SAN FRANCISCO BAR PILOTS ASSOCIATION
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BY: AG

Admiral Frank Johnston
Board of Pilot Commissioners
For the Bays of San Francisco, San Pablo and Suisun
660 Davis Street
San Francisco, CA 94111

Dear President Johnston:

The San Francisco Bar Pilots (SFBP) hereby respectfully petition this Board to conduct a rate hearing, as provided by California Harbors and Navigation Code Sections 1200 – 1203 and Title 7, California Code of Regulations, Section 236 (7 CCR 236).

Rates, Expenses and Pilotage Revenue - Background

The last change in pilotage rates was in 2006. In the nine intervening years, the expenses to the SFBP of providing pilot services have risen 33%, from $9.9M in 2006 to $13.2M in 2014. During that same period, the Cost of Living Index for the Bay Area increased by 20.5%.

Largely as a result of variations in the number and size of ships, revenues from pilotage fees during that same period went from $39.3M in 2006, to $34.1M in 2009 (a drop of 13%), and gradually built back up to $39.8M in 2014, a net increase of 1.2% over that nine-year period.

The remaining revenue after expenses, distributed as income to the pilots, varied during this period by 26% - from a high of $29.5M in 2006 to a low of $21.9M in 2010.

In 2011, the Board found that pilot income in San Francisco, as compared to income levels for pilots of the comparable ports for which information was available, was "about in the middle." Yet the cost of living in the San Francisco Bay Area is one of the highest in the nation.

While other ports have increased their rates in the interim, the rates in this port remain at their 2006 levels.

Current Pilotage Revenue

2015 is off to an abysmal start with a 28% decline in bar crossings and 30% decline in GRT. Billings are down 35%. We have reduced or postponed those expenses that can be reduced or postponed without impacting safety or service. With limited options for reducing expenses

even further, most of the cuts have been to net pilot income, which has dropped nearly 50% from 2014 levels. Currently, we anticipate that it will take a matter of months before shipping and pilotage revenues return back to "normal," but what the new "normal" will look like after the back log of cargo has been moved remains to be seen.

Attracting Future Pilots

In the Board's Findings and Recommendations following the 2011 rate hearing, it addressed the net return to pilots sufficient to attract and hold qualified pilots as follows: "[T]he goal, given the unique and challenging navigational environment in which the pilots operate, is to attract the best pilots available, not simply those candidates who meet minimum requirements."

In 2014, despite the Board's efforts to increase the eligible pool of pilot trainee candidates, only 33 eligible candidates took the Board's written test for entry into the pilot trainee training program. Of those, only 13 passed all elements of the selection process to be placed on the Board's eligibility list, which was intended to meet the Board's training needs for the next three years. Six of those candidates are currently in the training program.

Given recent pilot retirement projections, the current eligibility list will likely be exhausted well before its intended 3-year life, and the Board may well find itself again competing for a dwindling pool of eligible candidates.

Purpose of this Petition

By this rate petition, the SFBP seeks to recover its increased expenses through a modest, single digit annual increase in the rates for each of the years of 2016 through 2019, thereby allowing SFBP and the Board to be competitive in attracting the best candidates to meet the anticipated needs while providing industry and the public with rate stability and foreseeability.

Pursuant to 7 CCR 236(e), we have attached three copies of the 2013 audited financial statements of the SFBP and the San Francisco Bar Pilots Benevolent and Protective Association. The 2014 audited financial statements should be available prior to the rate hearing and will be provided upon receipt.

Please do not hesitate to contact me if you have any questions regarding this petition.

Respectfully submitted

Peter McIsaac

Captain Peter McIsaac
President and Port Agent

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