

I N D E X

THE BOARD OF PILOT COMMISSIONERS OF THE PORTS OF HARRIS COUNTY, TEXAS

November 19, 2013

<i>Minute No.</i>	<i>Event/Action</i>
	General
	Chairman Longoria convened the meeting of the Board of Pilot Commissioners
	Minutes
(PB-2013-1119-01)	Approve the Minutes of the Board of Pilot Commissioners Meeting – October 22, 2013
	Chairman’s Remarks
(PB-2013-1119-02)	Chairman Longoria presented opening remarks
	Appearances
(PB-2013-1119-03A)	Chairman Longoria recognized Tom Sulkowski, Mediterranean Shipping Company, who addressed the Pilot Board
(PB-2013-1119-03B)	Chairman Longoria recognized Captain Robert Thompson, Houston Pilots, who addressed the Pilot Board
(PB-2013-1119-03C)	Chairman Longoria recognized Nathan Wesely, West Gulf Maritime Association, who addressed the Pilot Board
(PB-2013-1119-03D)	Chairman Longoria recognized Marius Sainter, CMA-CGM, who addressed the Pilot Board
(PB-2013-1119-03E)	Chairman Longoria asked if anyone else would like to address the Pilot Board; there was no response
	Pilot Matters
(PB-2013-1119-04)	Continued hearing to consider the Houston Pilots’ application to the Pilot Board for a change in pilotage rates effective January 1, 2014
(PB-2013-1119-05)	Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Harry L. Lydick, Jr.
(PB-2013-1119-06)	Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Michael J. Newingham

Minute No.

Event/Action

(PB-2013-1119-07)

Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Monte B. Warren

Adjourn the meeting of the Board of Pilot Commissioners

**Board of Pilot Commissioners for Harris County Ports
Public Meeting**

**Houston, Texas
November 19, 2013**

A public meeting of the Board of Pilot Commissioners for Harris County Ports (the "Pilot Board") was convened on November 19, 2013 at 11:11 a.m., at the Port of Houston Authority Executive Offices, Fourth Floor Boardroom, at 111 East Loop North, Houston, Texas 77029. The following Commissioners, staff, and counsel were present:

Janiece Longoria, Chairman
Theldon R. Branch, III, Commissioner
Dean E. Corgey, Commissioner
Clyde E. Fitzgerald, Commissioner
John D. Kennedy, Commissioner
Roy D. Mease, Commissioner
Leonard Waterworth, Secretary
Erik A. Eriksson, General Counsel and Assistant Secretary

Chairman Longoria called the meeting of the Pilot Board to order.

(PB-2013-1119-01) Chairman Longoria asked for a motion to approve the minutes of the Pilot Board's October 22, 2013 meeting. The motion was brought by Commissioner Branch, seconded by Commissioner Fitzgerald. Chairman Longoria, and Commissioners Branch, Corgey, Fitzgerald, Kennedy, and Mease voted Aye. Nays none. The minutes were approved as written.

(PB-2013-1119-02) Chairman's Remarks

Chairman Longoria reviewed the agenda items noting appearances and written submissions both from (i) the Houston Pilots requesting a pilotage rate increase and (ii) various parties both in support of and in opposition to the Pilots' request. She noted the purpose of the meeting was to allow oral presentations and inquired as to the time limit for appearances. Mr. Eriksson replied that pursuant to the rules promulgated by the Pilot Board, and information posted on the website, all presentations would be limited to five minutes.

Chairman Longoria clarified the order of appearances and explained that the process was to hear the presentations but the Pilot Board would not make a decision at that time. Mr. Eriksson confirmed that, and added that supplementary information could be provided by interested parties no later than December 2.

(PB-2013-1119-03) Appearances

(A) Chairman Longoria recognized Tom Sulkowski, Marine Operations Manager-Gulf Coast Region, Mediterranean Shipping Company ("MSC"), who addressed the Pilot Board.

Mr. Sulkowski, noted he was appearing on behalf of Christopher Parvin, the company's Vice President, who was unable to attend due to a schedule change. He referred to a letter written by Mr. Parvin previously sent to the Pilot Board.

Mr. Sulkowski went on to state that MSC requests that the Pilot Board, Houston Pilots, and industry members commit to reform the existing Pilot tariff, particularly the vessel unit versus cost per unit. He stated the current tariff was inequitable in that it favored smaller vessels, and penalized larger vessels. MSC also requested a complete review and overhaul of the current operating rules that govern the number of pilots onboard certain-sized vessels, wide-body vessels, daylight restrictions, etc. MSC believed the rules were impractical and placed an additional financial and operational burden on large container vessels in addition to the cost per unit tariff.

Mr. Sulkowski concluded his presentation by stating in order to facilitate trade and encourage other liners to call at the Port of Houston, MSC believed these issues must be addressed. Additionally, if a commitment could be obtained from the Pilots and Pilot Board regarding these issues, MSC would not oppose reasonable annual increases.

(B) Chairman Longoria recognized Captain Robert Thompson, Presiding Officer, Houston Pilots, who addressed the Pilot Board.

Captain Thompson stated he had been a pilot on the Houston ship channel for 27 years. He provided background of the volume of work the Pilots handle along the ship channel and details to support the proposal for a 3.5% rate increase, to be effective in 2014 pursuant to a 2011 agreement, adding that the increase had garnered ongoing industry support.

He reported that the Pilots continued to work on issues with stakeholders, such as expanding the business of the Pilots and the Port Authority, furthering value-added services for all port users, ensuring the competitiveness of the Port of Houston, and serving the public interest.

Captain Thompson went on to explain that coupled with the 2.5% rate increase in 2012, the proposed increase would average a 1.5% annual increase over four years. He stated overall revenue was expected to fall \$3.5 million from 2012 while expenses continue to increase. Captain Thompson provided an overview of transit costs and noted a rate increase would sustain performance and preserve the physical strength of pilots. He stated every Houston pilot measures their performance by safety and customer service-related feedback.

Captain Thompson noted that pilot rates in Houston were higher due to its uniqueness: a longer, narrower, and more difficult transit, with more traffic than other ports. In comparison to other ports, the Pilots believed their jobs were more difficult.

Captain Thompson concluded his presentation by stating that approval of the proposed tariff increase would be an investment in the future stability and flexibility required to meet future service demands of the Port of Houston, and maintain its number one status among ports.

(C) Chairman Longoria recognized Nathan Wesely, President, West Gulf Maritime Association, who addressed the Pilot Board.

Mr. Wesely noted he was not in opposition to the work of the highly skilled and trained Houston Pilots, agreed with Captain Thompson's assessment of the difficulty of maneuvering through the Houston Ship Channel, and stated the Pilots' work through the years had been remarkable. However, he believes the criteria had not been met for a rate increase. He moved on to provide an historical account of rate increases since the year 2000.

Mr. Wesely commented that while a 3.5% increase was not in itself substantial, it was when compared to what other pilot groups had received over the same time frame. He also provided a review of the previous rate application that was subsequently withdrawn.

The points he wanted the Pilot Board to consider relating to the rate increase were: (1) the costs per pilot (over \$500,000, compared to other pilot associations at less than \$300,000); (ii) projected costs, going from \$30 million to almost \$50 million; (iii) economic factors important to the Port of Houston and the need to remain competitive (i.e., a pilotage fee of over \$20,000 for a four hour (in and out) round trip of a large vessel); and (iv) compensation per Pilot totaling approximately \$750,000 per year for benefits and distribution.

Mr. Wesley requested the Pilot Board deny the proposal for a tariff increase and if the request was not denied to at least exercise oversight and further investigate the numbers referenced in his presentation.

(D) Chairman Longoria recognized Marius Sainter, CMA-CGM, who addressed the Pilot Board.

Mr. Sainter was in support of Mr. Wesley's comments and added that the Houston Pilots were doing a great job. He emphasized the need for the Port of Houston to remain competitive, noting a drop in volume at Bayport because other areas, like Mobile, Alabama, were getting vessel allocations that should have gone to Houston. He stated that CMA-CGM would not leave the Port of Houston because pilotage rates increased but still expressed a concern that it remained a competitive market. He also noted their company operates vessels worldwide and monitor rates closely, knowing exactly how

much the Pilots are paid, and stated the Port of Houston is 110% higher than Mobile and 89% higher than Savannah, which show more competitiveness.

Mr. Sainter said he would like to negotiate with the pilots in good faith. He stated that CMA-CGM had made unsuccessful attempts to negotiate over the past 2-3 months and that the rate increase will impact its ability to bring in ships. He noted their corporate office was not pleased with the tariff increase and wants to negotiate a tariff that is clean, upfront, and of benefit to all parties. Mr. Sainter concluded his presentation stating that their goal was for the pilots to be successful.

(E) Chairman Longoria asked if anyone else would like to address the Pilot Board; there was no response.

The Pilot Board then considered each Request for Pilot Board Action ("RPBA"), submitted by Chairman Longoria, and attached to these minutes as Exhibit "A."

(PB-2013-1119-04) RPBA F1 was presented, and a motion was made by Commissioner Branch to continue the hearing to consider the Houston Pilots' application to the Pilot Board for a change in pilotage rates effective January 1, 2014, seconded by Commissioner Fitzgerald. Chairman Longoria, and Commissioners Branch, Corgey, Fitzgerald, Kennedy, and Mease voted Aye. Nays none. RPBA F1 PASSED.

(PB-2013-1119-05) RPBA F2 was presented, moved by Commissioner Kennedy, seconded by Commissioner Branch. Chairman Longoria, and Commissioners Branch, Corgey, Fitzgerald, Kennedy, and Mease voted Aye. Nays none. RPBA F2 PASSED.

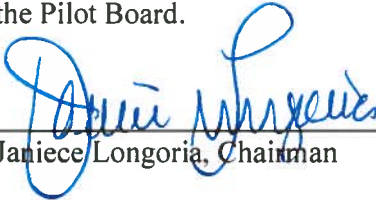
(PB-2013-1119-06) RPBA F3 was presented, moved by Commissioner Corgey, seconded by Commissioner Kennedy. Chairman Longoria, and Commissioners Branch, Corgey, Fitzgerald, Kennedy, and Mease voted Aye. Nays none. RPBA F3 PASSED.

(PB-2013-1119-07) RPBA F4 was presented, moved by Commissioner Mease, seconded by Commissioner Fitzgerald. Chairman Longoria, and Commissioners Branch, Corgey, Fitzgerald, Kennedy, and Mease voted Aye. Nays none. RPBA F4 PASSED.

Chairman Longoria commented no matters required the Pilot Board to meet in executive session.

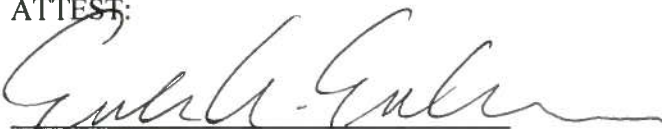
At 11:35 a.m. Chairman Longoria adjourned the meeting of the Pilot Board.

The above is a correct copy of the Minutes of the November 19, 2013 meeting of the Pilot Board.



Janiece Longoria, Chairman

ATTEST:



Erik A. Eriksson, General Counsel and
Assistant Secretary

Request for Board of Pilot Commissioners Action

Category: General	Agenda Date: November 19, 2013	Agenda Section: F - 1
From: Division: Legal Branch: Pilot Administration	Staff Contact: Erik Eriksson	
Summary Recommendation: Continued hearing to consider the Houston Pilots' application to the Pilot Board for a change in pilotage rates effective January 1, 2014.		
Background: <p>The Houston Pilots Licensing and Regulatory Act, Chapter 66 of the Texas Transportation Code (the "Act"), requires the Board of Pilot Commissioners for the Ports of Harris County (the "Pilot Board") to establish pilotage rates for the Ports of Harris County, as provided therein.</p> <p>By letter dated September 16, 2013, the Houston Pilots (the "Pilots") submitted an application to the Pilot Board for a change in such pilotage rates (the "Application").</p> <p>The Pilots have proposed (i) overall pilotage rate increases of three and one-half percent (3.5%), to be effective January 1, 2014, (ii) extending the "Pilot Away" grace period by 5 minutes to 35 minutes from first line "on a revenue neutral basis," (iii) adjusting cancellation charges to exclude "automatics," (iv) adding \$7 to the transportation charge to retroactively recover pilot boat increased fuel costs pursuant to the fuel factor formula, and (v) extending promotional discounts at Bayport Terminal for large cruise ships and container ships, all as set forth in the Application.</p> <p>On September 24, 2013, the Pilot Board set the regularly scheduled Pilot Board meeting of October 22, 2013 to commence its hearing on such Application. The hearing was commenced on that date and continued.</p>		
Staff Evaluation/Justification: <p>Section 9 of the Rules and Regulations Governing Pilots and Pilotage on the Houston Ship Channel between the Galveston Bar and Turning Basin adopted by the Pilot Board in July 2013 set forth the Pilot Board's procedures for the establishment of pilotage rates.</p> <p>In accordance with those procedures, staff anticipates that the Pilot Board's consideration of the Pilot's application will be continued on November 19, 2013 to permit participation by interested parties in connection with Pilot Board action on the Application and such hearing will once again be continued.</p>		
Full Recommendation: <p>The Pilot Board of Commissioners, at its October 22, 2013 meeting, conduct a continued hearing to consider the Houston Pilots' application to the Pilot Board for a change in pilotage rates effective January 1, 2014, thereafter further continue that hearing to the next meeting of the Pilot Board, and further authorize the Secretary of the Pilot Board to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.</p>		

Request for Pilot Board Action

Category: Pilot Matters	Agenda Date: November 19, 2013	Agenda Section: F - 2
From: Mike Usher Division: Legal Branch: Pilot Administration	Staff Contact: Erik Eriksson	
Summary Recommendation: Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Harry L. Lydick, Jr.		
Background: Prior authorizing Pilot Board action: Minute No. 2009-1020-38 The Application Review Committee (ARC) of the Pilot Board considers whether applicants meet the statutory and regulatory requirements for pilots on the Houston Ship Channel. Among other things, applicants undergo a physical examination to determine if an applicant is in good mental and physical health in order to perform the duties of pilotage on the Houston Ship Channel, and an investigation including a criminal background check and the applicant's accident history is conducted.		
Staff Evaluation/Justification: Captain Harry L. Lydick, Jr. has applied for renewal of his commission as Branch Pilot for the Galveston Bar and Houston Ship Channel. The application includes continued education training in Bridge Resource Management, Fatigue, sleep, & medication course, Radar observer (recertification), and Basic Azipod Operations during his last commission cycle and a renewal request on his behalf from the Houston Pilots with evidence of his ability to enter into a faithful performance bond in the amount of \$25,000 payable to the governor. After an assessment of his qualifications and the documents filed with his application, the ARC determined that Captain Harry L. Lydick, Jr. meets the requirements of Chapter 66 of the Texas Transportation Code, Houston Pilots Licensing and Regulatory Act, Section 66.041, and the Rules and Regulations governing Pilots and Pilotage on the Houston Ship Channel Between the Galveston Bar and the Turning Basin Houston, Texas. Accordingly, the ARC respectfully submits to the Pilot Board the application of Captain Harry L. Lydick, Jr. to renew his commission as Branch Pilot for the Galveston Bar and the Houston Ship Channel. Such commission is for a four-year term.		
Full Recommendation: The Pilot Board, at its November 19, 2013 meeting, recommend to the Governor the renewal of the commission of Captain Harry L. Lydick, Jr. as Branch Pilot for the Galveston Bar and the Houston Ship Channel for a four-year term effective February 9, 2014, and further authorize the Secretary of the Pilot Board to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.		

Request for Pilot Board Action

Category: Pilot Matters	Agenda Date: November 19, 2013	Agenda Section: F - 3
From: Mike Usher Division: Legal Branch: Pilot Administration	Staff Contact: Erik Eriksson	
Summary Recommendation: Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Michael J. Newingham		
Background: Prior authorizing Pilot Board action: Minute No. 2009-1020-39 The Application Review Committee (ARC) of the Pilot Board considers whether applicants meet the statutory and regulatory requirements for pilots on the Houston Ship Channel. Among other things, applicants undergo a physical examination to determine if an applicant is in good mental and physical health in order to perform the duties of pilotage on the Houston Ship Channel, and an investigation including a criminal background check and the applicant's accident history is conducted.		
Staff Evaluation/Justification: Captain Michael J. Newingham has applied for renewal of his commission as Branch Pilot for the Galveston Bar and Houston Ship Channel. The application includes continued education training in Collision Regulations for Pilots, Pilot Incident Management, Bridge Resource Management, Manned Model Ship handling, Automatic Information System (AIS), and Fatigue, sleep, medication course during his last commission cycle and a renewal request on his behalf from the Houston Pilots with evidence of his ability to enter into a faithful performance bond in the amount of \$25,000 payable to the governor. After an assessment of his qualifications and the documents filed with his application, the ARC determined that Captain Michael J. Newingham meets the requirements of Chapter 66 of the Texas Transportation Code, Houston Pilots Licensing and Regulatory Act, Section 66.041, and the Rules and Regulations governing Pilots and Pilotage on the Houston Ship Channel Between the Galveston Bar and the Turning Basin Houston, Texas. Accordingly, the ARC respectfully submits to the Pilot Board the application of Captain Michael J. Newingham to renew his commission as Branch Pilot for the Galveston Bar and the Houston Ship Channel. Such commission is for a four-year term.		
Full Recommendation: The Pilot Board, at its November 19, 2013 meeting, recommend to the Governor the renewal of the commission of Captain Michael J. Newingham as Branch Pilot for the Galveston Bar and the Houston Ship Channel for a four-year term effective February 23, 2014, and further authorize the Secretary of the Pilot Board to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.		

Request for Pilot Board Action

Category: Pilot Matters	Agenda Date: November 19, 2013	Agenda Section: F - 4
From: Mike Usher Division: Legal Branch: Pilot Administration	Staff Contact: Erik Eriksson	
Summary Recommendation: Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Monte B. Warren		
Background: Prior authorizing Pilot Board action: Minute No. 2009-1020-36 The Application Review Committee (ARC) of the Pilot Board considers whether applicants meet the statutory and regulatory requirements for pilots on the Houston Ship Channel. Among other things, applicants undergo a physical examination to determine if an applicant is in good mental and physical health in order to perform the duties of pilotage on the Houston Ship Channel, and an investigation including a criminal background check and the applicant's accident history is conducted.		
Staff Evaluation/Justification: Captain Monte B. Warren has applied for renewal of his commission as Branch Pilot for the Galveston Bar and Houston Ship Channel. The application includes continued education training in Manned Model Ship handling, Legal Aspects of Piloting, Electronic chart display and information system, Fatigue, sleep, & medication course, Pilot Incident Management and Collision Regulations for Pilots during his last commission cycle and a renewal request on his behalf from the Houston Pilots with evidence of his ability to enter into a faithful performance bond in the amount of \$25,000 payable to the governor. After an assessment of his qualifications and the documents filed with his application, the ARC determined that Captain Monte B. Warren meets the requirements of Chapter 66 of the Texas Transportation Code, Houston Pilots Licensing and Regulatory Act, Section 66.041, and the Rules and Regulations governing Pilots and Pilotage on the Houston Ship Channel Between the Galveston Bar and the Turning Basin Houston, Texas. Accordingly, the ARC respectfully submits to the Pilot Board the application of Captain Monte B. Warren to renew his commission as Branch Pilot for the Galveston Bar and the Houston Ship Channel. Such commission is for a four-year term.		
Full Recommendation: The Pilot Board, at its November 19, 2013 meeting, recommend to the Governor the renewal of the commission of Captain Monte B. Warren as Branch Pilot for the Galveston Bar and the Houston Ship Channel for a four-year term effective February 9, 2014, and further authorize the Secretary of the Pilot Board to do any and all things in his opinion reasonable or necessary to give effect to the foregoing.		