

ABSTRACT OF MINUTES
BOARD OF PILOTAGE COMMISSIONERS
DECEMBER, 1986 RATE HEARING

(TAPE 6, Side A)

COMMISSIONER FLAVEL:in place of a partial pilot, maybe, but still have to have a pilot.

COMMISSIONER SORIANO: A consulting fee a man goes down and works with the pilots in Olympia.

COMMISSIONER FLAVEL: That's true.

COMMISSIONER SORIANO: But all he is doing is a lobbyist, right?

COMMISSIONER FLAVEL: This is a lobbyist fee. The consulting service is a lobbyist fee.

COMMISSIONER SORIANO: If the pilots say they want the lobbyist they should pay for it, same as the operators pay for their lobbyist.

COMMISSIONER FLAVEL: That is right. You have one. How much does he charge? Very little. I don't know. It is the same thing. It is a permissible legal...

COMMISSIONER SHEARER: There is nothing illegal about it. No matter who is going to pay for it. We already have a lobbyist.

COMMISSIONER FLAVEL: It is a normal business expense. Will you agree to that?

COMMISSIONER SHEARER: If you want it, you pay for it. We don't need it. What you are asking us is to pay for it.

COMMISSIONER RICHMOND: I wonder if I could ask a question of Rob or one of your group here. Under your Marine Exchange you have telephone pass and answering services \$3,900. Is that a flat fee or how do you arrive at the \$3,900?

CAPT. R. KROMANN: A flat fee. That is like the Kelly Answering Service or a regular commercial answering service. Marine Exchange answering service is for the marine industry, basically.

COMMISSIONER RICHMOND: The basic fee for all pilots is flat fee based on...

COMMISSIONER SHEARER: I don't have any problems with the answering

service at all. Basically, the American Pilots Association belongs to this. I think that this bothers me and I think that while there may be some spin-off for the operators here, that maybe they pay for one or two or three memberships which is \$300 a member.

COMMISSIONER SORIANO: You pay for all of them or none.

COMMISSIONER SHEARER: I know. We're pay them, they have to pay for all or none. We get some benefit from it which I don;t what it is but assuming there is some sort of spin-off, if we pay for three of those things that is \$900 plus the telephone, no problem there. Lloyd's Register, no problem. I don't know what the "other" is.

COMMISSIONER RICHMOND: There are two other - other charges and other.

COMMISSIONER SHEARER: No, there is other and then there is Rotary/Chamber.

COMMISSIONER FLAVEL: APA is one of the best investments you can make. That's right! APA is one of the best investments you will ever make, the APA's...

COMMISSIONER RICHMOND: The individual.

COMMISSIONER FLAVEL: Well, this Board and the industry makes.

COMMISSIONER SHEARER: Shouldn't the pilots pay for that though? They have to pay for something out of their pocket. Why should the operators constantly pay for it?

COMMISSIONER FLAVEL: They just paid for how many thousands? They paid for \$75,000 worth of attorney fees right out their pocket. We just took over \$75,000 away. That is \$2,000 a man.

This has been before the Board in a number of years, time after time. It was agreed to by the Board and all of a sudden you change the rules by which we are playing the game. I think it is unfair to come in here now and scratch this out.

COMMISSIONER ELLIS: Have we approved the APA?

COMMISSIONER FLAVEL: Yes, we have!

COMMISSIONER SORIANO: The operators are not asking it be approved this year. Now we have to sit down and think about whether it should be approved. The APA's no

different than the lobbyist that we have in Olympia. If you want a person there to lobby in Washington, D.C., that is where the APA comes in. It is a lobbyist in Washington, D. C.

So now you need to pay for your lobbyist in Washington, D.C. The operators don't want to pay for either one, and why should they pay for your lobbyist in Washington, D.C. and for your lobbyist in Olympia? They pay for their own lobbyist in Washington, D.C. and they pay for their own lobbyist in Olympia. It is the same thing.

COMMISSIONER ABNEY: Why do we have a big change from last year? It's the same item; it's the same thing. Nothing could change about membership in the APA.

COMMISSIONER SORIANO: They are asking not to pay for it. And they should not pay for the lobbyist in Washington and the lobbyist in Olympia, in my opinion.

COMMISSIONER RICHMOND: I don't think the decisions we made last year or the year before are cast in concrete over brick and faith because we change it. I mean the PSSOA made a real point of it this time. And it has been argued rather persuasively that this is an individual expense and not one the operators should bear.

I would be willing to go somewhere along with what Bill has suggested and maybe Burt is talking about to pay to cover the expenses of the officers of the association perhaps. Each one of the associations, so that they are represented, and if the individuals want to be represented, fine.

COMMISSIONER SHEARER: How about \$8,000?

CHAIRMAN WHITE: As I recall, there were seven officials. I would say about nine.

COMMISSIONER ELLIS: That's \$8,550, these items below here.

COMMISSIONER FLAVEL: They all have to belong. Every member has to belong.

CHAIRMAN WHITE: Well, they do. ...who is paying for what though? I think they should all belong. I think the seven officials. The shippers should pay the cost.

COMMISSIONER SORIANO: They have to pay the prorata share, every man in there. Either you pay the Olympia lobbyist, you pay in Washington, D.C. lobbyist or you don't pay it.

The operators do not want to pay for lobbyists. And I don't think they should pay for lobbyists.

CHAIRMAN WHITE: You are saying don't even pick up the tab for the president and vice president? Oh.

COMMISSIONER SORIANO: There is a lobbyist in Washington, D.C., and there is a lobbyist in Olympia. You did away with the lobbyist in Olympia, are you going to keep...

CHAIRMAN WHITE: Well, I think the American Pilots Association is more than that.

COMMISSIONER ABNEY: It is more than that! To refer to it as just a lobbyist is not right.

CHAIRMAN WHITE: There are \$300?

COMMISSIONERS SHEARER: Yes, \$300.

COMMISSIONER RICHMOND: Can I ask a question of whoever is running the PSSOA? Would you people consider it a legitimate expense if the officers of each one of these associations were funded by eventually you gentlemen?

COMMISSIONER FLAVEL: They all have to join it.

MR. WARREN JOHNSON: Is it an all or nothing?

COMMISSIONER FLAVEL: Sure!

COMMISSIONER ELLIS: Why would that make any difference? We don't have to pay the whole thing.

COMMISSIONER SHEARER: I recommend that we have \$8,000 for the pilots association.

COMMISSIONER RICHMOND: PSSOA had \$5,500 and they are asking for \$18,500 and you are recommending \$8,000? Some of these items here, the Marine Exchange items I guess, other than the other charges and other and Rotary/Chamber, you are deleting those? Is that how you arrive at that plus three members?

COMMISSIONER SHEARER: Comes to that. Round it off to \$8,000. OK? What is the next item?

COMMISSIONER RICHMOND: Have we agreed on \$8,000?

COMMISSIONER SHEARER: Yes, we agreed.

COMMISSIONER RICHMOND: I heard you say that but I would like to see it.

COMMISSIONER FLAVEL: Do you agree to the whole thing? I can't agree with that at all.

COMMISSIONER ABNEY: I don't agree with it either.

COMMISSIONER ELLIS: I think what Ralph says, the APA is a good organization to belong to, but I don't see why we should pick up the things for everybody in there...

COMMISSIONER SHEARER: We are not.

COMMISSIONER ELLIS: I know we are not, but I think that we should, if we agree that they should be represented, and we talked before about paying for a few people, representing a couple of people.

COMMISSIONER SHEARER: I put three. The total comes to \$7,930 for all the expenses the operators ought to pay for.

COMMISSIONER ELLIS: Is that the whole bottom there?

COMMISSIONER SHEARER: No, it is all except the last two items.

COMMISSIONER RICHMOND: I get a better figure that I would like to suggest, which is \$9,519. Let's say \$9,600, which would essentially pay for half. We would pay \$150 assuming the membership is \$300. We would pay half the membership fee for the members of the organization. It would pay for the telephone phone patch and answering service, the basic fee for all pilots and Lloyd's Register. I think those are the ones I put in there if somebody wants to verify that. \$150 times 44 pilots, which is \$6,600 plus \$3,900 plus \$2,000 plus Lloyd's Register\$880 equals \$13,380.

MS. MARGIE SMITCH: I think your figures were wrong the first time.

COMMISSIONER SHEARER: Too high.

COMMISSIONER RICHMOND: Essentially that deletes the other charge under the Marine Exchange and deletes other and Rotary.

COMMISSIONER SHEARER: I leave the other charge and the Marine Exchange.

COMMISSIONER RICHMOND: Well,, \$250. I would say it paid for half of the membership of the American Pilots Association.

COMMISSIONER FLAVEL: What is that number?

COMMISSIONER RICHMOND: I made it \$150, because they keep saying it is \$300.

CHAIRMAN WHITE: You know, Chet, I kind of wonder about the whole principle or the whole philosophy of the shippers paying for the membership in the PAP. I am kind of thinking that either ought to pay for them all or don't pay for any.

COMMISSIONER RICHMOND: You can argue that there is some benefit. It is a professional society. They do work on lobbying, but presumably on licensing and a lot of other things and I am saying that then. maybe, the cost of that should be shared equally between the pilots who benefit directly and the operators who benefit indirectly. If you accept that philosophy, then you just...

COMMISSIONER SHEARER: It is a matter of degree then.

CHAIRMAN WHITE: If you accept that philosophy, then why not the shippers pay for them all?

COMMISSIONER RICHMOND: Because, it is a matter of degree. They are both benefiting. So you take half of \$13,500; you add to that \$3,900, \$2,000, \$810, and if Burt wants to add \$250, that is fine with me.

COMMISSIONER SHEARER: I just don't know that the operators would benefit to that proportion, 50 percent.

COMMISSIONER RICHMOND: I don't know either, but I think there is some benefit.

COMMISSIONER SHEARER: I doubt that they do benefit that much.

CHAIRMAN WHITE: I gather that what you're saying is, Chet, that the shippers will pay \$150 for the membership thing and the pilots will pay the other \$150 out of their pocket.

COMMISSIONER RICHMOND: In other words, the owners would contribute half of it.

COMMISSIONER ELLIS: I came up with \$9,600.

COMMISSIONER RICHMOND: Well, if you take half of \$13,500, that is \$6,750. It is a little different figure that what we had before. I took \$6,750, added \$3,900 and \$2,000 to that and then I added \$250 and \$880, equals \$13,780. That goes a long way towards paying dues and subscriptions.

CHAIRMAN WHITE: Can we go on with this, Burt?

COMMISSIONER SHEARER: I think it is the wrong proportion.

CHAIRMAN WHITE: I know you do, but can we do with that?

COMMISSIONER SHEARER: Alright.

COMMISSIONER RICHMOND: Life is a compromise.

COMMISSIONER SHEARER: Remember that one next time around.

CHAIRMAN WHITE: I thought we had finished that?

COMMISSIONER RICHMOND: WE have. We have agreed.

COMMISSIONER ELLIS: I think that is too much.

COMMISSIONER FLAVEL: We have a suggestion and that would be to set up a written note. I would prefer that we sacrifice the Keogh wording or the pension wording in the WACS, the \$9,000. I would make a motion or hope that we would while we are on the pension discussion scrub the \$9,000 wording if this Board would recognize the 1982 Pension as the only official Plan to declare as expense item and then have the pilots and PSSOA sit down and come back to this Board, say in a year or so, with some reasonable method by which this plan can be kept under control to the mutual benefit of both the pilots and the shippers and...

COMMISSIONER ELLIS: That is true, but you know what they are doing is paying pilots that are retired on the basis of today's income and as the income grows also will the pension grow.

COMMISSIONER ABNEY: But it goes down, too.

COMMISSIONER FLAVEL: Mr. Ellis, what I am attempting to do is I am attempting to have a useful dialogue between the pilots and the PSSOA somehow develop a system by which there can be limits to the pension.

COMMISSIONER ELLIS: Sure, I agree. If they get through the next year and come up with an agreeable plan, that is fine. But I am not going to agree to going over that \$200,000 at this time.

CHAIRMAN WHITE: Bill, you were not suggesting that were you? Leave the lid on.

COMMISSIONER FLAVEL: I would like to see...I want this Board to recognize this pension as the existing bona fide pension plan for pilots.

COMMISSIONER RICHMOND: We can do that. Which pension plan, the one percent?

COMMISSIONER FLAVEL: The one percent pension plan. That is the bona fide pension plan we are talking about. The thing is, eventually we are going to have to do something about the cap.

CHAIRMAN WHITE: Well, yes, next year when you get planning get together and develop a program to bring back to the Board. Of course, I don't think you have to wait until next year. I think the whole idea of going our and studying it, to figure out some way to resolve the matter of the cost going completely out of sight. I think there has to be a lid on the darn thing and, if possible, the Puget Sound group has to change the formula they use for retiring pilots.

COMMISSIONER FLAVEL: Well, we want this Board...We hate to throw away the \$9,000 wording and find out all of a sudden next year...

CHAIRMAN WHITE: We can't do it that fast anyway.

COMMISSIONER SHEARER: That is just deferred income. My motion basically is the targeted net income of \$105,425. The present targeted income remains the same...that deferred income.

COMMISSIONER SORIANO: That's right. You leave that in there.

COMMISSIONER RICHMOND: Boy, you have really changed your tune....I was on the Board and Bill was on the Board. Well, when we sat down and decided that all this pension trust that we were going to add \$9,000 to what we felt was the fair income for a retirement fund. We have a WAC and that is exactly what the WAC says. Now you are saying you want to suddenly give a \$9,000 pay raise to the pilots and have a pension plan over here on the side.

COMMISSIONER SHEARER: No. no.

COMMISSIONER RICHMOND: Did I misunderstand you?

COMMISSIONER SHEARER: You misunderstood the program.

COMMISSIONER RICHMOND: I mean deferred income is when somebody pays you gross income and you decide that you want to defer some money.

COMMISSIONER SHEARER: That, in essence, is exactly what it is.

COMMISSIONER RICHMOND: That is not what I intended. That is not what the WAC says. But that is what you are saying now.

COMMISSIONER ELLIS: You think there should be that and that's all? The \$9,000?

COMMISSIONER RICHMOND: I think there should be one pension plan or the other. One retirement fund or the other. Called a retirement fund in the WACs. Not two.

COMMISSIONER ELLIS: What we have done in the past we called their net income \$105,425, out of which comes \$9,000 for deferred income.

COMMISSIONER FLAVEL: What I am saying is the targeted net income remains the same and you don't try to take \$9,000 away from the targeted net income. The going compensation level for pilots is in the \$100,000 to \$110,000 range.

COMMISSIONER ELLIS: Everywhere?

COMMISSIONER FLAVEL: In most places. Anyway in the United States.

COMMISSIONER ELLIS: Been to Los Angeles recently?

COMMISSIONER FLAVEL: What I am suggesting is to eliminate the wording of one, but make the other one the official recognized pension plan and get on with the program.

COMMISSIONER SHEARER: We are not going to change that WAC now, anyway.

CHAIRMAN WHITE: We can't.

MS. MARGIE SMITCH: The WAC is a condition that is imposed on this Board, so you can't just say you don't want to deal with it, I want to ignore it. It is one of your own rules. So if you don't want to deal with it, if you want to ignore it, then you should make a decision that I go through the proper steps to repeal the WAC.

COMMISSIONER FLAVEL: I agree with that.

MS. MARGIE SMITCH: OK. And we can do that on an emergency.

COMMISSIONER SHEARER: We can't do that today. Right?

MS. MARGIE SMITCH: There is an emergency basis.

COMMISSIONER FLAVEL: If this Board has a general understanding of where it wants to go, it is not that critical, but the point is the pilots do not want to...there is more confusion with two plans. The perception of two plans. The targeted net income is what the targeted net income should basically be anyway. I am not suggesting that if you take that \$9,000 away the targeted net income is now \$9,000 less.

COMMISSIONER RICHMOND: That is a retirement fund and there is another retirement fund. There are two pension plans. We have to do away with one of the pension plans.

COMMISSIONER FLAVEL: I am suggesting you do away with the \$9,000, the wording of it.

COMMISSIONER RICHMOND: Oh, you are just doing away with the wording but you want to retain the dollar value.

COMMISSIONER FLAVEL: Absolutely! The targeted net income level is the level of compensation for a pilot and in general that is within reason. That should not be reduced by \$9,000.

COMMISSIONER RICHMOND: Let me ask...This says the tariffs include \$750 per month for each full year pilot or half pilot, as a retirement fund contribution. Now, suddenly you are trying to say that is part of his basically salary.

COMMISSIONER FLAVEL: That was a Keough fund.

CHAIRMAN WHITE: It was for retirement purposes though.

COMMISSIONER SHEARER: It was a portion saved so they wouldn't have to, when they retire, go down to welfare because they weren't big enough boys to put their own money aside and so they did it this way. Take this out of your income and put that aside for retirement. We are going to make you do it. Why we ever did it I don't know. My God, tell them if they want to get on welfare let them get on welfare.

COMMISSIONER RICHMOND: One reason we did it, we added \$9,000 to what we felt they should have for a net income. That is what we did, and we do it every year.

COMMISSIONER FLAVEL: The fact remaining now is the compensation level, the \$105,425, is within reason of the compensation

level of a pilot. In the Columbia Rive it is \$107,000 or whatever, and in Alaska it is \$180,000 or \$200,000 or whatever. On these pilotage grounds \$105,425 is a basic general compensation level for a pilot.

COMMISSIONER RICHMOND: I am not saying it isn't necessary, but I am saying that it is not the way it was put into law. That is not the way we have acted on it.

COMMISSIONER SHEARER: The point is to make these guys try to save money because they can't save in on their own.

CHAIRMAN WHITE: Well, I think that is the one we should drop, and I think we should do that as soon as possible, but I don't think we should reflect it. I don't think it should be deducted from the \$105.425. I think that we should establish the \$200,000 program, keep that lid on it, and I think we ought to urge them to get together and figure out some solution or way that they can live within that or come up with something. For purposes of this a tariff, I think we should just go along with that.

COMMISSIONER FLAVEL: One of the things I would like this Board to recognize is when this cap, this \$200,000 cap was in effect, there was approximately 39 pilots in the organization that we are talking about. And now, you would be talking about 49. So it is not unreasonable that the cap be lifted. It is not unreasonable at all.

COMMISSIONER RICHMOND: It looks like we are going to be up to \$400,000 pretty soon.

COMMISSIONER FLAVEL: As I recall, there were 39 pilots at the time that went into effect.

COMMISSIONER RICHMOND: I have no problems saying the basic income of the pilots should be \$105,425. I have no problem leaving in this year's tariff a cap of \$200,000 with the proviso if they haven't come up with a retirement plan, a single retirement plan, by next year I would not support an expense towards...

COMMISSIONER FLAVEL: You know, that makes it pretty hard for planning purposes for somebody to try to put together a retirement package if you say it is all gone. That is a lot of money. That is an obligation.

COMMISSIONER RICHMOND: We are not going to take away their basic salary. This guy is still getting \$105,000 a year and if he

cannot figure out how to take care of his retirement he should not be piloting a ship. In fact, he probably shouldn't be crossing the street.

COMMISSIONER FLAVEL: Basically, what the pilots have done here is they have made an agreement among themselves, the present working active pilots, to pay retired pilots the compensation package, and they made these commitments.

COMMISSIONER RICHMOND: When they did that they probably retired one day with the limit of \$200,000 and they no longer are following that agreement.

COMMISSIONER FLAVEL: That's correct. Now, at that point in time there were 39 pilots and it is not unreasonable to think now you have 49 pilots. That cap eventually, everyone knew that eventually they would reach that cap and there would have to be some negotiations take effect.

COMMISSIONER ELLIS: No body knew there was going to be a cap.

COMMISSIONER RICHMOND: In ten years it may go to \$400,000. Who knows where it will go in 15 years.

COMMISSIONER ELLIS: OK, moving right along, we have agreed to the \$200,000 cap.

CHAIRMAN WHITE: The thing is, though, that in view of our discussion, where it says on an emergency basis we can eliminate that WAC and get rid of that \$9,000 fee.

COMMISSIONER FLAVEL: I want this Board to recognize that one plan is the official and recognize the expenses...

CHAIRMAN WHITE: Well, I think that is where we are leading. That is what we are suggesting, but the only thing is I have the feeling that perhaps the PSSOA and the pilots ought to get together and take an hour or take a day or take a weekend or whatever it is going to take to figure out if the shippers would be willing to remove that lid and to what extent. I don't think they are going to go 100 percent or at least I don't think they would. If you have a chance for the next several months to sit down and develop a new program or that kind of thing, but whether or not they would be willing to go for that lid being removed, I don't know.

COMMISSIONER RICHMOND It seems to me the pilots need a little more

assurance than the agreement they currently have.

COMMISSIONER SHEARER: The pilots did not even consult the operators when they developed this plan at all.

COMMISSIONER FLAVEL: That may have been the pilots mistake, but subsequent to that the pilots have had conversations with the PSSOA and they have been involved in these negotiations.

COMMISSIONER SHEARER: They made an agreement they would not exceed \$200,000.

COMMISSIONER FLAVEL: That is correct. At the time they had 39 pilots.

COMMISSIONER SHEARER: And we went along with that.

COMMISSIONER FLAVEL: Now, you have 49, or will have, 48 plus 1, 49.

CHAIRMAN WHITE: Captain Abney.

COMMISSIONER ABNEY: I just wanted to point out before we get away from this that the cost of this item per vessel is \$34.59 and it has remained about the same. The difference in the total amount is because there is more traffic than there was, but the cost per individual vessel is still just about the same as it always was. Viewed in that respect, it is not an increase.

COMMISSIONER RICHMOND: Multiply that by 8,615 movements and you have quite a figure.

CHAIRMAN WHITE: \$200,00 limit you mean? Or if it is unlimited?

COMMISSIONER RICHMOND: No, I mean to fund this thing involves all the way through from the time it began, which was in 1981 or 1982, was about \$34.59 per ship and it still is. It has remained the same so it is not increasing.

CAPT. M. GAVIN: I would like to point out we have already had one pilot die on this plan too.

COMMISSIONER ELLIS: That is the end of this plan. Could you have three plans? Four? There is supposed to be a new one developed.

CHAIRMAN WHITE: What does the Board want to do with this item regarding pensions?

COMMISSIONER ELLIS: I think that pretty much the operators agreed to a \$200,000 cap and now they are coming down asking an

increase. If they want to pare their retirement system down underneath the \$200,00 cap maybe they can do that.

COMMISSIONER FLAVEL: Part of the agreement was...I would recommend that we go to the 80 percent funding which is an extra \$29,000.

COMMISSIONER ELLIS: Next year it will be another \$39,000.

COMMISSIONER FLAVEL: No wait now. It has got to go up.

COMMISSIONER SHEARER: But in proportion to the number of pilots.

COMMISSIONER RICHMOND: You have a pension system here, which is one percent times the years of service, based on what the current share is and that just keeps going up and up and up. If I was an operator, I would say, hell no. We have got to have a system that at least locks them into a given figure. The year that Otis (Commissioner Abney) retires, if the pilot share is \$110,000, then he will get one percent of that times the number years. But it isn't going to be one percent times \$120,000 next year. You keep saying, well it may go down. But what the hell is going down. You look into the record.

(Tape 6, Side A ends)

(Tape 6, Side B)

COMMISSIONER ABNEY: What else would you review is you did not review the cap. That is all there is to review.

COMMISSIONER RICHMOND: I would never have signed that agreement. I don't think the agreement is valid. It has no term; it runs for no period of time.

CAPT. M. GAVIN: ...if I could finish. The operators did and the Commission approved the expense in the past.

COMMISSIONER RICHMOND: We put a cap on it last year.

CAPT. M. GAVIN: I understand that. We did, but it did not come up to the cap. This is the first time it has exceeded the cap. If the intent is to maintain this as a pension plan, but to limit it to \$200,000, that really just about destroys the spirit of the entire contribution of the thing from the pilots standpoint. There isn't much room for us to work with our retirees.

COMMISSIONER SHEARER: In relation to the percentage of increase in pilots

that would bring you up to about \$251,000. That is a cap. If we could move the cap up in a direct proportion to the amount of pilots increase.

CAPT. M. GAVIN: If we could see some type of direction to work towards.

COMMISSIONER SHEARER: ...all these people are going to be subject to retirement.

CHAIRMAN WHITE: Are you thinking about forgetting the \$200,000 pension program and then stick with the \$9,000 program?

COMMISSIONER RICHMOND: I prefer to see these people come in and just recommend that this WAC be deleted. Have a pension program set up with some expert help and say here is what it is going to take over the next 15 or 20 years, so much annually, you know, to pay these guys. And here are some of the conditions; such as at the time an individual retires his share will remain the same. It won't keep escalating either up or down.

CAPT. M. GAVIN: The thing that causes a problem, if at the same time you say you can institute a pension program and delete the other, but your pension program will be restricted to \$200,000. Something like Mr. Shearer said that if we analyze so the pilots can see a possible change.

COMMISSIONER RICHMOND: I am only saying restrict it this year. You have the same restriction last year, \$200,000 and you have the WAC \$9,000. I am just saying continue that for another year with the stipulation being that if you come here next year and you have not got an approved pension plan, approved by you, the people here, hopefully including Grays Harbor, and the Commission then I would be for not giving you anything in the pension.

CAPT. M. GAVIN: We would have to feel that the PSSOA would be willing to enter into an agreement.

COMMISSIONER RICHMOND: OK, let's assume that they are not willing to enter into it. Then you can come to the Commission and I think if you have a reasonable plan, we will agree to it whether they do or not.

CHAIRMAN WHITE: Captain Hunziker?

CAPT. C. HUNZIKER: I would just like to clear up to the Admiral that

this is the first year we have exceeded the \$200,000 cap. The \$200,000 cap is based on 80 percent of the gross payout in pension. It is either 80 percent of the gross payout in pensions or \$200,000, whichever is the lesser of the two, according to the agreement. Last year, the 80 percent of the gross payout of pension was \$196,800. This year 80 percent of the gross payout of pension would be \$129,192 (\$229,192). This is the first year that we have exceeded the \$200,000 and we have done so this year through payments to the retirees of \$29,192.

COMMISSIONER RICHMOND: I don't know why I have two sets of books, but looking at the back one here, Organization Expenses, the one that everybody initialed. Looking under pension, 1984 it says \$215,000; 1985, \$246,000.

CAPT. C. HUNZIKER: That is the gross. That is not 80 percent. What the PSSOA paid was 80 percent of that \$215,000.

COMMISSIONER RICHMOND: Your agreement calls for a maximum of \$200,00.

CAPT. C. HUNZIKER: Or 80 percent, whichever is the lesser.

COMMISSIONER RICHMOND: The lesser of 80 percent or \$200,000?

CAPT. C. HUNZIKER: No, the lesser, 80 percent or \$200,000.

COMMISSIONER SHEARER: Not to exceed \$200,000.

MS. MARGIE SMITCH: In 1984 it was \$215,000.

CAPT. C. HUNZIKER: This is the first year that this is has come above \$200,000.

COMMISSIONER RICHMOND: OK.

CAPT. C. HUNZIKER: When we presented our pension program here, we also presented it with a proviso to change the wording of the WAC to delete the references to retirement fund and retirement contribution. We did that after talking to a CPA, who indicated that until such time as we got a guarantee on the other pension, it would be ill advised to delete the wording from the WAC or to delete the WAC from existence.

COMMISSIONER RICHMOND: I am not recommending that we change the wording at this point in time. What I am recommending is that you come in with a pension plan and if you can't agree to that in time for next years' hearing...

COMMISSIONER SHEARER: Are you saying that this is the gross allowed and then the 80 percent of that...\$229,000 take away \$200,000 and that equals \$29,000 that you are over? Divide that by 49 pilots and that would equal \$595 per pilot, cost to you.

CAPT. C. HUNZIKER: We agreed to the 20 percent, but this is over and above that.

COMMISSIONER SHEARER: Correct.

COMMISSIONER FLAVEL: For a \$29,000 poker chip, I would recommend we accept the 80 percent of that number. Whatever the number was.

CAPT. M. GAVIN: \$3.52 a ship.

COMMISSIONER RICHMOND: That is fine, but there is no relation to this 8,615 movements though. When you multiply that by that you come up with a total...

CAPT. C. HUNZIKER: It would be less than \$3.52 a movement.

MR. H. SCHUYLER: Captain Abney, this pension plan in three years went up 44 percent. You made the statement that it goes up a little bit.

CAPT. M. GAVIN: We had a lot of people close to retirement age.

MR. H. SCHUYLER: We do now, too.

CAPT. M. GAVIN: They don't have the years of service.

(SEVERAL SEPARATE CONVERSATIONS OR GROUP DISCUSSIONS TOOK PLACE SIMULTANEOUSLY, PRECLUDING IDENTIFICATION OF INDIVIDUAL SPEAKERS AND/OR CONTENT)

COMMISSIONER FLAVEL: Let them work out something and come back to the Commission next year and say well, this what...

COMMISSIONER RICHMOND: OK, we got four votes.

COMMISSIONER ABNEY: I would like to make a little bit more of a stipulation on that, a little bit more of a restriction. I want to see that plan before rate time next year. How about six months before rate time?

COMMISSIONER SHEARER: Whenever they are ready.

Rate Committee. Everybody agreed to that, so that

is out.

Transportation for Seattle. That was agreed to delete that, right?

COMMISSIONER ELLIS: I have a question. I would to ask for a very short executive session.

COMMISSIONER SHEARER: Make a move. I second it.

MS. MARGIE SMITCH: We are going to discuss the B&O tax, but also at the same time we do not have to take another executive session, which I can foresee, we will also talk about the VICTORIA CLIPPER.

COMMISSIONER FLAVEL: The legal ramification of the VICTORIA CLIPPER I assume?

MS. MARGIE SMITCH: Right. Potential litigation involving the VICTORIA CLIPPER. This will take five minutes.

COMMISSIONER SHEARER: OK.

(EXECUTIVE SESSION OF THE BOARD OF PILOTAGE COMMISSIONERS)

COMMISSIONER RICHMOND: We were down to taxes, taxes on revenue.

COMMISSIONER FLAVEL: A legitimate part of the overhead.

CHAIRMAN WHITE: Although I think the shippers already made some arrangement on that.

COMMISSIONER FLAVEL: I believe that is legitimate business expense.

COMMISSIONER RICHMOND: Are you talking about the \$121,000? Plus the other two?

COMMISSIONER FLAVEL: B&O, yes. Well, two of these have been agreed to. It is just the \$121,000 in dispute, as I understand it.

COMMISSIONER SHEARER: That is correct.

COMMISSIONER RICHMOND: I buy that.

COMMISSIONER SHEARER: I guess the next one is repositioning of pilots.

COMMISSIONER RICHMOND: They both agreed to 90.

COMMISSIONER ELLIS: Is that e definite figure or is that just something they just reached out and agreed to?

CAPT. G. CRAMER: It is \$19,440 less than the exact figure.

COMMISSIONER SHEARER: It's an agreed to figure, an agreed to recommendation.

MR. H. SCHUYLER: Until we had another meeting yesterday after this other stuff, we wanted to implement a system where it would be paid transportation by receipt like everybody else has to do. This way we have to pay B&O tax on this when it is a transportation allowance.

COMMISSIONER RICHMOND: You just want to be assured that it comes up to \$90,000?

MR. H. SCHUYLER: No, what I am saying is that when it gets to Port Angeles that trip, they turn in their receipts with that trip receipt and pilots pay them from their office under reimbursed for transportation.

COMMISSIONER SHEARER: What is wrong with that?

CAPT. M. GAVIN: The B&O tax is \$1,350 for the entire year.

MR. H. SCHUYLER: This is a \$6,000 saving.

CAPT. M. GAVIN: You are going to end up spending it.

MR. H. SCHUYLER: We have cut back all the way, too, and we are losing \$122 million this year.

COMMISSIONER ABNEY: Well, what I mean to say is those five people are paying us full load now and without somebody...

MR. H. SCHUYLER: Cutting back in every department in our company, Captain.

COMMISSIONER ABNEY: It doesn't make any difference as to what I am saying. With five people you can only stretch them so far.

MR. H. SCHUYLER: You pay the guy for his trip. Why can't you pay him for his transportation?

COMMISSIONER ABNEY: I don't have any objection to that except the administrative part. I don't see how our people could do it. Captain Trimmer would know.

CAPT. M. GAVIN: Our office does right now. Monthly they send us that in our pay check.

COMMISSIONER SORIANO: You have to have a receipt. You ride the bus, they

pay you for the bus; you ride the plane, they pay you for the plane. They are not going to pay you \$90,000.

COMMISSIONER ABNEY: There is nothing wrong with that except the administrative...

CHAIRMAN WHITE: Wait a minute! Conclude your remarks and we can ask Captain Kromann to speak.

CAPT. R. KROMANN: OK. I would just like to point out real vividly, I hope, that our office staff has worked at about 110 percent of what they are capable of doing right now. If there are going to be more receipts that are going to come through our office, we are going to have to hire one more person to take care of this kind of stuff. We just can't have all these receipts coming back. It is real easy to say keep track of this, keep track of that. We have a finite amount of people and we have a finite amount of labor and if this is what is going to take place, fine, but we want to add one more person to our office staff to help counter this. We can't just keep accepting this burden, do this, do that, without having some kind of input from the other end.

COMMISSIONER RICHMOND: Well, Bob, frankly, the whole transportation bother me. It is like the young lady from ARCO said, the guy gets paid double and he never leaves Cherry Point or March Point. I, frankly, think people should be paid for their transportation, but they should not be paid if they do not travel.

CAPT. R. KROMANN: Admittedly, it happens once in a while. OK. But as it was mentioned here earlier, in 1982 I believe it was, we went to a chit system involving the Vancouver routes. It got to be such a hassle. From the operators standpoint, I understand, they could not identify which ship it was going to go to. By the time the chits came in, the ships were gone, the books had been closed and it was about five months when they said stop and we won't know anymore.

COMMISSIONER RICHMOND: It doesn't really matter to me, and I don't know how the operators feel about it, but you could hire a bookkeeper for \$23,000 and verify all of these things. What happens now, if you look at the transportation expenses for the members of the Association, they average somewhere maybe around \$12,000 or \$13,000, but you have people with

\$23,000.

CAPT. M. GAVIN: You have been misled there. Transportation expenses are high. The fact is we are going out of schedule in everything on plane and the whole works out in Port Angeles.

COMMISSIONER RICHMOND: I am not just talking about Port Angeles.

CAPT. R. KROMANN: I would also like to vividly point out, I hope, that if we go to a chit system, taxi cabs will be the first to find out about it and if you think you are paying a lot now, you are going to pay a lot more in the future. One thing we have consciously done is stay away from the taxi cabs as transportation. We have not talked to them for about three or four years, and you notice their tariff has stayed the same. In fact, in Tacoma we are not even breaking even on it right now. We chose to stay away from them because as soon as they get wind of an increase possibility, boy, their rates go right up too. If you have a chit system, the word is out on the street and pretty soon they charge us whatever it amount to we are going to get reimbursed.

COMMISSIONER RICHMOND: This is the only system I know of where you can travel and you don't have to provide any verification. I don't know what happens if IRS suddenly says, hey, where is it?

CAPT. M. GAVIN: All the waterfront industry, as far as shipboard type personnel, all travel this way.

ABSTRACT OF MINUTES
BOARD OF PILOTAGE COMMISSIONERS
DECEMBER, 1986 RATE HEARING

(TAPE 6, Side B)

.....

CAPT. M. GAVIN: If we could see some type of direction to work towards.

COMMISSIONER SHEARER: ...all these people are going to be subject to retirement.

CHAIRMAN WHITE: Are you thinking about forgetting the \$200,000 pension program and then stick with the \$9,000 program?

COMMISSIONER RICHMOND: I prefer to see these people come in and just recommend that this WAC be deleted. Have a pension program set up with some expert help and say here is what it is going to take over the next 15 or 20 years, so much annually, you know, to pay these guys. And here are some of the conditions; such as at the time an individual retires his share will remain the same. It won't keep escalating either up or down.

CAPT. M. GAVIN: The thing that causes a problem, if at the same time you say you can institute a pension program and delete the other, but your pension program will be restricted to \$200,000. Something like Mr. Shearer said that if we analyze so the pilots can see a possible change.

COMMISSIONER RICHMOND: I am only saying restrict it this year. You have the same restriction last year, \$200,000 and you have the WAC \$9,000. I am just saying continue that for another year with the stipulation being that if you come here next year and you have not got an approved pension plan, approved by you, the people here, hopefully including Grays Harbor, and the Commission then I would be for not giving you anything in the pension.

CAPT. M. GAVIN: We would have to feel that the PSSOA would be willing to enter into an agreement.

COMMISSIONER RICHMOND: OK, let's assume that they are not willing to enter into it. Then you can come to the Commission and I think ~~PSP~~ ^{PSP} 004584 you have a reasonable plan, we will agree to it whether they do or not.

STATE OF WASHINGTON BOARD OF PILOTAGE COMMISSIONERS

DECEMBER 11 and 12, 1986 HEARINGS & MEETING

Colman Dock

Seattle, Washington

A public hearing of the Board of Pilotage Commissioners was called to order at 8:10 a.m., by the Chairman in the Eikum Conference Room.

In attendance were Chairman White, Commissioners Shearer, Ellis, Richmond, Flavel, Abney, and Soriano; Assistant Attorney General, Marjorie Smith; and the Secretary. Also present were Captains J.W. Trimmer, President, W.A. Bundren, M.T. Gavin, R.N. Kromann, C.C. Hunziker, G.A. Cramer, D.J. Kelly, Port Angeles Pilots Association; Captains J.M. Hoyne, President and B.L. Watson, Grays Harbor Pilots Association; Gene Baxstrom and Brad Lovaas, Legislative Transportation Committee staff; John Paul Jones III, Senate Democratic Caucus; Warren Johnson, Jan de Rek, Hal Schuyler and Art Schroeder, Puget Sound Steamship Operators Association; Thomas Pappas, Chevron Shipping Co.; Laura Gissen, ARCO Marine, Inc.; Jimm Sweet, Compass Marine (USA); Leonard Tall and Jim Boldt, Clipper Navigation; Jim Jackson, Port of Olympia; RADM H.W. Parker, Washington State Ferries; James Dubuar, attorney representing Port Angeles Pilots Association; and Bruce Sherman, Seattle Post-Intelligencer.

HEARING - WAC 296-116-185: GRAYS HARBOR PILOTAGE DISTRICT TARIFF

Chairman White opened the public hearing by receiving oral testimony from the Grays Harbor pilot representatives, shipping representatives and audience participants. The pilots and shippers each made recommendations for an upward adjustment in the tariff of approximately 18%. This new tariff would allow for a salary of \$105,425 for each of the four pilots. Current projected vessel arrivals for 1986 of 162, fell short of the 202 used in the development of their tariff. This is also the forecast for 1987; so in order to achieve the \$105,425 targetted income, the tariff would require an upward adjustment of the revenue generating items. The P.S.S.O.A. is in agreement with the Grays Harbor Pilots that the 1986 incurred expenses and the 1987 projected expenses appear to be reasonable. It was moved by Commissioner Shearer and seconded by Commissioner Abney to conclude the public tariff hearing. The motion carried.

HEARING - WAC 296-116-300: PUGET SOUND PILOTAGE DISTRICT TARIFF

Chairman White opened the public hearing at 10:00 a.m. by receiving oral testimony from Port Angeles pilot representatives, shipping representatives and audience participants. The shippers and pilots made individual recommendations for a proposed tariff adjustment. There are several areas of expenses which were in disagreement along with the total number of annual vessel assignments, the number of pilots and the percentage of tariff adjustment. It was decided to discuss each disputed item in regular session in order to take Board action for final tariff adjustments. It was moved by Commissioner Shearer and seconded by Commissioner Richmond to conclude the public tariff hearing. The motion carried.

Lunch recess was from 12:00 to 1:00 p.m.

REGULAR MEETING

The regular meeting was convened by the Chairman immediately following the hearing at 2:10 p.m. It was moved by Commissioner Ellis and seconded by Commissioner Shearer that the minutes for the November 13, 1986 meeting be approved. The motion carried.

OLD BUSINESS

Update: Department of Ecology Oil Spill Advisory Committee. The Department of Ecology Oil Spill Advisory Committee has concluded its study at the November 17th meeting in Olympia. They will now formalize their findings and recommendations in a report to the 1987 Legislature.

Update: Legislative Interim Study. The Legislative Interim Study Committee will be concluding its study of pilotage issues at its final meeting on December 17th in Olympia. They will be developing final recommendations to the 1987 Legislature.

Mishap Report: BUNGA KANTAN - Captain J.P. Osnes, 2-26-86. This matter will be continued until such time as the Coast Guard has closed the case and the report has been made available to the Board.



December 11 and 12, 1986 Minutes
Page Two

NEW BUSINESS

Mishap Report: NEW JADE - Captain L.D. Thorsen, 11-16-86. Captain L.D. Thorsen encountered a gillnet in the vicinity of Possession Head while approaching Everett. It was moved by Commissioner Richmond and seconded by Commissioner Abney that this matter be declared an incident. The motion carried with Commissioner Ellis opposed.

Mishap Report: PRESIDENT HARRISON - Captain R.O. Watkins, 11-29-86. This matter will be held over until the January meeting in order to give the Board sufficient time for discussion of this matter.

1987 Puget Sound Pilotage Examination. Public notice has been published announcing a Puget Sound Pilotage District examination scheduled for March 25 - 27, 1987. Applications are now being accepted until the closing date of February 25, 1987. Both administrators from the 1985 Puget Sound examination, Captain Bill Henshaw and Captain Phil Luther, have been asked again, to provide their services for the administration of the 1987 examination. Commissioner Richmond will also be available to work with the two retired pilots to assure an understanding of the Board's requirements and philosophy of the examination. Review of applications for approval will begin at the January meeting.

Physical Examinations. The physical examinations for Captains A.L. Fosse, M.T. Gavin, C.L. Johnson, L.M. Mathisen, F.L. Michelson and D.B. Soriano were noted and ordered filed.

It was moved by Commissioner Ellis and seconded by Commissioner Flavel that the January meeting be held on the third Thursday, January 15th, due to the busy schedule of the holiday season. The motion carried.

Miscellaneous correspondence was reviewed. Chairman White is still corresponding with NOAA on behalf of Livingston, Inc. for purposes of obtaining tidal information at the Anacortes refineries.

- **Consideration of Puget Sound and Grays Harbor Pilotage Districts Tariff Hearings.** After all input was received through the public hearing process the Board discussed expenses of each pilot group in detail. Grays Harbor proposed expenses totalling \$350,086 were reduced by \$5,670 to a new total of \$344,416. Categories amended were: insurance for legal purposes and dues and subscriptions. Puget Sound District pilots' expenses were lowered nearly \$255,000 in some major areas such as: license insurance, disability insurance, attorney fees, consulting fees, pensions and Seattle transportation. By reducing these expenses the Board is not saying they aren't legitimate business expenses but, that the pilot shall be responsible for payment rather than passing it on to the shipper. The pension item for Port Angeles Pilots shall remain as is with the \$200,000 ceiling but the Board is requesting the development of a single, acceptable pension program prior to the next annual tariff hearing. It was moved by Commissioner Ellis and seconded by Commissioner Shearer to go into executive session for five minutes. The motion carried.

EXECUTIVE SESSION

The executive session convened at 3:15 p.m. for the purpose of receiving legal advice. In attendance were Chairman White, Commissioners Shearer, Ellis, Richmond, Flavel, Abney and Soriano, the Assistant Attorney General, Marjorie Smitch and the Secretary.

The regular meeting was reconvened by the Chairman immediately following the executive session at 3:20 p.m.. Discussion continued in an effort to reach an agreeable method of determining projected annual vessel movements. It was moved by Commissioner Shearer and seconded by Commissioner Flavel to continue with "the formula" used last year to determine a 1987 projection. The motion carried with a vote of five in favor and two opposed. Based on the formula, the shippers project 8,283 vessel assignments in 1987 (including Victoria Clipper sailings) as compared to the pilot's projection of 8,159 (excluding Victoria Clipper sailings). It was moved by Commissioner Shearer and seconded by Commissioner Richmond that the agreed upon number of 1987 projected vessel assignments be 8,283. The motion carried with a vote of six in favor and one abstention. It was moved by Commissioner Flavel and seconded by Commissioner Ellis that the number of jobs per pilot remain at 178. The motion carried with a vote of six in favor and one opposed. This number will be considered at more length at future tariff hearings.

It was moved by Commissioner Ellis and seconded by Commissioner Shearer that the meeting be adjourned for the day and continued at 10:00 a.m., Friday, December 12th. The motion carried. Adjournment was at 4:00 p.m..

REGULAR MEETING (continued) Friday, December 12, 1986

The regular meeting of the Board of Pilotage Commissioners was called to order at 10:05 a.m., by the Chairman in the Eikum Conference Room. All Commissioners were present.

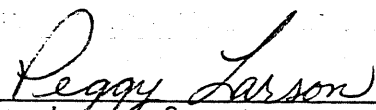
Consideration of Puget Sound and Grays Harbor Pilotage Districts Tariff Hearings (continued). The Board continued its question-and-answer process to obtain agreed upon factors for development of the 1987 tariff. The Grays Harbor proposal was accepted with a couple of modified factors: the expenses were reduced to \$344,416; the anticipated gross revenue was adjusted to \$646,896; the number of projected vessel arrivals is 182; and the annual salary will remain at \$105,425 per pilot. It was moved by Commissioner Flavel and seconded by Commissioner Shearer that the 1987 Grays Harbor revenue generating tariff items be adjusted upwards by 18.43% in order to provide an annual salary for four pilots of \$105,425 each. The motion carried unanimously.

It was moved by Commissioner Ellis and seconded by Commissioner Richmond to keep the 1987 Puget Sound tariff the same as 1986 except for increasing the number of pilots from 46 to 48. The motion failed with a vote of two in favor and five opposed. Consideration of the Puget Sound District tariff was based on the revisions made by the Board during discussions held Thursday and Friday. The expenses were reduced to \$2,028,126; the number of projected vessel assignments in 1987 is 8,283; the annual salary will remain at \$105,425; the number of pilots will increase from 46 to 48 and the workload will remain at 178. It was moved by Chairman Ralph White and seconded by Commissioner Abney that the 1987 Puget Sound tariff be adjusted upward by 1.8%, based on 48 pilots and that the Victoria Clipper item not reflect the adjustment but remain the same as the existing, 1986 tariff. The motion carried with a vote of six in favor and one opposed.

The 1987 tariff revisions for both pilotage districts will become effective 30 days after filing with the code reviser.

It was moved by Commissioner Shearer and seconded by Commissioner Ellis that the meeting be adjourned. Adjournment was at 12:55 p.m..


Respectfully submitted,

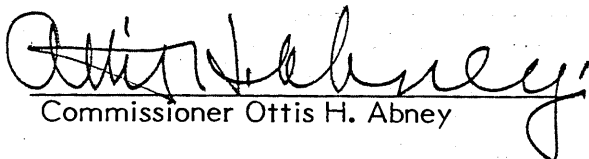

Peggy Larson, Secretary

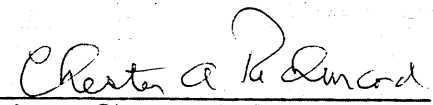

Ralph E. White, Chairman


Commissioner Burt A. Shearer


Commissioner Melvin R. Flavel


Commissioner William P. Ellis


Commissioner Ottis H. Abney


Commissioner Chester A. Richmond


Commissioner Amigo Soriano