



STATE OF WASHINGTON  
**BOARD OF PILOTAGE COMMISSIONERS**

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**Puget Sound Pilotage Tariff  
Training Surcharge/Trainee Stipend Increase Request**

**OBJECTIVE**

At the September 19, 2019 monthly meeting of the Board of Pilotage Commissioners (BPC), the Board authorized an increase in training stipends from a maximum \$6,000/month to a maximum of \$8,000/month, in accordance with WAC 363-116-078(10)(a). Justification for this action is provided in this document.

In addition, the BPC requested that Puget Sound Pilots (PSP) include the request in their forthcoming 2019 tariff filing to the Utilities and Transportation Commission (UTC) pursuant to WAC 480-07-525(4)(r). BPC recommends increasing the Training Stipend Surcharge from \$15.00 per trainee per assignment, to \$19.00 per trainee per assignment, which would provide for the stipend increase and provide additional funding for the BPC's Pilot Training Program. The BPC also recommends that the UTC consider including, in the Puget Sound Pilotage District Tariff (PSPD) Training Stipend Surcharge, a mechanism for automatic increases, such as change in the Consumer Price Index (CPI).

**SUMMARY**

The mission of the BPC is to ensure against the loss of lives, loss of or damage to property and vessels, and to protect the marine environment by maintaining efficient and competent compulsory pilotage services in Washington waters; and not to place in jeopardy Washington's position as an able competitor for waterborne commerce from other ports and nations of the world, but rather to continue to develop and encourage such commerce.

The BPC's Pilot Training Program, as provided in RCW 88.16-090 and WAC 363-116-078, is a key BPC program that supports this mission. Once successful candidates from an exam are called into the Pilot Training Program, they begin training on a rigorous full-time schedule and must resign from all other employment. Pursuant to WAC 363-116-078, the BPC currently pays up to \$6,000/month in stipends to trainees while they are in program as long as the trainee meets the minimum monthly requirements, as determined by the Board's Trainee Evaluation Committee (TEC).

At the August 15, 2019 monthly meeting of the BPC, the TEC recommended that the Board

consider increasing the stipend due to cost of living increases in the area and to remain competitive with other pilotage districts.

## **BACKGROUND**

The Puget Sound Pilotage Tariff, WAC 363-116-300, includes a Training Surcharge:

### **Training Surcharge:**

On January 1, 2011, a surcharge of \$15.00 for each pilot trainee then receiving a stipend pursuant to the training program provided in WAC 363-116-078 shall be added to each pilotage assignment.

This surcharge funds the BPC's training program. Ten of the fifteen dollars of the surcharge is the pass-through cost of stipends, paid to qualifying trainees. Initially, the stipend surcharge was based on 7,200 assignments per year to break-even. The remaining five dollars, which became effective in 2011, funds the BPC's training program, including exams and training equipment. The \$6,000/month stipend was codified by the Board in October 2005 and has remained unchanged since that time.

Trainees are not employees of the BPC or the State of Washington. The stipends they receive are to assist with living costs while in the Pilot Training Program. Stipends are not a payment for a service, as trainees are learning to pilot, not providing a service to the state. In addition, trainees are responsible for obtaining their own health insurance. The BPC and the State of Washington do not offer benefits as a part of the training program in the Puget Sound Pilotage District (PSPD). Trainees in the Grays Harbor Pilotage District (GHPD) are employed by the Port of Grays Harbor and do not receive a training stipend from the BPC.

## **TRAINING PROGRAM STATUS AND FUTURE**

The PSPD training program is limited to 36 months. Most trainees complete the program in 16-20 months. The number of trainees in the Pilot Training Program has increased in the last couple of years due to several factors. Those factors include the 2019 legislative increase in the mandatory rest period between assignments from 7 hours to 10 hours, the BPC's recent decision to increase the number of authorized licenses in the PSPD from 52 to 56, and a high number of retirements of active pilots. For the past year, the Pilot Training Program has had 10 trainees at a time. Based on projected vessel traffic, available trips for training, and Board staff workload, the TEC has determined that 10 is the maximum that the training program can sustain at a time. The increased number of trainees in the PSPD training program has led to additional financial hardships on the trainees, including having to pool resources to rent a house near the Port Angeles pilot station due to lack of adequate space to rest at the pilot station.

A strong pool of highly qualified pilot aspirants is imperative to filling available and authorized pilot positions. In order to attract the mariners required, Washington State needs to remain competitive with other pilotage districts, and specifically west coast pilotage districts.

The BPC anticipates holding another pilot exam in late 2020 or early 2021. It is projected that those on the 2018 exam waiting list will be brought into the training programs for either the PSPD or the GHPD by then.

**RATIONALE FOR STIPEND INCREASE**

The pool for qualified mariners to enter the pilotage pipeline is a small one. Pilotage districts, especially on the west coast, are typically in competition with each other for the same qualified aspirants. The BPC does not have specifics for each candidate's decision to train in either district. However, we are aware of several factors that go into the decision including pay, cost of living, schedule, rank on the waiting list, and familial ties.

According to the Council for Community and Economic Research<sup>1</sup>, Seattle is the fifth most expensive city in the U.S., as indicated below:

**The Ten Most and Least Expensive Urban Areas  
in the Cost of Living Index (COLI)  
First Quarter 2019  
National Average for 257 Urban Areas = 100**

Most Expensive			Least Expensive		
Ranking	Urban Areas	COL Index	Ranking	Urban Areas	COL Index
1	New York (Manhattan) NY	238.4	1	Hartingen TX	74.7
2	San Francisco CA	200.1	2	McAllen TX	75.9
3	Honolulu HI	192.9	3	Kalamazoo MI	76.4
4	New York (Brooklyn) NY	188.4	4	Memphis TN	79.3
5	Seattle WA	159.4	5	Richmond IN	80.3
6	Washington DC	158.4	6	Joplin MO	80.7
7	Oakland CA	158.2	7	Tupelo MS	81.7
8	Boston MA	153.5	8	Fayetteville AR	81.9
9	Orange County CA	151.4	9	Conway AR	81.9
10	Arlington VA	151.1	10	Pittsburg KS	82.1

(The Council for Community and Economic Research Graphic)

In addition, per the Bureau of Labor Statistics, prices for goods and services are 31% higher in 2019 than in 2005, when the \$6,000 stipend was first implemented. The Bureau's CPI Inflation Calculator<sup>2</sup> indicates that \$6,000 in 2005 is the equivalent to \$7,878 in 2019.

Recently, the California Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (BOPC) increased their training stipend from \$6,000/month to \$7,000/month. In their Trainee Stipend Staff Report, the rationale included the following cost of living comparison<sup>3</sup> between major west coast port cities.

BOPC City/Region	Comparison City/Region	Lower Comparison City/Region Cost of Living <sup>3</sup>
OAKLAND-HAYWARD-BERKELEY CA METRO DIV.	HOUSTON-THE WOODLANDS-SUGAR LAND TX METRO - HOUSTON TX	-33.2%
	LOS ANGELES-LONG BEACH-GLENDALE CA	-4.56%
	PORTLAND-VANCOUVER-HILLSBORO OR-WA METRO	-11.9%
	SEATTLE-BELLEVUE-EVERETT WA METRO DIV. - EVERETT WA	-22.29%
	SEATTLE-BELLEVUE-EVERETT WA METRO DIV. - SEATTLE WA	-4.56%

The Seattle-Bellevue-Everett WA Metro Div – Seattle, WA is not far behind the Oakland-Hayward-Berkeley CA Metro Div, at -4.56%.

<sup>1</sup> Data obtained from <https://www.geekwire.com/2019/cost-living-study-ranks-seattle-fifth-expensive-u-s-city-live/>

<sup>2</sup> Data obtained from [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm)

<sup>3</sup> From BOPC's Trainee Stipend Staff Report as presented to the BOPC on July 23, 2019

Washington's pilotage districts are in direct competition with California districts, and more specifically with San Francisco. Two successful candidates from the BPC's 2016 Exam accepted training positions in San Francisco. In addition, there are at least two successful candidates from the BPC's 2018 Exam that were also successful in San Francisco's most recent exam and are on both waiting lists to be called into training.

In looking at other west coast pilotage groups, BPC, through the San Francisco BOPC's Trainee Stipend Staff Report and through direct conversations, found that:

- The Oregon Board of Maritime Pilots does not pay stipends to trainees in their training for both the Columbia River Pilots or Columbia River Bar Pilots. The trainees contract with the pilot associations themselves and are paid a share of the pilot's earnings while training<sup>4</sup>.
- The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun recently increased their monthly training stipend from \$6,000/month to \$7,000/month
- Los Angeles Port Pilots are county employees and are paid a county salary with full benefits to train, similar to the Grays Harbor Pilotage District in WA State.<sup>5</sup>
- As far as we know, the Alaska Board of Marine Pilots does not pay a stipend to trainees during training. BPC staff is working to confirm this assumption.

**PSPD PILOTAGE TARIFF INCREASE**

The 2018 Legislative Session resulted in a transfer of the pilotage rate setting responsibility from the BPC to the Utilities and Transportation Commission (UTC), as of July 1, 2019. The BPC is considered a special advisor to the UTC, not a stakeholder. As a result, the BPC cannot petition the UTC for a change in the pilotage tariffs. This request must come from stakeholders. The BPC is requesting that Puget Sound Pilots include this Training Stipend Surcharge increase request in their 2019 pilotage tariff filing to the UTC.

The table below indicates potential revenue collected through increases in the Training Surcharge and increased stipend pass-through to trainees. These calculations assume 7,300 pilotage assignments per calendar year and 10 trainees in the program. Actual numbers may vary:

Training Surcharge	Total Revenue For 10 Trainees @7300 Assigns	Pass-through Revenue	Stipend-only Pass-through Calculation	Monthly Stipend per Trainee	Total Stipends Paid to Trainees	Remaining Surcharge Funds for Training Program	Remaining Funds for Training Program Related Expenses
Current Training Surcharge @ \$15.00 (\$10 pass-through)	\$1,095,000	\$730,000	10 trainees x \$10.00 x 7300 assignments	\$6,000	\$720,000	10 trainees x \$5.00 x 7300 +/- variations	\$375,000

<sup>4</sup> From BOPC's Trainee Stipend Staff Report as presented to the BOPC on July 23, 2019

<sup>5</sup> From BOPC's Trainee Stipend Staff Report as presented to the BOPC on July 23, 2019

<b>Training Surcharge</b>	<b>Total Revenue For 10 Trainees @7300 Assigns</b>	<b>Pass-through Revenue</b>	<b>Stipend-only Pass-through Calculation</b>	<b>Monthly Stipend per Trainee</b>	<b>Total Stipends Paid to Trainees</b>	<b>Remaining Surcharge Funds for Training Program</b>	<b>Remaining Funds for Training Program Related Expenses</b>
<i>Proposed Stipend Surcharge @ \$19.00 (\$13.50 pass-through)</i>	<i>\$1,387,000</i>	<i>\$985,500</i>	<i>10 trainees x \$13.50 x 7300 assignments</i>	<i>\$8,000</i>	<i>\$960,000</i>	<i>10 trainees x \$5.50 x 7300 +/- variations</i>	<i>\$427,000</i>

The training program-related expenses paid for by the remaining \$5.00 of the training surcharge include the pilot exam, portable piloting units (PPUs), Train-the-Trainer courses and materials, legal fees associated with the training program, expenses paid to Trainee Evaluation Committee members to attend meetings, and any other costs associated with the program. The additional \$5.00 remaining surcharge was added to the Puget Sound Pilotage District tariff in January of 2011 and has remained unchanged.

However, Pilot Training Program expenses have increased over the years. The total exam cost has been higher in recent years as the BPC has absorbed more of the cost, passing less onto applicants making it more affordable and equitable. In addition, the BPC assumed responsibility of providing Portable Piloting Units (PPUs) to trainees from Puget Sound Pilots. Train-the-Trainer sessions were improved and are being held more frequently due to the 2017 Pilot Training Program psychometric validation and enhancement effort. The Trainee Evaluation Committee has identified additional areas where the Pilot Training Program could grow, including simulator training. Increasing the additional \$5.00 in the surcharge by twenty-five or fifty cents per trainee could provide the BPC with some extra funding to continue to expand the Pilot Training Program, continuing to make it a first rate program.

### **CONCLUSION**

Due to our area's cost of living increases, an increase in authorized pilot licenses, changes in rest rules, retirements, and a small pool of qualified pilot aspirants, it is imperative that Washington State's pilotage districts continue to attract pilot aspirants by offering a first-rate pilot training program and reducing the financial burden on trainees during this critical phase in their careers. It is also imperative that the BPC receive the necessary funding for the training program in order to prepare pilot trainees for piloting in Washington's inland waters.