologize, I can't remember exactly who it was, that after talking
about the pilot going into the shell door, it was also mentioned that the passengers use the same access point when they're tendering, and so I was wondering at what point, you know, do you know tender, you know, is it too, does it ever get too rough, is it a foot, is it two feet, you know, are you always able to make a leaf for the passengers when you're going back and forth to shore?

**CAPTAIN HANSEN:** If the conditions are too rough it happens that we will have to cancel the operations.

**MS. KURTZ:** Okay. Have you encountered sea conditions offshore here where you were not able to board a pilot?

**CAPTAIN HANSEN:** Personally I have once, and that was the day after Hurricane Andrew. I think that was in 1995.

**MS. KURTZ:** And -- and how high would you say the seas were?

**CAPTAIN HANSEN:** It was heavy swell. It would rough conditions, so --

**MS. KURTZ:** 10', 8', 10-12'?

**CAPTAIN HANSEN:** That's a good guess, yes.

**MS. KURTZ:** Okay, so pretty rough.
CAPTAIN HANSEN: Yes.

MS. KURTZ: So it may not be exactly the same conditions that pilots and passengers are accessing the ships through the same --

CAPTAIN HANSEN: No, I don't think we --

MS. KURTZ: Well, it just seems to me that the comparison was made to minimize the risk the pilot takes to get on board the ship, so --

CAPTAIN HANSEN: Maybe -- maybe, yeah, that maybe came out wrongly when we have a tender boat alongside the tenders are usually a little bit higher than the pilot boat, so you get an easier transit from the ship over to the tender, and sometimes there is, or most of the time there is, again, ways between the (unintelligible) and the ship, but again the point I think we were trying to make is that the climb is much less than entering a cargo ship.

MS. KURTZ: Okay, thank you.

CHAIR: Anything else? Mr. Panza, do you want five minutes to close or --

MR. PANZA: I submit --

CHAIR: You're going to close, okay.

MR. OATIS: I'd like to ask some
questions. Another question came up, actually for Mr. Glick, if you don't mind, it just jumped out at me when I was looking at the financial statements. I just want to make sure I understand. I apologize for not seeing this earlier. So this looks at the three years of financial statements, 2007, '14 and '15 that you provided. Why don't we start with the financial statements and kind of work back through some add-backs and adjustments to get to a computed net income, and I'm trying to make sure I understand the flow of the retirement benefit again because in the adjustment section we have a net adjustment that's coming in that's related to the $1,960,000 paid being offset by the funding of imputed retirement benefits. So we have a net adjustment -- do you have it in front of you?

MR. GLICK: Yes, sir.

MR. OATIS: Okay, great. So in the far right column you have $334,000 that's coming in as an adjustment.

MR. GLICK: Positive.

MR. OATIS: And then -- positive adjustment, correct. And then down below in
the add-backs we're picking up basically the difference for the $1.1 million that was the imputed benefit.

MR. GLICK: Yes.

MR. OATIS: So if I'm looking at that constructively there is not an allowance for any deduction for any benefits, even under a defined benefit plan theoretical approach.

MR. GLICK: Correct, because the nature of it would be that it's an operating expense, but it happens to benefit the pilots so it is an add-back because of the benefit. If it was a legitimate operating expense for employees it would have been a deduction and stayed a deduction, it wouldn't have been an add-back.

It just so happens that it's --

MR. OATIS: Yeah, it's -- that's the question, to make sure I'm not missing it somewhere in the computation, that there's a smaller piece being left, but the entire amount is being adjusted out.

MR. GLICK: Effectively, yes.

MR. OATIS: Thank you.

MR. WINEGEART: Just real quick. I'll be very brief. Can we go to your, I guess Slide
J, average revenue per handle, just real quick?
I just want to make sure I'm reading this correct.

ADIMIRAL BAUMGARTNER: Which chart?
MR. WINEGEART: I think it's J. The 40,000 - 70,000 gross tons revenue per passenger, average revenue per passengers is $2,240; is that correct?

ADIMIRAL BAUMGARTNER: Average, that's revenue per handle.
MR. WINEGEART: Revenue per handle, okay. And for the cargo the same tonnage the average is $2,377, slightly more; is that correct?

ADIMIRAL BAUMGARTNER: Yes. Yes.
MR. WINEGEART: Okay. The next tonnage 70,000 - 80,000 for the cruise ships is $3,122, and cargo is $3,390, correct?

ADIMIRAL BAUMGARTNER: Yes.
MR. WINEGEART: And the next 80,000 - 120,000 $4,004 for cruise ships and $4,088 for cargo?

ADIMIRAL BAUMGARTNER: Yes.
MR. WINEGEART: And I just want to make sure, these average revenues per handle are existing, not with the 25% discount that you
are proposing.

ADimiral Baumgartner: That's existing.

Mr. Winegeart: That's existing. So the cargo ships are paying more -- in those tonnage ranges they're actually paying more than the --

Admiral Baumgartner: Yeah, but what I would point is you see there are no cargo ships above that because the largest cargo ship that could possibly come in here doesn't, is about 106,000 gross tons, so the largest one that comes in right now I think is the Maersk Altair. Because of the way everything is generated you're not going to see container ships with gross tonnages much higher than, you know, than 110,000. I guess it would grow a little bit with post panamax, but because of the way you're doing it they just don't exist.

Mr. Winegeart: It will grow with post panamax, I know --

Admiral Baumgartner: It will grow a little bit, but it's not going to grow up to the 160,000 and 200,000 --

Mr. Winegeart: It will go to 140,000, I know, but --

Admiral Baumgartner: I think the other
thing you'll find out, you know, you see there, is cargo is a little bit more because the drafts are more, so there's going to be -- that plays into -- that plays into it, because they're larger, they're really in reality larger ships in terms of mass.

**MR. WINEGEART:** I understand. I know everybody wants to get out of here. Just a question on the number of passengers. The difference -- Allure of the Seas is it, that was 225,000 gross tons?

**ADMIRAL BAUMGARTNER:** Yes.

**MR. WINEGEART:** What is the passenger capacity on that vessel?

**ADMIRAL BAUMGARTNER:** Okay, so, yeah we have to kind of -- let me flip to something here because there's, there's a maximum capacity, and then there's double occupancy, which is the standard way that, that is described, and I apologize, I want to make sure that I get to the -- I think it's about 5,200 on double occupancy.

**MR. WINEGEART:** Would you be surprised it --

**ADMIRAL BAUMGARTNER:** Yeah, 5,400 on
double occupancy, yeah.

MR. PANZA: Commission of 5,400.

ADMIRAL BAUMGARTNER: 5,400.

MR. WINEGEART: Okay, do you have any idea what the Grand Princess, which is about half the gross tons, the occupancy on that vessel? I'm not sure whose vessel it is.

ADMIRAL BAUMGARTNER: It's Princess Line. Actually it's -- if you gave me a minute what I would do is look it up.

MR. WINEGEART: Well, I did it, and it came up to 3,100, about half actually, so kind of what I'm saying is the gross tonnage was tracking the number of passengers based, in my point.

ADMIRAL BAUMGARTNER: In newer ships that are say 2000 and older, I mean, sorry, 2000 and newer, amongst passenger ships itself, you know, gross tonnage can somewhat track that. If you get smaller than that, and older than that then, then it changes quite, quite rapidly, because you'll find out that, say, okay so it -- I'm sorry, what was the tonnage of the Princess ship you just mentioned?

MR. WINEGEART: What I've looked up was
ADMIRAL BAUMGARTNER: 109,000. So we have something in Champion of the Seas, it's about the same passenger capacity. I believe she's about 89,000 tons, so as you get to ships that are before 2,000 the tonnage is much less because the design, just the aesthetics of the ships are different, not as many big spaces. So there's kind of a break in the design of the ships.

MR. WINEGEART: But you would agree it kind of, the number of passengers kind of tracks the gross tonnage also, right?

ADMIRAL BAUMGARTNER: It generally tracks, yes. It can generally track, yeah.

MR. OATIS: One last question, I promise.

CHAIR: The last one.

MR. OATIS: So I guess just speaking in generalities, I mean obviously you represent two cruise lines, there's nine in total listed on the application as being users of the Port of Miami. With all the representations made as far as current technology, trends for the future, plans for the future, does that speak to all those cruise lines, as far as where
they're at from the technology perspective, and their abilities to use the same technologies on board, to your knowledge?

**ADMIRAL BAUMGARTNER:** Okay, it -- it generally tracks, we all have differences, and, you know, some of us are quite proud that we -- obviously Royal Caribbean moves, you know, slightly larger and more, sorry Bjorn, but technically savvy, we like to be in that, in that part of the market with the latest electronics, the latest of this and that. But generally the industry is doing the same thing, because it makes sense for them, and certainly the maneuverability is necessary to effectively operate in different places. There may be some differences between, there are differences between lines, but, you know, in general I think that speaks towards it.

**MR. OATIS:** Thank you.

**CHAIR:** Okay. All right, well, it's 6:00. I want to thank you, Mr. Panza, and your team, for all your presentations today. So we'll start at 9:00, Ms. Blanton, with you, and we'll do your combined presentation, and we'll just keep going as is. And for the team,
tomorrow will look very similar to today, but we'll probably also plan on staying later. We still have Friday reserved as well if we need to go it. Thank you. The meeting is adjourned. (Thereupon, the above meeting adjourned.)
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