



## DEPARTMENT OF HOMELAND SECURITY

### Coast Guard

#### 46 CFR Parts 401, 403, and 404

[Docket No. USCG-2025-0252]

RIN 1625-AD03

#### Great Lakes Pilotage Rates - 2026 Annual Review and Revisions to Methodology

**AGENCY:** Coast Guard, Department of Homeland Security (DHS).

**ACTION:** Final rule.

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**SUMMARY:** The Coast Guard is issuing new base Great Lakes pilotage rates for the 2026 shipping season. The Coast Guard estimates that this final rule will result in an approximately 6-percent decrease in operating costs compared to the 2025 season, while facilitating commerce and supply chains. The Coast Guard is also making one change to the ratemaking methodology: the removal of Step 5 regarding the working capital fund. We conducted a full ratemaking for the 2026 ratemaking and considered comments on the Great Lakes pilotage ratemaking methodology.

**DATES:** This final rule is effective [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** To view documents mentioned in this preamble as being available in the docket, go to [www.regulations.gov](http://www.regulations.gov), type USCG-2025-0252 in the search box, and click “Search.” Next, in the Document Type column, select “Supporting & Related Material.”

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

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### I. Abbreviations

2023 final rule	Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology
2025 final rule	Great Lakes Pilotage Rates—2025 Annual Review
2026 Ratemaking NPRM	Great Lakes Pilotage Rates-2026 Annual Review and Revisions to Methodology
APA	American Pilots' Association
Apprentice Pilot	United States Registered Apprentice Pilot
BLS	Bureau of Labor Statistics
CFR	Code of Federal Regulations
CPI	Consumer Price Index
DHS	Department of Homeland Security
Director	U.S. Coast Guard's Director of the Great Lakes Pilotage
ECI	Employment Cost Index
FOMC	Federal Open Market Committee

FR	Federal Register
GLPAC	Great Lakes Pilotage Advisory Committee
LPA	Lakes Pilots Association
NAICS	North American Industry Classification System
NPRM	Notice of proposed rulemaking
OMB	Office of Management and Budget
PCE	Personal Consumption Expenditures
Pilot	United States Registered Pilot
§	Section
SBA	Small Business Administration
SLSPA	Saint Lawrence Seaway Pilots Association
U.S.C.	United States Code
WGLPA	Western Great Lakes Pilots Association

## II. Basis and Purpose, and Regulatory History

The legal basis of this rulemaking is 46 U.S.C. Chapter 93,<sup>1</sup> which requires foreign merchant vessels and United States vessels operating “on register” (meaning United States vessels engaged in foreign trade) to use United States or Canadian Registered Pilots while transiting the United States waters of the St. Lawrence Seaway and the Great Lakes system.<sup>2</sup> For United States Registered Pilots (Pilots), the statute requires the Secretary to “prescribe by regulation rates and charges for pilotage services, giving consideration to the public interest and the costs of providing the services.”<sup>3</sup> The statute requires that rates be established or reviewed and adjusted each year, not later than March 1.<sup>4</sup> The statute also requires that base rates be established by a full ratemaking at least once every 5 years, and, in years when base rates are not established, they must be reviewed and, if necessary, adjusted.<sup>5</sup> The Secretary’s duties and authority under 46 U.S.C. Chapter 93 have generally been delegated to the Coast Guard.<sup>6</sup>

The purpose of this rulemaking is to conduct a full ratemaking and issue new pilotage rates for the 2026 shipping season. The full ratemaking includes soliciting feedback regarding the methodology and the staffing model. The new rates and changes

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<sup>1</sup> 46 U.S.C. 9301-9308.

<sup>2</sup> 46 U.S.C. 9302(a)(1).

<sup>3</sup> 46 U.S.C. 9303(f).

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> Department of Homeland Security Delegation 00170.1, Revision No. 01.4, paragraph (II)(92)(f).

to the methodology continue to promote our goal, as outlined in 46 CFR 404.1, to promote safe, efficient, and reliable pilotage service on the Great Lakes by generating for each pilotage association sufficient revenue to reimburse its necessary and reasonable operating expenses and fairly compensate trained and rested Pilots. This ratemaking continues to meet the other § 404.1 goal of providing sufficient revenue to use for improvements, as explained later in this preamble.

Rates are the foundation for safe, efficient, and reliable pilotage service to facilitate maritime commerce, protect the marine environment, and comply with National Transportation Safety Board recommendations regarding staffing and pilot fatigue. The pilotage rates for the 2026 season range from \$382 to \$978 per pilot hour, depending on which of the six areas pilotage service is provided. The rates are paid by shippers to the pilotage associations.

**Table 1 — 2025 and 2026 Pilotage Rates on the Great Lakes**

<b>Area</b>	<b>Name</b>	<b>Final 2025 pilotage rate</b>	<b>Final 2026 pilotage rate</b>
District One: Designated	St. Lawrence River	\$986	\$978
District One: Undesignated	Lake Ontario	\$643	\$623
District Two: Designated	Navigable waters from Southeast Shoal to Port Huron, MI	\$753	\$681
District Two: Undesignated	Lake Erie	\$576	\$555
District Three: Designated	St. Marys River	\$825	\$868
District Three: Undesignated	Lakes Huron, Michigan, and Superior	\$440	\$382

There are three American pilotage districts on the Great Lakes, each represented by a pilotage association.<sup>7</sup> Each pilotage district is further divided into “designated” and “undesignated” areas. Designated areas, classified as such by Presidential Proclamation, are waters in which Pilots must direct the navigation of vessels at all times.<sup>8</sup>

Undesignated areas are open bodies of water where Pilots must only “be on board and available to direct the navigation of the vessel” at the discretion of the vessel Master.<sup>9</sup>

The three pilotage associations, which are the exclusive source of Pilots on the Great Lakes, use the revenue from the shippers to cover operating expenses, maintain infrastructure, compensate Pilots and United States Registered Apprentice Pilots (Apprentice Pilots), acquire and implement technological advances, train new personnel, and provide for continuing professional development. Each pilotage association is an independent business and is the sole provider of pilotage services in its district of operation. Each pilotage association is responsible for funding its own operating expenses, infrastructure maintenance, and compensation for Pilots and Apprentice Pilots.<sup>10</sup>

The actual demand for service dictates the compensation amount for Pilots. We divide that amount by the historic 10-year average for pilotage demand. We recognize that, in years where demand for pilotage services exceeds the 10-year average, pilotage associations will accrue more revenue than projected, while, in years where demand is

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

<sup>8</sup> Presidential Proclamation 3385, *Designation of restricted waters under the Great Lakes Pilotage Act of 1960*, December 22, 1960, <https://www.archives.gov/federal-register/codification/proclamations/03385.html>; accessed 08/08/25.

<sup>9</sup> 46 U.S.C. 9302(a)(1)(B)

<sup>10</sup> Apprentice Pilots and Applicant Pilots are compensated by the pilotage association they are training with, which is funded through the pilotage rates. The ratemaking methodology accounts for an Apprentice Pilot wage benchmark in Step 4 per 46 CFR 404.104(d). The Applicant Pilot salaries are included in the pilotage associations’ operating expenses used in Step 1 per 46 CFR 404.101.

below average, they will take in less. Over the long term, however, this scheme ensures that infrastructure will be maintained, and that Pilots will receive adequate compensation and work a reasonable number of hours, with adequate rest between assignments, to ensure retention of highly trained personnel. Using a 10-year average also results in less rate volatility.

In this final rule, we conducted a full ratemaking under 46 CFR 404.100(a) to establish base pilotage rates for 2026. We conducted a full ratemaking because the Coast Guard made changes to the methodology. Specifically, we removed Step 5, which calculates a working capital fund for each pilotage association.

We published a notice of proposed rulemaking (NPRM) titled Great Lakes Pilotage Rates-2026 Annual Review and Revisions to Methodology (hereafter “the 2026 Ratemaking NPRM”) on September 5, 2025 (90 FR 42899). The comment period ended on October 8, 2025, and we received seven comment submissions.

### **III. Discussion of Methodological Changes**

The Coast Guard makes one change to the ratemaking methodology: to remove Step 5 for calculating a working capital fund.

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

#### *A. Removal of § 404.105—Ratemaking Step 5: Project working capital fund.*

We removed Step 5 and retained the other nine steps of the ratemaking methodology. We made this change in response to public comments and upon review of the three pilotage associations' assets and expenses. As noted later in this preamble, we did not receive any opposition to the proposed removal of the working capital fund, and the commenters who discussed it supported the change. The 2026 Ratemaking NPRM, at 90 FR 42901, contains a detailed explanation of why we proposed the change.

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

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

#### *B. Summary of Changes from Proposed Rule to Final Rule*

Table 2 summarizes the changes between the 2026 Ratemaking NPRM and this final rule. The table includes changes to Apprentice Pilot numbers in response to public comments, and updated inflation data becoming available since the publication of the

proposed rule. We also updated a couple cross references to reflect the removal of the working capital fund calculations in previous Step 5.

**Table 2 — Changes Between the NPRM and Final Rule**

<b>Change</b>	<b>Reasoning</b>
<p>Updates 2024 Employment Cost Index (ECI) inflation from 4.2%, listed in the NPRM, to 3.6%.</p> <p>Updates 2025 Personal Consumption Expenditures (PCE) inflation from 2.5%, listed in the NPRM, to 3.1%.</p> <p>Updates 2026 PCE inflation from 2.2%, listed in the NPRM, to 2.4%.</p>	<p>More recent figures were published since the Coast Guard conducted the analysis for the NPRM.</p>
<p>Updates District One Apprentice Pilots from one to two.</p> <p>Updates District Three Apprentice Pilots from four to five.</p>	<p>Requested in public comments</p>
<p>Removes a sentence from § 403.110(b) that required each pilot association to deposit into the working capital fund an amount at least equal to the amount calculated in deleted Step 5, § 404.105.</p>	<p>This requirement is no longer applicable because the minimum amount calculation itself (formerly in § 404.105, Step 5) has been eliminated from the ratemaking methodology. Since the regulation no longer determines a required deposit amount, the corresponding mandate to deposit that amount it is also removed.</p>
<p>In § 404.100, this rule updates the CFR citation for the final ratemaking step to be § 404.109, instead of § 404.110.</p>	<p>This is a conforming amendment to reflect the new citations for the 9-step methodology. This rule removes Step 5, so we redesignate previous Step 10 in § 404.110 as Step 9 in revised § 404.109.</p>

*C. Rates and Pilot Staffing*

The rates shown in table 1 are based on the new 9-step ratemaking model.

This final rule affects 57 Pilots, 7 Apprentice Pilots, 3 pilotage associations, and the owners and operators of an average of 258 oceangoing vessels that transit the Great Lakes annually. This final rule is not economically significant under Executive Order 12866 and does not affect the Coast Guard’s budget or increase Federal spending because

foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage pay these rates directly to the respective pilotage association.

The estimated overall annual regulatory economic impact of this rate change is a net decrease of \$2,708,485 in estimated payments made by the foreign shippers, foreign cruise ships, and vessels requesting voluntary pilotage service, an approximately 6-percent decrease from operating costs in the 2025 shipping season. This represents a decrease in revenue needed for total target Pilot compensation, an increase in revenue needed for the total target Apprentice Pilot wage benchmark, a decrease in the revenue needed for adjusted operating expenses, and a decrease in the revenue needed for the working capital fund because of the removal of Step 5 from the ratemaking.

*D. Individual Target Pilot Compensation Benchmark*

This final rule establishes the 2026 yearly base compensation for Pilots on the Great Lakes at \$481,642 per Pilot (a \$17,325 increase, or 3.73 percent, over their 2025 compensation). Because the Coast Guard must review, and, if necessary, adjust rates each year, we analyze these as single-year costs and do not annualize them over 10 years.

**Section VII., Regulatory Analyses**, of this preamble provides the regulatory impact analyses of this final rule.

The Coast Guard sets the target Pilot compensation benchmark at the target compensation for the ratemaking year 2025, adjusted for inflation. This is the same method we used for setting the target compensation benchmark in the previous full ratemaking in 2023. This method resembles the interim ratemaking year requirements in § 404.104(b), where the base target Pilot compensation is adjusted annually for inflation. For a detailed history of how we arrived at the target benchmark in previous years, please see the Great Lakes Pilotage Rates—2023 Annual Ratemaking and Review of Methodology (hereafter “the 2023 final rule”) (88 FR 12226). For the reasons discussed

in the 2023 final rule, the base compensation as adjusted annually has provided an appropriate level of compensation for Pilots.

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

Therefore, at this time, the Coast Guard simply adjusts the amount of target Pilot compensation for inflation as our target compensation benchmark for 2025, as shown in Step 4. This target compensation benchmark approach has advanced and will continue to advance the Coast Guard's goals through rate and compensation stability while also promoting recruitment and retention of qualified Pilots.

#### **IV. Discussion of Comments**

The Coast Guard received seven comment submissions on the NPRM for this final rule. We summarize the relevant concerns and our responses next.

##### **Working Capital Fund and Surcharge**

Nealy half of all commenters expressed support for eliminating the working capital fund. The Coast Guard received no comments opposing the removal of Step 5,

the working capital fund. This final rule removes step 5, the working capital fund, from the methodology. Pilotage associations will continue to plan and reserve a portion of their existing revenues to cover routine capital requirements.

Two commenters requested that the Coast Guard provide an explanation of the processes for sustaining solvency of the fund and of the use of surcharges for increased clarity and transparency (Comments USCG-2025-0252-0012 and USCG-2025-0252-0011).

Response: The Coast Guard's first priority in this rulemaking is safety through rate stability and predictability of future revenues, while promoting recruitment and retention of qualified Pilots. The Coast Guard will continue to track the working capital fund and ensure the districts' overall financial health, stability, and long-term viability, ensuring they have enough assets to cover their liabilities and continue operations. We will ensure the remaining funds are used for necessary and reasonable expenses and adjust the operating expenses in future rulemakings as needed. These funds will not be used for compensation. The pilot associations will continue to issue Working Capital Fund Reports annually. In the event of necessary extraordinary capital investments, as approved by the Coast Guard, we may authorize a transparent, time-limited surcharge.

#### **Number of Apprentice Pilots**

Three commenters, one from each district, requested an increase in the number of Apprentice Pilots funded for their respective districts. The Coast Guard allotted one Apprentice Pilot to District One, zero Apprentice Pilots to District Two, and four Apprentice Pilots to District Three in the NPRM.

District One requests an increase to two Apprentice Pilots because they currently have two working Apprentice Pilots: one started in April 2025 and the other in July 2025 (Comment USCG-2025-0252-0014).

Response: We concur and conclude that two Apprentice Pilots are sufficient for District One in the 2026 shipping year, an increase of one from the NPRM.

District Two requests an increase to one Apprentice Pilot (Comment USCG-2025-0252-0013). District Two's comment proposes hiring an Apprentice Pilot for the 2026 shipping season to prepare for potential Pilot retirement in the future and to give the Apprentice Pilot adequate time in the training program.

Response: We disagree that an additional Apprentice Pilot is necessary for District Two. Upon further review, this pilotage district does not have a potential retirement in the next 2 years. We invite this pilotage association to discuss staffing issues during the next Great Lakes Pilotage Advisory Committee (GLPAC) Meeting and in future rulemaking comment solicitations.

District Three requests an increase to six Apprentice Pilots. They currently claim five Apprentice Pilots and are expecting to add a sixth in 2026 (Comment USCG-2025-0252-0010).

Response: We disagree that District Three needs six Apprentice Pilots. After reviewing staffing levels and potential retirements, we conclude that five Apprentice Pilots will be sufficient for District Three in the 2026 shipping year, an increase of one from the NPRM. We invite this pilotage association to discuss staffing issues during the next GLPAC Meeting and in future rulemaking comment solicitations.

### **2023 Arbitration Expenses**

The Western Great Lakes Pilots Association (WGLPA) commented that it does not intend to pursue an upward adjustment related to a 2023 arbitration (Comment USCG-2025-0252-0010).

Response: Accordingly, we have not added any additional expenses to the 2023 expenses for District 3. We do not plan to address this issue in future rulemakings.

### **Pilot Compensation and Targeted Individual Compensation**

The Coast Guard received two comments raising concerns about Pilot compensation. One commenter's concern was that although the pilotage rates decreased, "the targeted compensation continues to rise" (USCG-2025-0252-0012). The commenter reminded the Coast Guard about a previous request to use the Federal Open Market Committee (FOMC) measure instead of the Consumer Price Index (CPI). The commenter acknowledges the Coast Guard's response that it does not average rates but claims that the CPI "includes average of all measures, high and low . . . most of which are high." The commenter argues for the FOMC, stating:

The FOMC metric eliminates high and lows in arriving at a measurement and is a means to constrain unwieldy increases of high net income compensation. Not willing to provide transparency of an actual and knowable compensation the CG might consider the appl the inflation measure against the first \$250,000 of compensation addressing the uses of inflation of expenses most consumers experience.

Response: We disagree and are not changing how inflation is applied to target compensation during this rulemaking. We may add this topic to a future GLPAC meeting so we can discuss other alternatives with stakeholders. The FOMC projection of PCE inflation is not a substitute for the CPI measure because they are fundamentally estimating different timeframes. The PCE projection is looking forward, while the CPI measure is backward-looking. Further, the commenter's description of the FOMC measure removing highs and lows applies only to the central tendency measures, whereas the Coast Guard employs the median estimates. The Coast Guard makes no alteration to any inflation measure before implementing the ratemaking methodology and will continue to apply inflation equally to the entire compensation figure. This process can be found in 46 CFR 404.102, and we describe our process in detail in the NPRM at 90 FR 42901-42902. Our goal in applying inflation figures is to be as objective as possible to make the estimates an accurate reflection of trends in inflation rather than weighting the outcome in favor of a trend up or down.

Another commenter with the same concern about transparency recommended releasing an annual, anonymized accounting of compensation distribution to individual Pilots. This commenter recommended “an independent review and analysis be undertaken with a view to establishing a methodology which users can support” (USCG-2025-0252-0011).

Response: As part of our oversight responsibilities, we conduct annual reviews which include ratemaking and other information unrelated to ratemakings. If we note any significant differences in pilot compensation, we take independent corrective action. We do not retain the supporting records due to Privacy Act concerns. We have historically declined to provide specific accounting of compensation for individual Pilots and maintain the same reasoning given in previous ratemaking final rule preambles. The Coast Guard does not use the actual individual Pilot earnings or average earnings; instead, we use target pilot compensation (described in Step 4 of the existing methodology), which the Coast Guard has determined to be reasonable and necessary. Because actual salary values are not used in the ratemaking, the Coast Guard believes that a requirement to report Pilot compensation is not in the public interest or necessary to provide for the costs of services. Progress toward pilot retention can be reviewed through pilot turnover and the association's ability to promptly fill Pilot vacancies for fully registered Pilots and Apprentice Pilots. We take input from all public comments and representatives at the GLPAC meetings to help shape the methodology. We also provide reoccurring opportunity to provide feedback on the entire methodology during the full ratemaking process. During this full ratemaking comment period, we did not receive any requests to change the methodology steps (other than concurring with our proposal to remove the working capital fund step) or feedback that the methodology is no longer supportive to the Pilots or industry needs. We received one request to change the inflation source we use for the Pilot compensation, as discussed earlier in this section.

The opportunities to provide feedback on the methodology are available to all users through the annual ratemakings and full ratemakings. The Government Accountability Office reviewed the methodology in 2019 and found it reasonable. We are not currently planning to do another independent review of the methodology.

### **Restructuring Dispatch**

The Coast Guard received two comments related to restructuring the dispatch process. One commenter encouraged the Coast Guard to build on its September 2024 presentation at the GLPAC meeting examining each pilotage association's dispatching and transportation services (Comment USCG-2025-0252-0015). The commenter also encouraged exploring the possibility of combining dispatching services across the three districts. The commenter notes that, given advances in communication technology, a single entity could provide dispatching services across the three districts, providing industry efficiencies and cost savings without compromising safety. Another commenter echoed these ideas, adding that identifying opportunities for operational efficiencies, improved service reliability, and cost savings could result in ". . . at minimum, greater integration between existing district systems" (USCG-2025-0252-0011).

Response: We agree. We initiated a pilot program when the Seaway Locks opened in the spring of 2025 at the request of the shippers (Fed Nav, CanforNav, Wagenborg, and Polsteam). All orders for Pilots and Canadian Registered Pilots in District 3 go through the dispatch center located in Massena, NY. The dispatch process is outside the scope of this rulemaking, so we are not implementing any changes in this rule. However, the Director will continue to monitor, address, and discuss the dispatch process with the stakeholders involved. Our goal is to maintain maritime safety and achieve efficiencies without creating a single point of failure. We will provide an update at the next GLPAC Meeting and continue to seek input from stakeholders before finalizing our decision.

## **Updating the GLP Memorandum of Understanding (MOU) with Canada**

The Coast Guard received two comments related to updating the MOU between the United States Coast Guard and the Canadian Great Lakes Pilotage Authority, which provides for the coordination of services across the Great Lakes. Both commenters noted that the MOU was last updated in 2013. One commenter commended the Coast Guard for its leadership in initiating talks, especially related to ensuring Pilot availability. The same commenter “recognizes the progress the Director has made to address this issue on the U.S. side” (USCG-2025-0252-0015). Another commenter noted that there is value in reviewing and updating the MOU and encouraged initiating discussions in the “most expeditious way possible” (USCG-2025-0252-0011).

Response: We also received this request as a recommendation from the GLPAC meeting on July 23, 2025 (meeting transcript is in the docket). This MOU update is outside the scope of the ratemaking methodology rulemaking, and we are reviewing it separately.

## **Coordinating with GLPAC**

The Coast Guard received two comments related to better coordination with GLPAC, specifically requesting that the NPRM publish in time for GLPAC to review it at the annual July meeting. One commenter noted “the timing of the Meeting and the release of the NPRM should be such that the GLPAC members have sufficient time to evaluate, discuss, and comment in a public forum on the NPRM” (USCG-2025-0252-0012). Another commenter also requested better coordination between NPRM publication and GLPAC meetings whenever possible (USCG-2025-0252-0011).

Response: We cannot guarantee alignment with GLPAC meetings and future rulemakings. Several factors impact the publication timing of an NPRM, which makes timing it with a GLPAC meeting every year an unattainable goal. In addition, we also hold ourselves to giving at least 15 calendar days of notice between **Federal Register**

announcements of advisory committee meetings and the date of the meeting. Therefore, planning and timing these two events to overlap is not attainable every year. We continue to use the GLPAC meeting recommendations and discussions to help develop our ratemaking proposed rules and final rules each year, regardless of the timing.

### **Necessary and Reasonable Expenses**

The Coast Guard received one comment regarding the designation of necessary and reasonable expenses. The commenter pointed out that the Coast Guard's response to a previous year's question related to necessary and reasonable expenses was that the third-party auditor makes that designation. They explained that the Coast Guard responded that GLPAC unanimously approved the third-party auditor to make the necessary and reasonable designations. The commenter pointed out that "the transcript does not support the conclusion offered by the Coast Guard; the vote was about continuing the use of the third party auditor in question and contained one abstention" (USCG-2025-0252-0012).

Response: The commenter is correct in that the GLPAC meeting recommendation was to continue using the same auditor, not a recommendation whether to use an auditor or not. The Director makes all final necessary and reasonable determinations for operating expenses. We have provided the auditors with some guidance on how to make preliminary determinations that they consider alongside their independent judgement and expertise.

### **Necessity for Undesignated Waters**

The Coast Guard received one comment requesting an examination of "the requirement for pilots to be assigned within undesignated waters under the necessary and reasonable standard" (USCG-2025-0252-0012). The commenter suggested that, depending on the review findings, a legislative change proposal could be made that would modernize the system of assigning and dispatching Pilots. The commenter noted

that GLPAC would be available to review the Coast Guard's work on the requirement review and possible legislative change proposal.

Response: We disagree, and this comment is outside the scope of what we have statutory authority to change in regulation. We will continue to follow and enforce the statutory requirements for pilotage in undesignated waters.

This commentor made similar statements during the 2025 GLPAC Meeting in Port Huron. Neither the GLPAC nor the annual rulemaking are the appropriate venues for this topic. We encourage this commentor to coordinate with his elected officials if he desires a change to the Great Lakes Pilotage Act of 1960, as amended.

### **2023 Apprentice Pilot Compensation and Reimbursement**

The Coast Guard received one comment that seeks to correct a misunderstanding related to 2023 Apprentice Pilot compensation in District One. In the NPRM, the Coast Guard explained that the auditors mislabeled \$466,144 as "applicant salaries," and stated that the Coast Guard believed it to be a redundant counting of Apprentice Pilot salaries, which are already accounted for in Step 4 of the ratemaking methodology. *See* 90 FR 42899, 42915-42916. Accordingly, the Coast Guard excluded \$466,144 from Step 1.

The commentor from District One explained that this rationale is incorrect. In 2023, District One had two Apprentice Pilots funded in the rate but employed a total of four Apprentice Pilots over the course of the year. The \$466,144 reflects the total amount for four Apprentice Pilot salaries. The commentor maintains that the additional two Apprentice Pilots should be accounted for in the expenses. To arrive at the correct number for expenses, the commentor suggested splitting the number in two parts. The salaries for the two funded Apprentice Pilots should be subtracted from the \$466,144. Two Apprentice Pilots at \$152,783 each comes to \$305,566. When \$305,566 is subtracted from \$466,144, the difference is \$160,758. One Apprentice Pilot was employed from the beginning of the year through November and the other from October

to the end of the year. The commenter stated that \$160,758 should have remained an expense for the two unfunded Apprentice Pilots.

Response: Based on the current administrative record, the Coast Guard cannot verify (1) the total number of Apprentice Pilots employed in District One during 2023, (2) which Apprentice Pilots were included in Step 4 funding for that year, or (3) whether the proposed \$160,758 represents necessary and reasonable costs that are not already reflected elsewhere in the ratemaking calculations. Because the requested adjustment would affect a prior expense year and requires verification of underlying payroll records and funding assumptions, the Coast Guard cannot resolve this issue within the timeframe for this final rule. Accordingly, the Coast Guard does not include the requested adjustment in this final rule.

The Coast Guard will evaluate this request in a future ratemaking if the commenter provides supporting documentation, including payroll records identifying the dates and amounts paid to each Apprentice Pilot in 2023 and an explanation of how the proposed adjustment was derived, including whether the amounts include wages only or wages plus benefits and related costs. If supported, the Coast Guard will include any necessary and reasonable, non-duplicative Apprentice Pilot compensation in a subsequent ratemaking.

### **GLPAC Recommendations**

The Coast Guard received one comment concerning the implementation of GLPAC recommendations to the Great Lakes pilotage ratemaking process. The comment articulates that GLPAC met on July 23, 2025 and adopted five recommendations, all of which directly or indirectly relate to the Great Lakes pilotage ratemaking process. The commenter encouraged the Coast Guard “to act in accordance with these five recommendations as swiftly as possible” (USCG-2025-0252-0016).

Response: The Coast Guard acknowledges the role of GLPAC in providing advisory input on pilotage matters and is considering those recommendations separately. This rulemaking is limited to the annual rate review and targeted methodological revisions described in the NPRM and does not discuss broader ratemaking reforms. The Coast Guard intends to evaluate the GLPAC recommendations in the context of future ratemaking or policy development, as appropriate. Accordingly, this final rule does not adopt additional changes based on those recommendations.

## **V. Discussion of Rate Adjustments**

The ratemaking methodology, as revised by this rule in 46 CFR 404.101 through 404.109, consists of nine steps designed to account for the revenues needed and total traffic expected in each district. Please see the NPRM starting at 90 FR 42903 for a detailed summary of the nine steps.

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

This section discusses the rate changes using the ratemaking steps provided in 46 CFR part 404. The following sections demonstrate how we arrived at the rates for each pilotage district and includes omitting Step 5, the working capital fund calculation.

### *A. Step 1: Recognize Previous Operating Expenses*

Step 1 in the ratemaking methodology requires that the Coast Guard review and recognize the operating expenses for the last full year for which figures are available (§ 404.101). To do so, we begin by reviewing the independent accountant's financial

reports for each association's 2023 expenses and revenues.<sup>11</sup> For accounting purposes, the financial reports divide expenses into designated and undesignated areas. For costs accrued by the pilotage associations generally, such as employee benefits, for example, the cost is divided between the designated and undesignated areas on a pro rata basis.

Adjustments have been made by the auditors and are explained in the auditors' reports, which are available in the docket for this rulemaking. As noted in the response to comments, the Coast Guard excluded a District One expense for \$466,144 in "applicant salaries," but may reconsider this in the 2027 ratemaking if we receive further information.

The recognized operating expenses for Districts One, Two, and Three are shown in tables 3, 14, and 25, respectively.

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

In accordance with § 404.102, having identified the recognized 2023 operating expenses in Step 1, the next step is to project the current year's operating expenses by adjusting those expenses for inflation over the 3-year period. We calculate inflation using the Bureau of Labor Statistics (BLS) data from the CPI for the Midwest Region of the United States for the 2024 inflation rate.<sup>12</sup> Because the BLS does not provide forecasted inflation data, we use economic projections from the Federal Reserve for the 2025 and 2026 inflation modification.<sup>13</sup> Based on that information, the calculations for Step 2 are shown in tables 4, 15, and 26 for Districts One, Two, and Three, respectively.

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

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<sup>11</sup> These reports are available in the docket for this rulemaking.

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

<sup>13</sup> The 2025 and 2026 inflation rates are available at <https://www.federalreserve.gov/monetarypolicy/files/fomcproptabl20250917.pdf>. We used the Core PCE June Projection value found in table 1; accessed 11/14/2025.

In accordance with § 404.103, we estimate the number of fully registered Pilots in each district. As established by the “Great Lakes Pilotage Rates—2021 Annual Review and Revisions to Methodology” final rule (86 FR 14184), the minimum number of Pilots for District One is 18, for District Two is 16, and for District Three is 22. The Great Lakes Pilotage Rates—2025 Annual Review (hereafter “the 2025 final rule”) established the maximum number as 21 Pilots for District One, 19 for District Two, and 25 for District Three. We project the number of fully registered Pilots based on data provided by the SLSPA, LPA, and WGLPA. We determine the number of Apprentice Pilots based on input from the districts on anticipated retirements and staffing needs. Currently, as shown in table 5, District One has 20 Pilots. Table 16 shows that District Two has 17 Pilots, and table 27 shows that District Three has 20 Pilots.

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

In this step, we determine the total Pilot compensation for each area. Because we conducted a full ratemaking this year, we follow the procedure outlined in paragraph (a) of § 404.104, which requires us to develop a benchmark after considering the most relevant currently available non-proprietary information. In accordance with the discussion in *Section III.D, Individual Target Pilot Compensation Benchmark*, of this preamble, the compensation benchmark for 2026 uses the 2025 compensation of \$464,317 per Pilot as a base, then adjusts for inflation following the procedure outlined in paragraph (b) of § 404.104. First, we adjust the 2025 target compensation benchmark of \$464,317 by 1.3 percent, for a value of \$470,353. This accounts for the difference in actual second quarter 2025 ECI inflation, which is 3.6 percent, and the 2025 PCE

estimate of 2.3 percent.<sup>14 15</sup>

The second step accounts for projected inflation from 2025 to 2026, which is 2.4 percent.<sup>16</sup> Based on the projected 2026 inflation estimate, the target compensation benchmark for 2026 is \$481,642 per Pilot. In accordance with § 404.104(d), the Apprentice Pilot wage benchmark is 36 percent of the target Pilot compensation, or \$173,391 ( $\$481,642 \times 0.36$ ).

In accordance with § 404.104(c), we use the revised target individual compensation level to derive the total Pilot compensation by multiplying the individual target compensation by the estimated number of Pilots for Districts One, Two, and Three, as shown in tables 6, 17, and 28, respectively. We estimate that the number of Apprentice Pilots needed will be two for District One, zero for District Two, and five for District Three in the 2026 season. For Districts One and Two, the total target wages for Apprentice Pilots are allocated with 60 percent for the designated area and 40 percent for the undesignated area, and for District Three, the total target wages for Apprentice Pilots are allocated with 22 percent for the designated area and 78 percent (53 percent + 25 percent) for the undesignated areas, in accordance with the allocation for operating expenses.

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

In this step, we calculate the projected revenue needed for each area. These expenses include the projected operating expenses (from Step 2), the total target Pilot compensation (from Step 4), and total target Apprentice Pilot wage (also from Step 4). We show these calculations for Districts One, Two, and Three in tables 7, 18, and 29,

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<sup>14</sup> Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average (June 2025), Series ID: CIU2010000520000A. <https://www.bls.gov/news.release/eci.t05.htm>; accessed 11/14/2025.

<sup>15</sup> 2.3 percent was the latest figure available for the 2025 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. <https://www.federalreserve.gov/monetarypolicy/files/fomcproptabl20240918.pdf>; accessed 10/02/2024.

<sup>16</sup> Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. <https://www.federalreserve.gov/monetarypolicy/files/fomcproptabl20250917.pdf>; accessed 11/14/2025.

respectively.

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

Having determined the revenue needed for each area in the previous five steps, we develop an hourly rate by dividing that number by the expected number of hours of traffic. Step 6 is a two-part process. In the first part, we calculate the 10-year average of traffic in Districts One, Two, and Three, using the total time on task or pilot bridge hours. Because we calculate separate figures for designated and undesignated waters, there are two parts for each calculation. We show these values for Districts One, Two, and Three in tables 8, 19, and 30, respectively.

Next, we derive the initial hourly rate by dividing the revenue needed by the average number of hours for each area. This produces an initial rate, which is necessary to produce the revenue needed for each area, assuming the amount of traffic is as expected. We present the calculations for Districts One, Two, and Three in tables 9, 20, and 31, respectively.

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

In this step, we calculate the average weighting factor for each designated and undesignated area. We collect the weighting factors, set forth in 46 CFR 401.400, for each vessel trip. Using the weighting factor reports from SeaPro, we calculate the average weighting factor for each area using the data from each vessel transit in Districts One, Two, and Three from 2015 to 2024, as shown in tables 10 and 11; 21 and 22; and 32 and 33, respectively.

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

After considering the impact of the weighting factors, we revise the base rates in this step so that the total costs of pilotage will be equal to the revenue needed. To do this, we divide the initial base rates calculated in redesignated Step 6 by the average weighting

factors calculated in redesignated Step 7, as shown for Districts One, Two, and Three in tables 12, 23, and 34, respectively.

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

In this step, the Director reviews the rates set forth by the staffing model and ensures that they meet the goal of ensuring safe, efficient, and reliable pilotage. To establish this, the Director considers whether the rates incorporate appropriate compensation for Pilots to handle heavy traffic periods and whether there is a sufficient number of Pilots to handle those heavy traffic periods. The Director also considers whether the rates cover operating expenses and infrastructure costs, including average traffic and weighting factors. Based on these considerations, the Director makes no alterations to the rates in this step. In this final rule, we modify § 401.405(a)(1) through (6) to reflect the final rates for Districts One, Two, and Three, as shown in tables 13, 24, and 35, respectively.

**VI. Tables Showing Calculations by District**

*District 1*

**Table 3 — Step 1: 2023 Recognized Expenses for District One**

	<b>District One</b>		
	<b>Designated</b>	<b>Undesignated</b>	<b>Total</b>
Reported Operating Expenses for 2023	St. Lawrence River	Lake Ontario	
Applicant Pilot Compensation			
Travel	\$11,548	\$7,699	\$19,247
License Insurance	\$2,872	\$1,915	\$4,787
Other Expenses	\$1,246	\$830	\$2,076
Employee Benefits	\$16,409	\$10,940	\$27,349
<b>Total Applicant Pilot Compensation</b>	<b>\$32,075</b>	<b>\$21,384</b>	<b>\$53,459</b>
Operating Expenses			
Hotel/Lodging	\$54,912	\$36,608	\$91,520
Payroll Taxes	\$208,891	\$139,261	\$348,152
Pilot Subsistence	\$146,011	\$97,340	\$243,351
Travel	\$654,922	\$436,614	\$1,091,536
License Insurance	\$51,302	\$34,202	\$85,504
<b>Total Other Pilotage Costs</b>	<b>\$1,116,038</b>	<b>\$744,025</b>	<b>\$1,860,063</b>

Pilot Boat and Dispatch Costs			
Dispatch Cost	\$207,397	\$138,265	\$345,662
Employee Benefits	\$57,739	\$38,492	\$96,231
Pilot Boat Cost	\$19,798	\$13,198	\$32,996
Travel	\$2,732	\$1,821	\$4,553
Salaries	\$243,523	\$162,348	\$405,871
<b>Total Pilot and Dispatch Costs</b>	<b>\$531,189</b>	<b>\$354,124</b>	<b>\$885,313</b>
Administrative Expenses			
Accounting/Professional fees	\$12,300	\$8,200	\$20,500
American Pilots' Association (APA) Dues	\$29,374	\$19,583	\$48,957
Depreciation/Auto Leasing/Other	\$173,910	\$115,940	\$289,850
Depreciation/Auto Leasing/Other - D1-23-03	- \$68,486	-\$45,657	-\$114,143
Dues and subscriptions	\$5,055	\$3,370	\$8,425
Employee benefits	\$3,685	\$2,456	\$6,141
Insurance	\$48,133	\$32,089	\$80,222
Interest	\$32,274	\$21,516	\$53,790
Interest - D1-23-04	-\$17,344	-\$11,562	-\$28,906
Legal - Shared Counsel (K&L Gates)	\$52,858	\$35,239	\$88,097
Legal - Shared Counsel (K&L Gates) - D1-23-05	- \$3,494	-\$2,329	-\$5,824
Legal	\$6,871	\$4,581	\$11,452
Other Expenses	\$174,482	\$116,321	\$290,803
Other Expenses - D1-23-02	\$8,642	\$5,761	\$14,403
Other Taxes	\$91,261	\$60,841	\$152,102
Payroll Taxes	\$56,253	\$37,502	\$93,755
Pilot Training	\$50,734	\$33,823	\$84,557
Real Estate taxes	\$23,053	\$15,369	\$38,422
Salaries	\$92,117	\$61,411	\$153,528
Travel	\$7,875	\$5,250	\$13,125
Travel - D1-23-01	-\$3,168	-\$2,112	-\$5,280
Utilities	\$29,952	\$19,968	\$49,920
<b>Total Administrative Expenses</b>	<b>\$806,337</b>	<b>\$537,560</b>	<b>\$1,343,896</b>
<b>Total Expenses (OpEx + Applicant + Pilot Boats + Admin + Capital)</b>	<b>\$2,485,639</b>	<b>\$1,657,093</b>	<b>\$4,142,731*</b>

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

**Table 4 — Step 2: Adjusted Operating Expenses for District One**

	District One		
	Designated	Undesignated	Total
Total Operating Expenses (Step 1)	\$2,485,639	\$1,657,093	\$4,142,731
2024 Inflation Modification (@2.7%)	\$67,112	\$44,742	\$111,854

2025 Inflation Modification (@3.1%)	\$79,135	\$52,757	\$131,892
2026 Inflation Modification (@2.4%)	\$63,165	\$42,110	\$105,275
<b>Adjusted 2026 Operating Expenses</b>	<b>\$2,695,051</b>	<b>\$1,796,702</b>	<b>\$4,491,752</b>

\* As a result of rounding in Step 1, the total for each column may not sum across.

**Table 5 — Step 3: Authorized Pilots for District One**

Item	District One
2026 Authorized Pilots (total)	20
Pilots Assigned to Designated Areas	11
Pilots Assigned to Undesignated Areas	9
2026 Apprentice Pilots	2

**Table 6 — Step 4: Target Compensation for District One**

	District One		
	Designated	Undesignated	Total
Target Pilot Compensation	\$481,642	\$481,642	\$481,642
Number of Pilots	11	9	20
<b>Total Target Pilot Compensation</b>	<b>\$5,298,062</b>	<b>\$4,334,778</b>	<b>\$9,632,840</b>
Target Apprentice Pilot Compensation	\$173,391	\$173,391	\$173,391
Number of Apprentice Pilots			2
<b>Total Target Apprentice Pilot Compensation</b>	<b>\$208,069</b>	<b>\$138,713</b>	<b>\$346,782</b>

**Table 7 — Step 5: Revenue Needed for District One**

	District One		
	Designated	Undesignated	Total
Adjusted Operating Expenses (Step 2)	\$2,695,051	\$1,796,702	\$4,491,752
Total Target Pilot Compensation (Step 4)	\$5,298,062	\$4,334,778	\$9,632,840
Total Target Apprentice Pilot Compensation (Step 4)	\$208,069	\$138,713	\$346,782
<b>Total Revenue Needed</b>	<b>\$8,201,182</b>	<b>\$6,270,193</b>	<b>\$14,471,374</b>

\* As a result of rounding in Step 1, the total for each column may not sum across.

**Table 8 — Step 6: Time on Task for District One (Hours)**

Year	District One	
	Designated	Undesignated
2024	6,232	8,075
2023	5,810	7,650

2022	6,577	8,356
2021	6,166	7,893
2020	6,265	7,560
2019	8,232	8,405
2018	6,943	8,445
2017	7,605	8,679
2016	5,434	6,217
2015	5,743	6,667
Average	6,501	7,795

**Table 9 — Step 6: Initial Rate Calculations for District One**

	Designated	Undesignated
Revenue needed (Step 5)	\$8,201,182	\$6,270,193
Average time on task (hours)	6,501	7,795
Initial rate	\$1,262	\$804

**Table 10 — Step 7: Average Weighting Factor for District One, Designated Areas**

Vessel Class/Year	Number of Transits	Weighting Factor	Weighted Transits*
Class 1 (2015)	41	1	41
Class 1 (2016)	31	1	31
Class 1 (2017)	28	1	28
Class 1 (2018)	54	1	54
Class 1 (2019)	72	1	72
Class 1 (2020)	8	1	8
Class 1 (2021)	10	1	10
Class 1 (2022)	39	1	39
Class 1 (2023)	19	1	19
Class 1 (2024)	26	1	26
Class 2 (2015)	295	1.15	339
Class 2 (2016)	185	1.15	213
Class 2 (2017)	352	1.15	405
Class 2 (2018)	559	1.15	643
Class 2 (2019)	378	1.15	435
Class 2 (2020)	560	1.15	644
Class 2 (2021)	315	1.15	362
Class 2 (2022)	462	1.15	531
Class 2 (2023)	481	1.15	553
Class 2 (2024)	467	1.15	537
Class 3 (2015)	28	1.3	36
Class 3 (2016)	50	1.3	65
Class 3 (2017)	67	1.3	87
Class 3 (2018)	86	1.3	112

Class 3 (2019)	122	1.3	159
Class 3 (2020)	67	1.3	87
Class 3 (2021)	52	1.3	68
Class 3 (2022)	103	1.3	134
Class 3 (2023)	34	1.3	44
Class 3 (2024)	69	1.3	90
Class 4 (2015)	251	1.45	364
Class 4 (2016)	214	1.45	310
Class 4 (2017)	285	1.45	413
Class 4 (2018)	393	1.45	570
Class 4 (2019)	730	1.45	1059
Class 4 (2020)	427	1.45	619
Class 4 (2021)	407	1.45	590
Class 4 (2022)	446	1.45	647
Class 4 (2023)	420	1.45	609
Class 4 (2024)	471	1.45	683
Total	9,104		11,735
Average weighting factor (weighted transits ÷ number of transits)		1.29	

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

**Table 11 — Step 7: Average Weighting Factor for District One, Undesignated Areas**

<b>Vessel Class/Year</b>	<b>Number of Transits</b>	<b>Weighting Factor</b>	<b>Weighted Transits*</b>
Class 1 (2015)	28	1	28
Class 1 (2016)	18	1	18
Class 1 (2017)	19	1	19
Class 1 (2018)	22	1	22
Class 1 (2019)	30	1	30
Class 1 (2020)	3	1	3
Class 1 (2021)	19	1	19
Class 1 (2022)	27	1	27
Class 1 (2023)	31	1	31
Class 1 (2024)	10	1	10
Class 2 (2015)	263	1.15	302
Class 2 (2016)	169	1.15	194
Class 2 (2017)	290	1.15	334
Class 2 (2018)	352	1.15	405
Class 2 (2019)	366	1.15	421
Class 2 (2020)	358	1.15	412
Class 2 (2021)	463	1.15	532

Class 2 (2022)	349	1.15	401
Class 2 (2023)	346	1.15	398
Class 2 (2024)	334	1.15	384
Class 3 (2015)	42	1.3	55
Class 3 (2016)	28	1.3	36
Class 3 (2017)	45	1.3	59
Class 3 (2018)	63	1.3	82
Class 3 (2019)	58	1.3	75
Class 3 (2020)	35	1.3	46
Class 3 (2021)	71	1.3	92
Class 3 (2022)	65	1.3	85
Class 3 (2023)	44	1.3	57
Class 3 (2024)	44	1.3	57
Class 4 (2015)	269	1.45	390
Class 4 (2016)	222	1.45	322
Class 4 (2017)	285	1.45	413
Class 4 (2018)	382	1.45	554
Class 4 (2019)	326	1.45	473
Class 4 (2020)	334	1.45	484
Class 4 (2021)	466	1.45	676
Class 4 (2022)	386	1.45	560
Class 4 (2023)	328	1.45	476
Class 4 (2024)	421	1.45	610
Total	7,411		9,592
Average weighting factor (weighted transits ÷ number of transits)		1.29	

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

**Table 12 — Step 8: Revised Base Rates for District One**

Area	Initial rate (Step 6)	Average weighting factor (Step 7)	Revised rate (Initial rate ÷ Average weighting factor)
District One: Designated	\$1,262	1.29	\$978
District One: Undesignated	\$804	1.29	\$623

**Table 13 — Step 9: Final Rates for District One**

Area	Name	Final 2025 pilotage rate	Final 2026 pilotage rate
District One: Designated	St. Lawrence River	\$986	\$978
District One: Undesignated	Lake Ontario	\$643	\$623

*District 2*

**Table 14 – Step 1: 2023 Recognized Expenses for District Two**

	District Two		
	Undesignated	Designated	TOTAL
Reported Operating Expenses for 2023	Lake Erie	Southeast Shoal to Port Huron	
Applicant Pilot Employee Benefits	\$80	\$120	\$200
<b>Total Other Applicant Cost</b>	\$80	\$120	\$200
<i>Other Pilotage Cost</i>			
Pilot Subsistence	\$93,840	\$140,760	\$234,600
Travel	\$37,469	\$56,204	\$93,673
License renewal	\$931	\$1,396	\$2,327
License Insurance	\$7,656	\$11,485	\$19,141
<b>Total Other Pilotage Costs</b>	\$139,896	\$209,845	\$349,741
<i>Pilot Boat and Dispatch Costs</i>			
Pilot boat costs	\$76,785	\$115,177	\$191,962
Employee Benefits	\$88,722	\$133,084	\$221,806
Insurance	\$11,550	\$17,324	\$28,874
Salaries	\$192,299	\$288,448	\$480,747
<b>Total Pilot and Dispatch Costs</b>	\$369,356	\$554,033	\$923,389
<i>Administrative Expenses</i>			
Legal - general counsel	\$3,947	\$5,921	\$9,868
Legal - shared counsel (K&L Gates)	\$4,955	\$7,432	\$12,386
Legal - shared counsel (K&L Gates) - D2-23-02	-\$2,071	- \$3,106	- \$5,177
Office Rent	\$29,508	\$44,262	\$73,770
Insurance	\$14,083	\$21,124	\$35,207
Employee benefits	\$28,614	\$42,922	\$71,536
Payroll Taxes	\$149,889	\$224,833	\$374,722
Other taxes	\$103,752	\$155,628	\$259,380
Other taxes - D2-23-01	-\$45,722	-\$68,583	-\$114,305
Real Estate taxes	\$8,193	\$12,289	\$20,482
Travel	\$20,430	\$30,646	\$51,076
Depreciation	\$23,140	\$34,710	\$57,850
APA Dues	\$16,428	\$24,641	\$41,069

Dues and subscriptions	\$2,634	\$3,950	\$6,584
Utilities	\$4,956	\$7,434	\$12,390
Salaries	\$65,850	\$98,776	\$164,626
Accounting/Professional fees	\$15,997	\$23,996	\$39,993
Pilot Training	\$17,644	\$26,465	\$44,109
Other	\$124,233	\$186,349	\$310,582
Other - D2-23-01	-\$70,962	-\$106,442	-\$177,404
<b>Total Administrative Expenses</b>	\$515,498	\$773,247	\$1,288,744
<b>Total Expenses (OPEX + Applicant + Pilot Boats + Admin + Capital)</b>	\$1,024,830	\$1,537,245	\$2,562,074*

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

**Table 15 — Step 2: Adjusted Operating Expenses for District Two**

	<b>District Two</b>		
	<b>Undesignated</b>	<b>Designated</b>	<b>Total</b>
Total Operating Expenses (Step 1)	\$1,024,830	\$1,537,245	\$2,562,074
2024 Inflation Modification (@2.7%)	\$27,670	\$41,506	\$69,176
2025 Inflation Modification (@3.1%)	\$32,628	\$48,941	\$81,569
2026 Inflation Modification (@2.4%)	\$26,043	\$39,065	\$65,108
Adjusted 2026 Operating Expenses	\$1,111,171	\$1,666,757	\$2,777,927

\* As a result of rounding in Step 1, the total for each column may not sum across.

**Table 16 — Step 3: Authorized Pilots for District Two**

<b>Item</b>	<b>District Two</b>
2026 Authorized Pilots (total)	17
Pilots Assigned to Designated Areas	10
Pilots Assigned to Undesignated Areas	7
2026 Apprentice Pilots	0

**Table 17 — Step 4: Target Compensation for District Two**

	<b>District Two</b>		
	<b>Undesignated</b>	<b>Designated</b>	<b>Total</b>
Target Pilot Compensation	\$481,642	\$481,642	\$481,642
Number of Pilots	7	10	17
<b>Total Target Pilots Compensation</b>	<b>\$3,371,494</b>	<b>\$4,816,420</b>	<b>\$8,187,914</b>
Target Apprentice Pilot Compensation	\$173,391	\$173,391	\$173,391
Number of Apprentice Pilots			0
<b>Total Target Apprentice Pilot Compensation</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Table 18 — Step 5: Revenue Needed for District Two**

	<b>District Two</b>		
	<b>Undesignated</b>	<b>Designated</b>	<b>Total</b>
Adjusted Operating Expenses (Step 2)	\$1,111,171	\$1,666,757	\$2,777,927
Total Target Pilot Compensation (Step 4)	\$3,371,494	\$4,816,420	\$8,187,914
Total Target Apprentice Pilot Compensation (Step 4)	\$0	\$0	\$0
Total Revenue Needed	\$4,482,665	\$6,483,177	\$10,965,841

\* As a result of rounding in Step 1, the total for each column may not sum across.

**Table 19 — Step 6: Time on Task for District Two (Hours)**

<b>Year</b>	<b>District Two</b>	
	<b>Undesignated</b>	<b>Designated</b>
<b>2024</b>	5,809	8,308
<b>2023</b>	6,424	8,181
<b>2022</b>	7,695	9,044
<b>2021</b>	5,290	6,762
<b>2020</b>	6,232	8,401
<b>2019</b>	6,512	7,715
<b>2018</b>	6,150	6,655
<b>2017</b>	5,139	6,074
<b>2016</b>	6,425	5,615
<b>2015</b>	6,535	5,967
Average	6,221	7,272

**Table 20 — Step 6: Initial Rate Calculations for District Two**

	<b>Undesignated</b>	<b>Designated</b>
Revenue needed (Step 5)	\$4,482,665	\$6,483,177
Average time on task (hours)	6,221	7,272
Initial rate	\$721	\$892

**Table 21 — Step 7: Average Weighting Factor for District Two, Undesignated Areas**

<b>Vessel Class/Year</b>	<b>Number of Transits</b>	<b>Weighting Factor</b>	<b>Weighted Transits*</b>
Class 1 (2015)	35	1	35
Class 1 (2016)	32	1	32
Class 1 (2017)	21	1	21
Class 1 (2018)	37	1	37
Class 1 (2019)	54	1	54
Class 1 (2020)	1	1	1
Class 1 (2021)	7	1	7
Class 1 (2022)	57	1	57
Class 1 (2023)	54	1	54
Class 1 (2024)	19	1	19
Class 2 (2015)	354	1.15	407
Class 2 (2016)	380	1.15	437

Class 2 (2017)	222	1.15	255
Class 2 (2018)	123	1.15	141
Class 2 (2019)	127	1.15	146
Class 2 (2020)	165	1.15	190
Class 2 (2021)	206	1.15	237
Class 2 (2022)	202	1.15	232
Class 2 (2023)	152	1.15	175
Class 2 (2024)	125	1.15	144
Class 3 (2015)	0	1.3	0
Class 3 (2016)	9	1.3	12
Class 3 (2017)	12	1.3	16
Class 3 (2018)	3	1.3	4
Class 3 (2019)	1	1.3	1
Class 3 (2020)	1	1.3	1
Class 3 (2021)	5	1.3	7
Class 3 (2022)	2	1.3	3
Class 3 (2023)	2	1.3	3
Class 3 (2024)	5	1.3	7
Class 4 (2015)	560	1.45	812
Class 4 (2016)	468	1.45	679
Class 4 (2017)	319	1.45	463
Class 4 (2018)	196	1.45	284
Class 4 (2019)	210	1.45	305
Class 4 (2020)	201	1.45	291
Class 4 (2021)	227	1.45	329
Class 4 (2022)	208	1.45	302
Class 4 (2023)	169	1.45	245
Class 4 (2024)	205	1.45	297
Total	5,176		6,740
Average weighting factor (weighted transits ÷ number of transits)		1.30	

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

**Table 22 — Step 7: Average Weighting Factor for District Two, Designated Areas**

Vessel Class/Year	Number of Transits	Weighting Factor	Weighted Transits*
Class 1 (2015)	15	1	15
Class 1 (2016)	28	1	28
Class 1 (2017)	15	1	15
Class 1 (2018)	42	1	42
Class 1 (2019)	48	1	48

Class 1 (2020)	7	1	7
Class 1 (2021)	12	1	12
Class 1 (2022)	53	1	53
Class 1 (2023)	56	1	56
Class 1 (2024)	24	1	24
Class 2 (2015)	217	1.15	250
Class 2 (2016)	224	1.15	258
Class 2 (2017)	127	1.15	146
Class 2 (2018)	153	1.15	176
Class 2 (2019)	281	1.15	323
Class 2 (2020)	342	1.15	393
Class 2 (2021)	240	1.15	276
Class 2 (2022)	327	1.15	376
Class 2 (2023)	318	1.15	366
Class 2 (2024)	318	1.15	366
Class 3 (2015)	8	1.3	10
Class 3 (2016)	4	1.3	5
Class 3 (2017)	4	1.3	5
Class 3 (2018)	14	1.3	18
Class 3 (2019)	1	1.3	1
Class 3 (2020)	5	1.3	7
Class 3 (2021)	2	1.3	3
Class 3 (2022)	4	1.3	5
Class 3 (2023)	5	1.3	7
Class 3 (2024)	11	1.3	14
Class 4 (2015)	340	1.45	493
Class 4 (2016)	281	1.45	407
Class 4 (2017)	185	1.45	268
Class 4 (2018)	379	1.45	550
Class 4 (2019)	403	1.45	584
Class 4 (2020)	405	1.45	587
Class 4 (2021)	268	1.45	389
Class 4 (2022)	391	1.45	567
Class 4 (2023)	349	1.45	506
Class 4 (2024)	474	1.45	687
Total	6,380		8,343
Average weighting factor (weighted transits ÷ number of transits)		1.31	

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

**Table 23 — Step 8: Revised Base Rates for District Two**

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

**Table 24 — Step 9: Final Rates for District Two**

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

*District 3*

**Table 25 — Step 1: 2023 Recognized Expenses for District Three**

	District Three			
	Undesignated	Designated	Undesignated	TOTAL
Reported Operating Expenses for 2023	Lakes Huron and Michigan	St. Marys River	Lake Superior	
<i>Other Pilotage Costs</i>				
Applicant Benefits	\$56,123	\$23,720	\$26,741	\$106,584
Pilot subsistence	\$163,861	\$69,254	\$78,076	\$311,190
Hotel / Lodging Cost	\$142,665	\$60,295	\$67,977	\$270,937
Hotel / Lodging Cost - D3-23-05	-\$3,454	-\$1,460	-\$1,646	-\$6,560
Travel	\$235,214	\$99,410	\$112,074	\$446,698
License Renewal	\$536	\$227	\$255	\$1,018
Payroll taxes	\$211,362	\$89,329	\$100,709	\$401,400
Payroll taxes - D3-23-04	-\$5,075	-\$2,145	-\$2,418	-\$9,637
License Insurance	\$16,953	\$7,165	\$8,078	\$32,196
<b>Total Other Pilotage Costs</b>	<b>\$818,185</b>	<b>\$345,795</b>	<b>\$389,846</b>	<b>\$1,553,826</b>
<i>Pilot Boat and Dispatch costs</i>				
Pilot boat costs	\$613,308	\$259,207	\$292,227	\$1,164,742
Dispatch costs	\$149,831	\$63,324	\$71,391	\$284,546
Dispatch costs - D3-23-07	\$23,851	\$10,080	\$11,365	\$45,296

Insurance	\$33,584	\$14,194	\$16,002	\$63,779
<b>Total Pilot boat and dispatch costs</b>	<b>\$820,574</b>	<b>\$346,805</b>	<b>\$390,985</b>	<b>\$1,558,363</b>
<i>Administrative Cost</i>				
Legal - general counsel	\$26,809	\$11,331	\$12,774	\$50,914
Legal - general counsel - D3-23-01	-\$2,098	-\$887	-\$999	-\$3,984
Legal - shared counsel (K&L Gates)	\$9,608	\$4,061	\$4,578	\$18,247
Legal - shared counsel (K&L Gates) - D3-23-01	-\$1,007	-\$426	-\$480	-\$1,913
Office Rent	\$6,719	\$2,840	\$3,201	\$12,760
Insurance	\$30,104	\$12,723	\$14,344	\$57,171
Employee benefits	\$116,979	\$49,440	\$55,738	\$222,156
Payroll Tax	\$57,428	\$24,271	\$27,363	\$109,062
Other taxes	\$2,708	\$1,145	\$1,290	\$5,143
Real Estate Taxes	\$1,609	\$680	\$766	\$3,055
Depreciation/Auto leasing/Other	\$88,577	\$37,436	\$42,205	\$168,218
Interest	\$13,424	\$5,673	\$6,396	\$25,493
APA Dues	\$30,519	\$12,899	\$14,542	\$57,960
APA Dues (D3-23-02)	-\$2,373	-\$1,003	-\$1,131	-\$4,507
Dues and subscriptions	\$5,792	\$2,448	\$2,760	\$10,999
Utilities	\$9,568	\$4,044	\$4,559	\$18,171
Salaries	\$60,558	\$25,594	\$28,855	\$115,007
Accounting/Professional fees	\$37,984	\$16,053	\$18,099	\$72,136
Pilot Training	\$13,645	\$5,767	\$6,501	\$25,913
Other expenses	\$84,033	\$35,516	\$40,040	\$159,589
Other expenses (D3-23-06)	-\$13,191	-\$5,575	-\$6,285	-\$25,051
<b>Total Administrative Expenses</b>	<b>\$577,395</b>	<b>\$244,030</b>	<b>\$275,116</b>	<b>\$1,096,539</b>
<b>Total Operating Expenses (Other Costs+ Applicant Cost + Pilot Boats + Admin)</b>	<b>\$2,216,154</b>	<b>\$936,630</b>	<b>\$1,055,947</b>	<b>\$4,208,728*</b>
<i>Directors Adjustments – Applicant Surcharge Collected</i>	-\$23,851	-\$10,080	-\$11,365	-\$45,296
<b>Total Directors Adjustment</b>	<b>-\$23,851</b>	<b>-\$10,080</b>	<b>-\$11,365</b>	<b>-\$45,296</b>
<b>Total Operating Expenses (OpEx + Adjustments)</b>	<b>\$2,192,303</b>	<b>\$926,550</b>	<b>\$1,044,582</b>	<b>\$4,163,432</b>

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

**Table 26 — Step 2: Adjusted Operating Expenses for District Three**

	District Three		
	Undesignated	Designated	Total
Total Operating Expenses (Step 1)	\$3,236,885	\$926,550	\$4,163,432
2024 Inflation Modification (@2.7%)	\$87,396	\$25,017	\$112,413
2025 Inflation Modification (@3.1%)	\$103,053	\$29,499	\$132,552
2026 Inflation Modification (@2.4%)	\$82,256	\$23,546	\$105,802
<b>Adjusted 2026 Operating Expenses</b>	<b>\$3,509,590</b>	<b>\$1,004,612</b>	<b>\$4,514,199</b>

\* As a result of rounding in Step 1, the total for each column may not sum across.

**Table 27 — Step 3: Authorized Pilots for District Three**

Item	District Three
2026 Authorized Pilots (total)	20
Pilots Assigned to Designated Areas	5
Pilots Assigned to Undesignated Areas	15
2026 Apprentice Pilots	5

**Table 28 — Step 4: Target Compensation for District Three**

	District Three		
	Undesignated	Designated	Total
Target Pilots Compensation	\$481,642	\$481,642	\$481,642
Number of Pilots	15	5	20
<b>Total Target Pilot Compensation</b>	<b>\$7,224,630</b>	<b>\$2,408,210</b>	<b>\$9,632,840</b>
Target Apprentice Pilot Compensation	\$173,391	\$173,391	\$173,391
Number of Apprentice Pilots			5
<b>Total Target Apprentice Pilot Compensation</b>	<b>\$676,225</b>	<b>\$190,730</b>	<b>\$866,955</b>

**Table 29 — Step 5: Revenue Needed for District Three**

	District Three		
	Undesignated	Designated	Total
Adjusted Operating Expenses (Step 2)	\$3,509,590	\$1,004,612	\$4,514,199
Total Target Pilot Compensation (Step 4)	\$7,224,630	\$2,408,210	\$9,632,840
Total Target Apprentice Pilot Compensation (Step 4)	\$676,225	\$190,730	\$866,955
Total Revenue Needed	\$11,410,445	\$3,603,552	\$15,013,994

\* As a result of rounding in Step 1, the total for each column may not sum across.

**Table 30 — Step 6: Time on Task for District Three (Hours)**

Year	District Three	
	Undesignated	Designated
2024	26,359	3,437
2023	25,690	3,501
2022	24,148	3,426
2021	18,149	2,484
2020	23,678	3,520
2019	24,851	3,395
2018	19,967	3,455
2017	20,955	2,997
2016	23,421	2,769
2015	22,824	2,696
Average	23,004	3,168

**Table 31 — Step 6: Initial Rate Calculations for District Three**

	Undesignated	Designated
Revenue needed (Step 5)	\$11,410,445	\$3,603,552

Average time on task (hours)	23,004	3,168
Initial rate	\$496	\$1,137

**Table 32 — Step 7: Average Weighting Factor for District Three, Undesignated Areas**

Vessel Class/Year	Number of Transits	Weighting Factor	Weighted Transits*
<b>Area 6</b>			
Class 1 (2015)	56	1	56
Class 1 (2016)	136	1	136
Class 1 (2017)	148	1	148
Class 1 (2018)	103	1	103
Class 1 (2019)	173	1	173
Class 1 (2020)	4	1	4
Class 1 (2021)	8	1	8
Class 1 (2022)	116	1	116
Class 1 (2023)	155	1	155
Class 1 (2024)	52	1	52
Class 2 (2015)	207	1.15	238
Class 2 (2016)	236	1.15	271
Class 2 (2017)	264	1.15	304
Class 2 (2018)	169	1.15	194
Class 2 (2019)	279	1.15	321
Class 2 (2020)	332	1.15	382
Class 2 (2021)	273	1.15	314
Class 2 (2022)	276	1.15	317
Class 2 (2023)	295	1.15	339
Class 2 (2024)	287	1.15	330
Class 3 (2015)	8	1.3	10
Class 3 (2016)	10	1.3	13
Class 3 (2017)	19	1.3	25
Class 3 (2018)	9	1.3	12
Class 3 (2019)	9	1.3	12
Class 3 (2020)	4	1.3	5
Class 3 (2021)	5	1.3	7
Class 3 (2022)	3	1.3	4
Class 3 (2023)	5	1.3	7
Class 3 (2024)	9	1.3	12
Class 4 (2015)	375	1.45	544
Class 4 (2016)	332	1.45	481
Class 4 (2017)	367	1.45	532
Class 4 (2018)	337	1.45	489
Class 4 (2019)	334	1.45	484
Class 4 (2020)	339	1.45	492

Class 4 (2021)	356	1.45	516
Class 4 (2022)	363	1.45	526
Class 4 (2023)	356	1.45	516
Class 4 (2024)	433	1.45	628
Total for Area 6	7,242		9,275
<b>Area 8</b>			
Class 1 (2015)	0	1	0
Class 1 (2016)	4	1	4
Class 1 (2017)	4	1	4
Class 1 (2018)	0	1	0
Class 1 (2019)	0	1	0
Class 1 (2020)	1	1	1
Class 1 (2021)	5	1	5
Class 1 (2022)	10	1	10
Class 1 (2023)	5	1	5
Class 1 (2024)	6	1	6
Class 2 (2015)	169	1.15	194
Class 2 (2016)	174	1.15	200
Class 2 (2017)	151	1.15	174
Class 2 (2018)	102	1.15	117
Class 2 (2019)	120	1.15	138
Class 2 (2020)	180	1.15	207
Class 2 (2021)	124	1.15	143
Class 2 (2022)	89	1.15	102
Class 2 (2023)	118	1.15	136
Class 2 (2024)	122	1.15	140
Class 3 (2015)	0	1.3	0
Class 3 (2016)	7	1.3	9
Class 3 (2017)	18	1.3	23
Class 3 (2018)	7	1.3	9
Class 3 (2019)	6	1.3	8
Class 3 (2020)	1	1.3	1
Class 3 (2021)	1	1.3	1
Class 3 (2022)	6	1.3	8
Class 3 (2023)	0	1.3	0
Class 3 (2024)	4	1.3	5
Class 4 (2015)	253	1.45	367
Class 4 (2016)	204	1.45	296
Class 4 (2017)	269	1.45	390
Class 4 (2018)	188	1.45	273
Class 4 (2019)	254	1.45	368
Class 4 (2020)	265	1.45	384

Class 4 (2021)	319	1.45	463
Class 4 (2022)	243	1.45	352
Class 4 (2023)	268	1.45	389
Class 4 (2024)	345	1.45	500
Total for Area 8	4,042		5,433
Combined total	11,284		14,708
Average weighting factor (weighted transits ÷ number of transits)		1.30	

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

**Table 33 — Step 7: Average Weighting Factor for District Three, Designated Areas**

Vessel Class/Year	Number of Transits	Weighting Factor	Weighted Transits*
Class 1 (2015)	23	1	23
Class 1 (2016)	55	1	55
Class 1 (2017)	62	1	62
Class 1 (2018)	47	1	47
Class 1 (2019)	45	1	45
Class 1 (2020)	15	1	15
Class 1 (2021)	15	1	15
Class 1 (2022)	74	1	74
Class 1 (2023)	68	1	68
Class 1 (2024)	24	1	24
Class 2 (2015)	145	1.15	167
Class 2 (2016)	174	1.15	200
Class 2 (2017)	170	1.15	196
Class 2 (2018)	126	1.15	145
Class 2 (2019)	162	1.15	186
Class 2 (2020)	218	1.15	251
Class 2 (2021)	131	1.15	151
Class 2 (2022)	162	1.15	186
Class 2 (2023)	142	1.15	163
Class 2 (2024)	132	1.15	152
Class 3 (2015)	0	1.3	0
Class 3 (2016)	6	1.3	8
Class 3 (2017)	14	1.3	18
Class 3 (2018)	6	1.3	8
Class 3 (2019)	3	1.3	4
Class 3 (2020)	1	1.3	1
Class 3 (2021)	2	1.3	3
Class 3 (2022)	5	1.3	7

Class 3 (2023)	0	1.3	0
Class 3 (2024)	4	1.3	5
Class 4 (2015)	245	1.45	355
Class 4 (2016)	191	1.45	277
Class 4 (2017)	234	1.45	339
Class 4 (2018)	225	1.45	326
Class 4 (2019)	308	1.45	447
Class 4 (2020)	336	1.45	487
Class 4 (2021)	258	1.45	374
Class 4 (2022)	249	1.45	361
Class 4 (2023)	300	1.45	435
Class 4 (2024)	345	1.45	500
Total	4,722		6,180
Average weighting factor (weighted transits ÷ number of transits)		1.31	

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

**Table 34 — Step 8: Revised Base Rates for District Three**

Area	Initial rate (Step 6)	Average weighting factor (Step 7)	Revised rate (Initial rate ÷ Average weighting factor)
District Three: Undesignated	\$496	1.30	\$382
District Three: Designated	\$1,137	1.31	\$868

**Table 35 — Step 9: Final Rates for District Three**

Area	Name	Final 2025 pilotage rate	Final 2026 pilotage rate
District Three: Designated	St. Marys River	\$825	\$868
District Three: Undesignated	Lakes Huron, Michigan, and Superior	\$440	\$382

## VII. Regulatory Analyses

We developed this rule after considering numerous statutes and Executive orders related to rulemaking. Below, we summarize our analyses based on these statutes or Executive orders.

*A. Regulatory Planning and Review*

Executive Orders 12866 (Regulatory Planning and Review) and 13563 (Improving Regulation and Regulatory Review) direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits. Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 14192 (Unleashing Prosperity Through Deregulation) directs agencies to significantly reduce the private expenditures required to comply with Federal regulations and provides that “any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.”

Two additional Executive orders promote the goals of Executive Order 13563: Executive Order 13609 (Promoting International Regulatory Cooperation) and Executive Order 13610 (Identifying and Reducing Regulatory Burdens). Executive Order 13609 targets international regulatory cooperation to reduce, eliminate, or prevent unnecessary differences in regulatory requirements. Executive Order 13610 aims to modernize the regulatory systems and reduce unjustified regulatory burdens and costs on the public.

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

This rule is not an Executive Order 14192 regulatory action because this rule is not significant under Executive Order 12866. This final rule is considered an Executive Order 14192 deregulatory action. See OMB Memorandum M-25-20, “Guidance Implementing Section 3 of Executive Order 14192, titled ‘Unleashing Prosperity Through Deregulation’” (March 26, 2025).

A regulatory analysis (RA) follows.

The purpose of this final rule is to establish new base pilotage rates, as 46 U.S.C. 9303(f) requires that rates be established or reviewed and adjusted each year. The statute also requires that base rates be established by a full ratemaking at least once every 5 years, and, in years when base rates are not established, they must be reviewed and, if necessary, adjusted. For this ratemaking, the Coast Guard estimates a decrease in cost of approximately \$2.71 million to industry. This is approximately a 6-percent decrease because of the change in revenue needed in 2026 compared to the revenue needed in 2025, as shown in table 36.

**Table 36 — Economic Impacts Due to Changes**

<b>Change</b>	<b>Description</b>	<b>Affected Population</b>	<b>Costs</b>	<b>Benefits</b>
Rate changes.	In accordance with 46 U.S.C. Chapter 93, the Coast Guard is required to review and adjust base pilotage rates annually.	Owners and operators of 258 vessels transiting the Great Lakes system annually, 57 Pilots, 7 Apprentice Pilots, and 3 pilotage associations.	Decrease of \$2,708,485 due to change in revenue needed for 2026 (\$40,451,209) from revenue needed for 2025 (\$43,159,694) as shown in table 37.	New rates cover an association's necessary and reasonable operating expenses. Promotes safe, efficient, and reliable pilotage service on the Great Lakes. Provides fair compensation, adequate training, and sufficient rest periods for Pilots.
Removal of Working Capital Fund	Following GLPAC recommendation, the Coast Guard removed Step 5 of the ratemaking.	The 3 pilotage associations.	A decrease of \$1,980,709 in revenue needed for the Working Capital Fund for 2026 compared to 2025. This is equal to the revenue needed for the working capital fund approved in the 2025 ratemaking.	The associations would need less in revenue for 2026 than if the Working Capital Fund had been included.

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

A detailed discussion of our economic impact analysis follows.

### **Affected Population**

This final rule affects Pilots and Apprentice Pilots, the 3 pilotage associations, and the owners and operators of 258 oceangoing vessels that transit the Great Lakes annually, on average, from 2022 to 2024. We estimate that there will be 57 Pilots and 7 Apprentice Pilots during the 2026 shipping season. The shippers affected by these rate changes are those owners and operators of domestic vessels operating “on register” (engaged in foreign trade) and owners and operators of non-Canadian foreign vessels on routes within the Great Lakes system. These owners and operators must have Pilots or pilotage service as required by 46 U.S.C. 9302. There is no minimum tonnage limit or exemption for these vessels. The statute applies only to commercial vessels and not to recreational vessels. U.S.-flagged vessels not operating on register, and Canadian “lakers,” which account for most commercial shipping on the Great Lakes, are not required by 46 U.S.C. 9302 to have Pilots. However, these United States and Canadian-flagged lakers may voluntarily choose to engage a Pilot. Vessels that are U.S.-flagged may opt to have a

Pilot for varying reasons, such as unfamiliarity with designated waters and ports, or for insurance purposes.

The Coast Guard used billing information from the years 2022 through 2024 from SeaPro to estimate the average annual number of vessels affected by the rate adjustment. SeaPro tracks data related to managing and coordinating the dispatch of Pilots on the Great Lakes and billing in accordance with the services. As described in the ratemaking methodology, we use a 10-year average to estimate the traffic. We used 3 years of the most recent billing data to estimate the affected population. When we reviewed 10 years of the most recent billing data, we found the data included vessels that have not used pilotage services in recent years. Using 3 years of billing data is a better representation of the vessel population currently using pilotage services and that are impacted by this final rule. We found that 425 unique vessels used pilotage services during the years 2022 through 2024. That is, these vessels had a Pilot dispatched to the vessel and billing information was recorded in SeaPro. Of these vessels, 403 were foreign-flagged vessels and 22 were U.S.-flagged vessels. Again, U.S.-flagged vessels not operating on register are not required to have a Pilot per 46 U.S.C. 9302, but they can voluntarily choose to have one. Any such vessels that voluntarily choose to have a Pilot are accounted for in the methodology.

Numerous factors affect vessel traffic, which varies from year to year. Therefore, rather than using the total number of vessels over the time period, the Coast Guard took an average of the unique vessels using pilotage services from the years 2022 through 2024 as the best representation of vessels estimated to be affected by the rates in this final rule. From 2022 through 2024, an average of 258 unique vessels used pilotage services annually. On average, 249 of these vessels were foreign-flagged and 9 were U.S.-flagged vessels that voluntarily opted into the pilotage service (these figures are rounded averages).

## **Total Cost to Shippers**

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

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

The impacts of the rate changes on shippers are estimated from the district pilotage projected revenues (shown in tables 7, 18, and 29 of this preamble). The Coast Guard estimates that, for the 2026 shipping season, the projected revenue needed for all three districts is \$40,451,209.

To estimate the change in cost to shippers from this final rule, the Coast Guard compared the 2026 total projected revenues to the 2025 projected revenues. Because we review and prescribe rates for Great Lakes pilotage annually, the effects are estimated as a single-year cost rather than annualized over a 10-year period. In the 2025 final rule, we estimated the total projected revenue needed for 2025 as \$43,159,694.<sup>17</sup> This is the best approximation of 2025 revenues because, at the time of publication of this final rule, the Coast Guard does not have enough audited data available for the 2025 shipping season to

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<sup>17</sup> 89 FR 100810, see table 40. <https://www.govinfo.gov/content/pkg/FR-2024-12-13/pdf/2024-29128.pdf>; accessed 03/25/2025.

revise these projections. Table 37 shows the revenue projections for 2025 and 2026. The cost changes to shippers are detailed by area and district as a result of the rate changes on traffic in Districts One, Two, and Three.

**Table 37 — Effect of the Final Rule by Area and District (\$U.S.; Non-discounted)**

<b>Area</b>	<b>Revenue Needed in 2025</b>	<b>Revenue Needed in 2026</b>	<b>Additional Costs of this Rule</b>
Total, District One	\$14,713,084	\$14,471,374	-\$241,710
Total, District Two	\$11,883,331	\$10,965,841	-\$917,490
Total, District Three	\$16,563,279	\$15,013,994	-\$1,549,285
System Total	\$43,159,694	\$40,451,209	-\$2,708,485

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

The resulting difference between the projected revenue in 2025 and the projected revenue in 2026 is the annual change in payments from shippers to Pilots as a result of this final rule’s rate changes. The effect of the rate changes to shippers varies by area and district. The rate changes lead to affected shippers operating in District One experiencing a decrease in payments of \$241,710 over 2025. District Two and District Three will experience a decrease in payments of \$917,490 and \$1,549,285, respectively, when compared with 2025. The overall adjustment in payments is a decrease in payments by shippers of \$2,708,485 across all three districts (a 6-percent decrease when compared with 2025). Again, because the Coast Guard reviews and sets rates for Great Lakes pilotage annually, we estimate the impacts as single-year costs rather than annualizing them over a 10-year period.

Table 38 shows the difference in revenue by revenue-component from 2025 to 2026 and presents each revenue-component as a percentage of the total revenue needed. In both 2025 and 2026, the largest revenue-component was pilotage compensation (66 percent of total revenue needed in 2025, and 68 percent of total revenue needed in 2026),

followed by operating expenses (29 percent of total revenue needed in 2025, and 29 percent of total revenue needed in 2026).

**Table 38 — Difference in Revenue by Revenue-Component**

<b>Revenue-Component</b>	<b>Revenue Needed in 2025</b>	<b>Percentage of Total Revenue Needed in 2025</b>	<b>Revenue Needed in 2026</b>	<b>Percentage of Total Revenue Needed in 2026</b>	<b>Difference (2026 Revenue - 2025 Revenue)</b>	<b>Percentage Change from Previous Year</b>
Adjusted Operating Expenses	\$12,354,186	29%	\$11,783,878	29%	-\$570,308	-5%
Total Target Pilot Compensation	\$28,323,337	66%	\$27,453,594	68%	-\$869,743	-3%
Total Target Apprentice Pilot Compensation	\$501,462	1%	\$1,213,737	3%	\$712,275	142%
Working Capital Fund	\$1,980,709	5%	\$0	0%	-\$1,980,709	-100%
<b>Total Revenue Needed</b>	<b>\$43,159,694</b>	<b>100%</b>	<b>\$40,451,209</b>	<b>100%</b>	<b>-\$2,708,485</b>	<b>-6.28%</b>

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

As stated above, we estimate that there will be a total decrease in revenue needed by the pilotage associations of \$2,708,485. This represents a decrease in revenue needed for total target Pilot compensation of \$869,743, an increase in revenue needed for total target Apprentice Pilot wage benchmark of \$712,275, a decrease in the revenue needed for adjusted operating expenses of \$570,308, and a decrease in the revenue needed for the working capital fund of \$1,980,709.

The change in revenue needed for Pilot compensation, \$869,743, is due to three factors: (1) The changes to adjust 2025 pilotage compensation to account for the

difference between actual ECI inflation<sup>18</sup> (3.6 percent) and predicted PCE inflation<sup>19</sup> (2.3 percent) for 2025; (2) projected inflation of pilotage compensation in Step 2 of the methodology, using predicted inflation<sup>20</sup> (2.4 percent) through 2026; and (3) a decrease of four Pilots in District Three compared to 2025.

The target compensation is \$481,642 per Pilot in 2026, compared to \$464,317 in 2025. The changes to modify the 2025 Pilot compensation to account for the difference between predicted and actual inflation increases the 2026 target compensation value by 1.3 percent. As shown in table 39, this inflation adjustment increases total compensation by \$6,036 per Pilot, and the total revenue needed by \$344,059 when accounting for all 57 Pilots.

**Table 39 — Change in Revenue Resulting from the Change to Inflation of Pilot Compensation Calculation in Step 4**

2025 Target Pilot Compensation	\$464,317
Adjusted 2025 Compensation (\$464,317 x 1.013)	\$470,353
Difference between Adjusted Target 2025 Compensation and Target 2025 Compensation (\$470,353 - \$464,317)	\$6,036
Change in total Revenue for 57 Pilots (\$6,036 x 57)	\$344,059

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

Similarly, table 40 shows the impact of the difference between predicted and actual inflation on the target Apprentice Pilot compensation benchmark. The inflation

<sup>18</sup>Employment Cost Index, Total Compensation for Private Industry workers in Transportation and Material Moving, Annual Average (June 2025), Series ID: CIU2010000520000A. <https://www.bls.gov/news.release/eci.t05.htm>; accessed 11/14/2025.

<sup>19</sup> 2.3 percent was the latest figure available for the 2025 final rule. Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtab120240918.pdf>; accessed 10/02/2024.

<sup>20</sup> Table 1, Summary of Economic Projections, Median Core PCE Inflation June Projection. <https://www.federalreserve.gov/monetarypolicy/files/fomcprojtab120250917.pdf>; accessed 11/14/2025.

adjustment increases the compensation benchmark by \$2,173 per Apprentice Pilot, and the total revenue needed by \$15,211 when accounting for all seven Apprentice Pilots.

**Table 40 — Change in Revenue Resulting from the Change to Inflation of Apprentice Pilot Compensation Calculation in Step 4**

2025 Target Apprentice Pilot Compensation	\$167,154
Adjusted 2025 Compensation (\$167,154 x 1.013)	\$169,327
Difference between Adjusted Target 2025 Compensation and Target Compensation ( \$169,327 - \$167,154)	\$2,173
Change in total Revenue for Seven Apprentices (\$2,173 x 7)	\$15,211

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

Another increase, \$688,622, is the result of increasing compensation for the 61 Pilots predicted for the 2025 season to account for future inflation of 2.4 percent in 2026. This increases total compensation by \$11,289 per Pilot when accounting for all 61 Pilots in the 2025 final rule, as shown in table 41.

**Table 41 — Change in Revenue Resulting from Inflating 2025 Compensation to 2026**

Adjusted 2025 Compensation	\$470,353
2026 Target Compensation (\$470,353 × 1.024)	\$481,642
Difference between Adjusted 2025 Compensation and Target 2026 Compensation (\$481,642 – \$470,353)	\$11,289
Change in total Revenue for 61 Pilots (\$11,289 x 61)	\$688,622

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

Similarly, an increase of \$12,192 is the result of increasing compensation for the three Apprentice Pilots predicted for the 2025 season to account for future inflation of 2.4

percent in 2026. This increases total compensation by \$4,064 per Apprentice Pilot when accounting for the three Apprentice Pilots in the 2025 final rule, as shown in table 42.

**Table 42 — Change in Revenue Resulting from Inflating 2025 Apprentice Pilot Compensation to 2026**

Adjusted 2025 Compensation	\$169,327
2026 Target Compensation (\$481,642 × 36%)	\$173,391
Difference between Adjusted Compensation and Target Compensation (\$173,391 – \$169,327)	\$4,064
Change in total Revenue for 3 Apprentices (\$4,064 x 3)	\$12,192

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

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

Table 43 shows the decrease of \$1,902,424 in revenue needed solely for Pilot compensation. As noted previously, to avoid double counting, this value excludes the change in revenue resulting from the change to adjust 2025 pilotage compensation to account for the difference between actual and predicted inflation.

**Table 43 — Change in Revenue Resulting from Decrease of Four Pilots**

2026 Target Compensation	\$481,642
Total Number of New Pilots	-4
Total Cost of New Pilots (\$481,642 x -4)	-\$1,926,568
Difference between Adjusted Target 2025 Compensation and Target 2025 Compensation ( \$470,353 - \$464,317)	\$6,036
Change in total Revenue for -4 Pilots (\$6,036 x -4)	-\$24,144
Net Change in total Revenue for -4 Pilots (-\$1,926,568 - -\$24,144)	-\$1,902,424

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

Similarly, the Coast Guard predicts that seven Apprentice Pilots are needed for the 2026 season. This is a total increase of four Apprentice Pilots from the 2025 season. The difference reflects an increase of one Apprentice Pilot for District One, a decrease of one Apprentice Pilot for District Two and an increase of four Apprentice Pilots for District Three.

Table 44 shows the increase of \$684,872 in revenue needed solely for Apprentice Pilot compensation. As noted previously, to avoid double counting this value excludes the change in revenue resulting from the change to adjust 2025 Apprentice Pilotage compensation to account for the difference between actual and predicted inflation.

**Table 44 — Change in Revenue Resulting from Increase of Four Apprentices**

2026 Apprentice Target Compensation	\$173,391
Total Number of New Apprentices	4
Total Cost of new Apprentices (\$173,391 x 4)	\$693,564
Difference between Adjusted Target 2025 Compensation and Target 2025 Compensation (\$169,327 - \$167,154)	\$2,173
Change in total Revenue for 4 Apprentices (\$2,173 x 4)	\$8,692
Net Change in total Revenue for 4 Apprentices (\$693,564 - \$8,692)	\$684,872

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

Table 45 presents the percentage change in revenue by area and revenue-component, excluding surcharges, as they are applied at the district level.<sup>21</sup>

<sup>21</sup> The 2025 projected revenues are from the Great Lakes Pilotage Rate-2025 Annual Review final rule (89 FR 100810), tables 8, 20, and 32. The 2026 projected revenues are from tables 7,18, and 29 of this final rule.

**Table 45 —Difference in Revenue by Revenue-Component and Area**

	Adjusted Operating Expenses		Percentage Change	Total Target Pilot Compensation			Total Target Apprentice Pilot Compensation			Working Capital Fund			Total Revenue Needed		
	2025	2026		2025	2026	Percentage Change	2025	2026	Percentage Change	2025	2026	Percentage Change	2025	2026	Percentage Change
District One: Designated	\$2,750,620	\$2,695,051	-2%	\$5,107,487	\$5,298,062	4%	\$100,292	\$208,069	107%	\$382,799	\$0	-100%	\$8,341,198	\$8,201,182	-2%
District One: Undesignated	\$1,833,749	\$1,796,702	-2%	\$4,178,853	\$4,334,778	4%	\$66,862	\$138,713	107%	\$292,422	\$0	-100%	\$6,371,886	\$6,270,193	-2%
District Two: Undesignated	\$1,310,973	\$1,111,171	-15%	\$3,250,219	\$3,371,494	4%	\$66,862	\$0	-100%	\$222,609	\$0	-100%	\$4,850,663	\$4,482,665	-8%
District Two: Designated	\$1,966,459	\$1,666,757	-15%	\$4,643,170	\$4,816,420	4%	\$100,292	\$0	-100%	\$322,747	\$0	-100%	\$7,032,668	\$6,483,177	-8%
District Three: Undesignated	\$3,566,457	\$3,509,590	-2%	\$8,822,023	\$7,224,630	-18%	\$132,052	\$676,225	412%	\$602,238	\$0	-100%	\$13,122,770	\$11,410,445	-13%
District Three: Designated	\$925,928	\$1,004,612	8%	\$2,321,585	\$2,408,210	4%	\$35,102	\$190,730	443%	\$157,894	\$0	-100%	\$3,440,509	\$3,603,552	5%

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

## **Benefits**

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

### *B. Small Entities*

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

For the final rule, the Coast Guard reviewed recent company size and ownership data for the vessels identified in SeaPro, and we reviewed business revenue and size data provided by publicly available sources such as Data Axle Reference Solutions.<sup>22</sup> As described in *Section VII.A., Regulatory Planning and Review*, of this preamble, we found that 425 unique vessels used pilotage services during the years 2022 through 2024. These vessels are owned by 62 entities, of which 48 are foreign entities that operate primarily outside the United States, and the remaining 14 entities are U.S. entities. We compared the revenue and employee data found in the company search to the Small Business Administration's (SBA) small business threshold as defined in the SBA's “Table of Size Standards” for small businesses to determine how many of these

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<sup>22</sup> See <https://referencesolutions.data-axle.com/> ; accessed 03/25/2025.

companies are considered small entities.<sup>23</sup> Table 46 shows the North American Industry Classification System (NAICS) codes of the U.S. entities and the small entity standard size established by the SBA.

**Table 46 — NAICS Codes and Small Entities Size Standards**

<b>NAICS</b>	<b>Description</b>	<b>Small Entity Size Standard</b>
238910	Site Preparation Contractors	\$19,000,000
423860	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers	175 Employees
483211	Inland Water Freight Transportation	1,050 Employees
484230	Specialized Freight (except Used Goods) Trucking, Long-Distance	\$34,000,000
488390	Other Support Activities for Water Transportation	\$47,000,000
523910	Miscellaneous Intermediation	\$47,000,000
541611	Administrative Management and General Management Consulting Services	\$24,500,000
561510	Travel Agencies	\$25,000,000
561599	All Other Travel Arrangement and Reservation Services	\$32,500,000
562910	Remediation Services	\$25,000,000
713930	Marinas	\$11,000,000
813910	Business Associations	\$15,500,000

Of the 14 U.S. entities, five exceed the SBA’s small business standards for small entities. To estimate the potential impact on the nine small entities, the Coast Guard used their 2024 invoice data to estimate their pilotage costs in 2026. Of the nine small entities, from 2022 to 2024, seven used pilotage services in 2024. We increased their 2024 costs to account for the changes in pilotage rates resulting from this final rule and the 2025 final rule. We estimated the change in cost to these entities resulting from this final rule by subtracting their estimated 2026 pilotage costs from their estimated 2025 pilotage costs and found the average impact to small firms are approximately -\$14,920 with a

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<sup>23</sup> See <https://www.sba.gov/document/support--table-size-standards>. SBA has established a “Table of Size Standards” for small businesses that sets small business size standards by NAICS code. A size standard, which is usually stated in number of employees or average annual receipts (“revenues”), represents the largest size that a business (including its subsidiaries and affiliates) may be in order to remain classified as a small business for SBA and Federal contracting programs; accessed March 2024.

range of -\$411 to -\$50,086. We then compared the estimated change in pilotage costs between 2025 and 2026 with each firm's annual revenue. Because the rates in most areas decrease this year, the expected impact on small entities is a cost savings, rather than a net cost. That said, the Regulatory Flexibility Act directs agencies to consider the magnitude of the impact, positive or negative, on small entities. The change in per unit cost to each individual shipper is dependent on their area of operation. This analysis considers the impact of the average -6 percent change on revenues and finds the impact ranges from -0.04 percent to -9.70 percent, with an average of -3.20 percent. Within this range of negative impacts, three entities experience an impact greater than one percent in absolute terms.

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

Finally, the Coast Guard did not find any small not-for-profit organizations that are independently owned and operated and are not dominant in their fields impacted by this final rule. We also did not find any small governmental jurisdictions with populations of fewer than 50,000 people impacted by this final rule. Based on this analysis, we conclude that this final rule does not have a significant economic impact on a substantial number of small entities.

Therefore, the Coast Guard certifies under 5 U.S.C. 605(b) that this rule will not

have a significant economic impact on a substantial number of small entities.

*C. Assistance for Small Entities*

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

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

*D. Collection of Information*

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

*E. Federalism*

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

Congress directed the Coast Guard to establish “rates and charges for pilotage services” 46 U.S.C. 9303(f). This regulation is issued pursuant to that statute and is

preemptive of State law as specified in 46 U.S.C. 9306. Under 46 U.S.C. 9306, a “State or political subdivision of a State may not regulate or impose any requirement on pilotage on the Great Lakes.” As a result, States or local governments are expressly prohibited from regulating within this category. Therefore, this final rule is consistent with the fundamental federalism principles and preemption requirements described in Executive Order 13132.

*F. Unfunded Mandates*

The Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1531–1538, requires Federal agencies to assess the effects of their discretionary regulatory actions. In particular, the Act addresses actions that may result in the expenditure by a State, local, or tribal government, in the aggregate, or by the private sector of \$100,000,000 (adjusted for inflation) or more in any one year. Although this rule will not result in such expenditure, we do discuss the effects of this rule elsewhere in this preamble.

*G. Taking of Private Property*

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

*H. Civil Justice Reform*

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

*I. Protection of Children*

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

*J. Indian Tribal Governments*

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

*K. Energy Effects*

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

*L. Technical Standards*

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

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

*M. Environment*

We have analyzed this rule under Department of Homeland Security Management Directive 023-01, Rev. 1, associated implementing instructions, and Environmental

Planning COMDTINST 5090.1 (series), which guide the Coast Guard in complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321–4370f), and have made a determination that this action is one of a category of actions that do not individually or cumulatively have a significant effect on the human environment. A Record of Environmental Consideration supporting this determination is available in the docket. For instructions on locating the docket, see the **ADDRESSES** section of this preamble. This rule is categorically excluded under paragraph A3 and L54 of Appendix A, Table 1 of DHS Instruction Manual 023–01–001–01, Rev. 1. Paragraph A3 pertains to the promulgation of rules of the following nature: (a) those of a strictly administrative or procedural nature; (b) those that implement, without substantive change, statutory or regulatory requirements; (c) those that implement, without substantive change, procedures, manuals, and other guidance documents; (d) those that interpret or amend an existing regulation without changing its environmental effect; (e) those that provide technical guidance on safety and security matters; and (f) those that provide guidance for the preparation of security plans. Paragraph L54 pertains to regulations which are editorial or procedural. This final rule involves setting or adjusting the pilotage rates for the 2026 shipping season to account for changes in district operating expenses, changes in the number of Pilots, and anticipated inflation. The Coast Guard makes one change to the methodology: the removal of step 5 regarding the working capital fund. All of these changes are consistent with the Coast Guard’s maritime safety missions.

### **List of Subjects**

#### *46 CFR Part 401*

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

#### *46 CFR Part 403*

Great Lakes, Navigation (water), Reporting and recordkeeping requirements,  
Seamen, Uniform System of Accounts.

*46 CFR Part 404*

Great Lakes, Navigation (water), Seamen.

For the reasons discussed in the preamble, the Coast Guard amends 46 CFR parts  
401, 403, and 404 as follows:

**PART 401—GREAT LAKES PILOTAGE REGULATIONS**

1. The authority citation for part 401 is revised to read as follows:

**Authority:** 46 U.S.C. 2103, 2104(a), 6101, 7701, 8105, 9303, 9304; DHS  
Delegation No. 00170.1, Revision No. 01.4.

2. In § 401.405, revise paragraphs (a)(1) through (6) to read as follows:

**§ 401.405 Pilotage rates and charges.**

(a) \* \* \*

(1) The St. Lawrence River is \$978;

(2) Lake Ontario is \$623;

(3) Lake Erie is \$555;

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

(5) Lakes Huron, Michigan, and Superior is \$382; and

(6) The St. Marys River is \$868.

\* \* \* \* \*

**PART 403—GREAT LAKES PILOTAGE UNIFORM ACCOUNTING SYSTEM**

3. The authority citation for part 403 is revised to read as follows:

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

**§ 403.110 [Amended]**

4. In § 403.110, amend paragraph (b) by:

a. Removing the second sentence; and

b. Removing the text “this paragraph (403.110(b))” and adding, in its place, “this paragraph (b)”.

#### **PART 404—GREAT LAKES PILOTAGE RATEMAKING**

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

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

#### **§ 404.100 [Amended]**

6. In § 404.100, in paragraphs (a) and (b), remove the text “404.110” and add, in its place, the text “404.109”.

#### **§ 404.105 [Removed]**

7. Remove § 404.105

#### **§§ 404.106 through 404.110 [Redesignated]**

8. Redesignate §§ 404.106 through 404.110 as follows:

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

9. Revise newly redesignated §§ 404.105 through 404.109 to read as follows:

\* \* \* \* \*

Sec.

404.105 Ratemaking step 5: Project needed revenue.

404.106 Ratemaking step 6: Calculate initial base rates.

404.107 Ratemaking step 7: Calculate average weighting factors by area.

404.108 Ratemaking step 8: Calculate revised base rates.

404.109 Ratemaking step 9: Review and finalize rates.

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**§ 404.105 Ratemaking step 5: Project needed revenue.**

The Director calculates each pilotage association's base projected needed revenue by adding the projected adjusted operating expenses from § 404.102 (step 2) and the total target pilot compensation from § 404.104 (step 4).

**§ 404.106 Ratemaking step 6: Calculate initial base rates.**

The Director calculates initial base hourly rates by dividing the projected needed revenue from § 404.105 (step 5) by averages of past hours worked in each district's designated and undesignated waters, using available and reliable data for a multi-year period set in accordance with § 401.220(a) of this chapter.

**§ 404.107 Ratemaking step 7: Calculate average weighting factors by area.**

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

**§ 404.108 Ratemaking step 8: Calculate revised base rates.**

The Director calculates revised base rates for each area by dividing the initial base rate from § 404.106 (step 6) by the average weighting factor from § 404.107 (step 7) to produce a revised base rate for each area.

**§ 404.109 Ratemaking step 9: Review and finalize rates.**

The Director reviews the base pilotage rates calculated in § 404.108 (step 8) to ensure they meet the goal set in § 404.1(a), and either finalizes them or first makes necessary and reasonable adjustments to them based on requirements of Great Lakes pilotage agreements between the United States and Canada, or other supportable circumstances.

Dated: February 11, 2026.

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