

**SENATE BILL REPORT**

**SB 6400**

**AS REPORTED BY COMMITTEE ON TRANSPORTATION, FEBRUARY 7, 1994**

**Brief Description:** Authorizing port districts to provide pilotage services in Grays Harbor.

**SPONSORS:** Senators Snyder and Owen

**SENATE COMMITTEE ON TRANSPORTATION**

**Majority Report:** That Substitute Senate Bill No. 6400 be substituted therefor, and the substitute bill do pass.

Signed by Senators Vognild, Chairman; Loveland, Vice Chairman; Drew, Haugen, Morton, Nelson, Oke, M. Rasmussen, Schow and Winsley.

**Staff:** Vicki Fabre (786-7313)

**Hearing Dates:** February 1, 1994; February 7, 1994

**BACKGROUND:**

Marine pilotage is the skill and discipline of navigating large ships in close proximity to shore, ports and other vessels. The Washington State Pilotage Act (Chapter 88.16 RCW) requires every vessel, except those involved in domestic shipping and those engaged in west coast, coasting trade (including British Columbia), to employ, for each port entered or exited, a local pilot familiar with the waters of that port. The act establishes pilotage districts for Puget Sound and Grays Harbor and Willapa Bay. Although, technically, pilots are independent contractors, they belong to associations operating in each of the districts. Currently, there are four pilots that belong to the Grays Harbor Bar Pilots.

The Board of Pilotage Commissioners is the state agency in charge of administering the Pilotage Act. Among its duties are the licensing of pilots and the establishment of rates for pilotage services. Under the tariff setting process, which occurs every spring, rates are established based upon an estimated number of vessels and the target compensation for the pilots (including their direct and indirect expenses). Since 1991, the board, in response to substantial declines in vessel traffic, has authorized several increases in the Grays Harbor tariff (12.9 percent in 1990, 27.4 percent in 1991 and 42 percent in 1993).

The downturn in vessel traffic in the harbor is due in large part to the restrictions on timber harvesting (habitat set asides). While efforts to diversify to nontimber cargo have been successful, opportunities to diversify into general cargoes are very price sensitive.

A 1993 study initiated by the Port of Grays Harbor, to determine the best means for insuring competitive pilot services, documented the historical trends of rates, pilot incomes, competitive port charges and pilotage assignments. The study found that the average log vessel has charges of \$2,688 each way per vessel arrival and departure, which is 66 percent greater than the west coast average. General cargo vessels have a charge of nearly \$3,911 each way, which is more than 74 percent greater than the west coast average. The port's study further indicates that high pilot rates could damage opportunities to diversify and make Grays Harbor less efficient and competitive than other ports. The study determined that the best method for improving pilotage service in Grays Harbor is to allow the port to hire pilots as port employees or under a contractual arrangement.

**SUMMARY:**

The Legislature finds that declining vessel calls in the Grays Harbor Pilotage District has impaired competitive pilotage service to waterborne commerce in the district and declares it is legislative intent to provide additional means of providing pilotage service in the district.

A countywide port district located within the Grays Harbor Pilotage District, by June 30, 1996, may provide pilotage service and can enforce mandatory pilotage service, in lieu of that imposed by the Board of Pilotage Commissioners (BPC) within the Grays Harbor Pilotage District.

Persons employed by a port to provide pilotage service must be licensed under the state Pilotage Act.

Before establishing pilotage service, a port must give at least 60 days written notice of its intent to the BPC and to pilots licensed as of December 31, 1993. A port must also offer annuities, benefits or other incentives to selected active pilots. Remaining pilots must be offered a contract or direct employment to pilot for the port in the Grays Harbor Pilotage District.

If the port and currently licensed pilots cannot agree on the terms of a contract or employment, a port district may petition the board to qualify and license a person(s) who has passed the Grays Harbor Pilotage District exam and who is on the waiting list for training. In the event there is no waiting list, the board must solicit applicants and offer an exam.

The BPC is restricted from licensing an additional pilot from Grays Harbor after February 1, 1994, or before June 30, 1996 unless a port providing pilotage service petitions the BPC to license an individual who has passed the exam and is on the waiting list for training for the Grays Harbor Pilotage District.

A port district offering pilotage service is authorized to adopt and amend rules of service, rates and tariffs, and can

adopt by reference the rules, rates, and tariffs of the BPC. These must be approved in open meetings of the port, ten or more days after publication and after notifying the BPC. A port is required to file its rules with the BPC at least 20 calendar days before they become effective. With the approval of five commissioners, the board may suspend the port district's rules for up to 30 days to determine if such rules impact or violate the laws governing safety, pilot licensure or the maintenance of records. After a hearing, the board may return the port's rules of service, specifying changes required to comply with safety, licensing, and reporting provisions.

The number of appointed commissioners on the BPC is increased from seven to eight to include a representative of a port district providing pilotage service.

**EFFECT OF PROPOSED SUBSTITUTE:**

Language giving the Port of Grays Harbor authority to provide pilotage services, and to adopt rules of service and rates is deleted.

The restriction on the authority of the Board of Pilotage Commissioners (BPC) to license additional pilots in the Grays Harbor Pilotage District is removed.

Language adding a port representative to the BPC is deleted.

A countywide port district, located in the Grays Harbor Pilotage District, is authorized to offer annuities and benefits or other incentives, to selected active pilots currently licensed for the Grays Harbor Pilotage District.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

Allowing the Port of Grays Harbor to institute and enforce mandatory pilotage services, in lieu of the Board of Pilotage Commissioners; adopt rates for such service; and reduce the number of pilots currently licensed to serve the Grays Harbor Pilotage District, will promote competitive pilotage service in the Port of Grays Harbor.

**TESTIMONY AGAINST:**

Other solutions to declining vessel calls and high tariffs in the Port of Grays Harbor are more effective. These include such things as downsizing the operational costs associated with pilotage services and reducing the pilots' annual target net income established in the rate-setting process.

Safety concerns require the number of pilots currently serving Grays Harbor to remain unchanged.

Other ports experiencing reductions in vessel traffic will seek similar legislation.

**TESTIFIED:** Clifford Muller, Port of Grays Harbor (pro); Max Vekich, Grays Harbor Bar Pilots Association (con); Capt. William Dietrich, Grays Harbor Bar Pilots Association (con); Erik Nordahl, PSSOA (con); Armand Tiberio, Board of Pilotage Commissioners (con)