

ISSUED: April 8, 2009

BEFORE THE BOARD OF MARITIME PILOTS
OF THE STATE OF OREGON
BP-8

IN THE MATTER OF THE PETITIONS)
OF THE COLUMBIA RIVER)
STEAMSHIP OPERATORS) FINAL BOARD
ASSOCIATION AND THE COLUMBIA) ORDER 09-01
RIVER BAR PILOTS FOR A CHANGE)
IN PILOTAGE RATES)

DISPOSITION: CHANGES TO AUTOMATIC TARIFF ADJUSTMENT MECHANISM APPROVED

1. PROCEDURAL HISTORY

On April 7, 2008, the Columbia River Bar Pilots (“CRBP”), the Columbia River Steamship Operators Association (“CRSOA”), and the Ports of Longview, Vancouver and Portland (collectively the “Ports”) submitted a stipulation and supporting testimony to the Board of Maritime Pilots (“Board”) requesting changes to the Automatic Tariff Adjustment Mechanism originally adopted as an amendment to the Board’s Final Order 05-01. The Board met on April 8, 2009, and approved the requested changes to the tariff.

A. Stipulated Changes to the Tariff Adjustment

1. CRBP, CRSOA, and the Ports agreed to change the first page of the Automatic Tariff Adjustment Mechanism to the following:

AUTOMATIC TARIFF ADJUSTMENT MECHANISM

For the purposes of quarterly adjusting the number of pilots funded by the tariff and to calculate tariff charges, the parties agree to establish and maintain the following automatic adjustment mechanism. Adjustments will be based on the calendar year

quarter (ending on March 31, June 30, September 30 and December 31) immediately preceding the date of the applicable tariff adjustment and shall be effective on the fifteenth day of the month following the end of each quarter.

The adjustment mechanism will be based on changes in the following Key Inputs: vessel transits, billable vessels, average vessel draft, and average vessel gross registered tons (GRT). The quarterly adjustment will be based on projections of the Key Inputs. These projections will be made using the following Key Input Formula:

The projection of Key Inputs for vessel transits and billable vessels for any given year is equal to the actual number for those Key Inputs for the previous calendar year quarter multiplied by four and the projection of Key Inputs for average vessel draft and average vessel gross registered tons (GRT) for any given year shall be equal to the actual averages for the previous calendar year quarter.

2. In addition, for fully cellular container vessels only, the pilotage fee per one-way transit, inclusive of all tariff line items, shall be as follows: \$4,500 for container vessels equal to or greater than 40,000 GRT and \$2,700 for container vessels equal to or less than 39,999 GRT. GRT is to be calculated according to the International Maritime Organization convention based upon the vessel's registered gross tonnage. The parties agree that this change is necessitated by unique economic circumstances and is not to be deemed a precedent for rate setting purposes.

3. With the exceptions of the formula change set out in paragraph 1 above and the fixed rates for fully cellular container vessels set out in paragraph 2 above, the attached Exhibit A, a copy of the two-page Automatic Tariff Adjustment Mechanism adopted as an amendment to Final Order 05-01, remains in full force and effect.

4. The existing tariff for the Columbia River Bar pilotage ground should be changed utilizing the adjustments set out above and new pilotage rates should be approved and adopted by the Board and made effective as of midnight, April 9, 2009.

B. Findings of Fact:

1. Exhibit A-1, which is attached to the Affidavit of Captain Wayne Stolz, contains the shipping statistics for the Columbia River Bar pilotage ground during the last 27 months and sets out the Key Inputs for inclusion in the revised Automatic Tariff Adjustment Mechanism.

2. The shipping statistics for the Columbia River Bar pilotage ground show a dramatic decline in vessel traffic at the end of 2008 and continuing through the first quarter of 2009. The existing tariff for the Columbia River Bar pilotage ground, which was adjusted as of September 1, 2008, assumed vessel transits in the following year totaling 3,731 and that the tariff would collect approximately \$12.45 million in total revenues. The existing tariff also assumed that these revenues would be allocated between system expenses at \$7.66 million (61.4%) and pilot income/insurance/pension costs totaling \$4.8 million (38.6%) for 16.9 pilots.

3. The existing tariff for the Columbia River Bar pilotage ground is presently scheduled to stay in place without further adjustment until September 1, 2009. However, due to the dramatic decline in shipping now being experienced, the financial health of the system is placed at significant risk with projected revenues dropping 30 per cent to 35 per cent.

4. There is a strong public interest in prompt, safe and efficient pilotage service on the Columbia River Bar pilotage ground. Changing the Automatic Tariff Adjustment Mechanism in the existing tariff to make adjustments on a quarterly basis using the figures for shipping traffic experienced in the immediately preceding quarter will mitigate the substantial loss in pilotage revenue that would otherwise be experienced.

5. The global containerized shipping business is in a significant downward cycle characterized by suspension of service, service rationalization, elimination of ports of call and

idling of vessels. To help address the cost burdens affecting the container trade, establishing fixed bar pilotage rates is reasonable and appropriate.

C. Conclusions of Law

1. Due regard has been given to each of the factors required to be considered for ratemaking under ORS Chapter 776 and OAR Chapter 856 Division 30.
2. The changes described in Section A above to the Automatic Tariff Adjustment Mechanism, originally adopted as an amendment to the Board's Final Order 05-01, and to the pilotage rates for container vessels are reasonable and just.
3. The new tariff rates for the Columbia River Bar pilotage ground as adjusted by the revised Automatic Tariff Adjustment Mechanism and for container vessels will go into effect as of midnight on April 9, 2009.

DATED this 8th day of April, 2009.

OREGON BOARD OF MARITIME PILOTS

Kim Duncan, Chair

NOTICE OF RIGHT TO APPEAL

You have the right to appeal this Order to the Oregon Court of Appeals pursuant to ORS 183.482. To appeal you must file a petition for judicial review with the Court of Appeals within 60 days from the day this Order was served on you. If you do not file a petition for judicial review within the 60-day time period, you will lose your right to appeal.

EXHIBIT A

AUTOMATIC TARIFF ADJUSTMENT MECHANISM

For the purposes of annually adjusting the number of pilots funded by the tariff and to calculate tariff charges, the parties agree to establish and maintain the following automatic adjustment mechanism. Adjustments will be based on the 12-month period ending on the April 30 immediately preceding the date of the applicable tariff adjustment.

The adjustment mechanism will be based on changes in the following Key Inputs: vessel transits, billable vessels, average vessel draft, and average vessel gross registered tons (GRT). The annual adjustment will be based on projections of the Key Inputs. These projections will be made using the following Key Input Formula:

The projection of a Key Input for any given year is equal to the actual number for the Key Input for the previous year adjusted by fifty percent (50%) of the difference (positive or negative) between the projection for the previous year and the actual number for the Key Input for that year.

Hypothetical examples of the application of the Key Input Formula are as follows:

Example 1: Vessel Transits		
Step 1	2001-02 Actual	4,000 vessel transits
	LESS	
	2001-02 Projection	-3,900 vessel transits
	Subtotal	100 vessel transits
	Divided by 2	50 vessel transits
Step 2	2001-02 Actual	4,000 vessel transits
PLUS	Adjustment	+50 vessel transits
	2002-03 Projection	4,050 vessel transits

Example 2: Average GRT		
Step 1	2002-03 Actual	25,000 average GRT
	LESS	
	2002-03 Projection	-26,000 average GRT
	Subtotal	-1,000 average GRT
	Divided by 2	-500 average GRT
Step 2	2002-03 Actual	25,000 average GRT
PLUS	Adjustment	-500 average GRT
	2003-04 Projection	24,500 average GRT

The Key Input Formula is intended to be used in conjunction with a Work Load Factor to determine the number of funded pilots. It is agreed that the Work Load Factor is 233.33 vessel transits per pilot. (This level corresponds with the determinations made by Order No. 05-01.) The number of funded pilots shall be calculated by dividing the vessel transit projection (derived by the Key Input Formula) by the Work Load Factor and adding one (1) to include the pilot administrator. A hypothetical application of the Key Input Formula and the Work Load Factor to determine the number of pilots funded by the tariff is as follows:

$$\frac{4,050 \text{ projected vessel transits}}{233.33} = 17.36 \text{ pilots} + 1 \text{ (Administrator)} = 18.36 \text{ pilots}$$

The parties agree that the number of pilots funded under this automatic adjustment mechanism may not necessarily correspond with the number Bar Pilot licensees authorized by the Oregon Board of Maritime Pilots. The Key Input Formula will also be used to develop projections for vessel transits, billable vessels, average vessel draft, and average vessel GRT, which will be used as Key Inputs to adjust all applicable tariff charges.