

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

**Houston, Texas
November 15, 2011**

A public meeting of the Board of Pilot Commissioners for Harris County Ports (the "Pilot Board") was convened on November 15, 2011 at 8:03 a.m., at the Port of Houston Authority Executive Office Boardroom, at 111 East Loop North, Houston, Texas 77029. The following Commissioners, staff, and counsel were present:

James T. Edmonds, Chairman
Jimmy A. Burke, Commissioner
Jim Fonteno, Jr., Commissioner
Elyse B. Lanier, Commissioner, arrived at 8:05 a.m.
Kase L. Lawal, Commissioner, arrived at 8:19 a.m.
Janiece Longoria, Commissioner
Steve L. Phelps, Commissioner, arrived at 8:08 a.m.
Alec G. Dreyer, Chief Executive Officer
Erik A. Eriksson, Senior Vice President and General Counsel
David H. Brown of Brown & Kornegay, LLP, Litigation Counsel
J. Kent Friedman of Haynes and Boone, LLP, Special Counsel

(PB-2011-1115-01) Chairman Edmonds asked if the Pilot Board had changes to the minutes of its October 25, 2011 meeting. Hearing no changes, the Chairman declared the minutes approved as written.

(PB-2011-1115-02) Appearances

(A) Chairman Edmonds recognized Nathan Wesley, President, West Gulf Maritime Association ("WGMA"), who addressed and answered questions from the Pilot Board.

Mr. Wesley reported that the Houston Pilots (the "Pilots") met with representatives of the shipping industry for discussions and negotiations prior to submitting their rate increase request. As a result of these meetings, the Pilots had reduced the size of their proposed rate increase and agreed to further meetings with industry on other operational issues. Mr. Wesley stated that he supported the Pilots' requested rate increase.

Responding to questions from Commissioner Longoria, Mr. Wesley gave an overview of the process of negotiations between the Pilots and the shipping industry, described the main issues discussed at their meetings, and discussed the reasons why some members of the shipping industry did not agree with the rate increase. Mr. Wesley and Commissioner Longoria also discussed the Pilots' assumptions regarding economic growth and increased pass-through costs.

In response to a question from Commissioner Fonteno, Mr. Wesley explained that recent rate increases for pilots at many other Texas ports were similar to, or greater than, the Pilots' proposed increase.

In response to a question from Commissioner Burke, Mr. Wesley noted that, net of anticipated cost increases for safety and fuel, the Pilots' rate increase would amount to approximately 8% over three years.

(B) Chairman Edmonds recognized Steve Conway, Presiding Officer, Houston Pilots Association, who addressed and answered questions from the Port Commission.

In response to questions from Commissioner Burke, Captain Conway discussed the Pilots' anticipated increases in headcount, training expenses, and fuel expenses. He also discussed the Pilots' total workload for 2011 and their anticipated workload for 2012.

In response to Commissioner Longoria, Captain Conway discussed the Pilots' duty hours, work rotations, and average distributions.

In response to a question from Chairman Edmonds, Captain Conway discussed the Pilots' relationship with the U.S. Coast Guard and National Transportation Safety Board.

(C) Chairman Edmonds asked if anyone else wished to address the Port Commission; there was no response.

The Pilot Board then considered the Request for Pilot Board Action ("RPBA") submitted by Mr. Dreyer, attached to these minutes as Exhibit "A."

(PB-2011-1115-03) RPBA C1 was presented, moved by Commissioner Longoria, seconded by Commissioner Burke.

Commissioner Longoria stated that, in light of uncertain economic conditions, and the importance of maintaining the Port Authority's competitive position against other U.S. ports, it would be more appropriate to approve a one-year rate increase. After discussion with Captain Conway, Commissioner Longoria stated she believed that the requested 2.5% increase was appropriate.

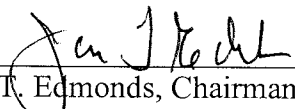
Commissioner Longoria therefore moved amend the item, to approve a one-year, 2.5% increase to the pilotage rates, seconded by Commissioner Burke. All voting Aye. Nays none. RPBA C1 PASSED as amended.

(PB-2011-1115-04) RPBA D1 was presented, moved by Commissioner Fonteno, seconded by Commissioner Lawal. All voting Aye. Nays none. RPBA D1 PASSED.

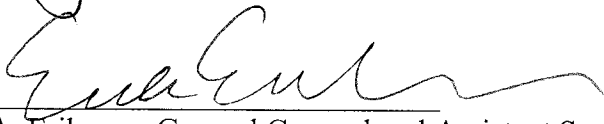
(PB-2011-1115-05) RPBA D2 was presented, moved by Commissioner Fonteno, seconded by Commissioner Lawal. All voting Aye. Nays none. RPBA D2 PASSED.

At 8:28 a.m., Chairman Edmonds adjourned the meeting of the Pilot Board.

The above is a correct copy of the Minutes of the November 15, 2011 meeting of the Pilot Board.



James T. Edmonds, Chairman



Erik A. Eriksson, General Counsel and Assistant Secretary

Request for Board of Pilot Commissioners Action

Category: General	Agenda Date: November 15, 2010	Agenda Section: C - 1
From: Division: Operations	Staff Contact: Jimmy Jamison	
Summary Recommendation: Consider and take possible action on the Houston Pilots' application for a change in pilotage rates effective January 1, 2012		
Background: 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. On October 19, 2011, the Houston Pilots (the "Pilots") submitted an application to the Pilot Board for a change in such pilotage rates (the "Application"). On October 25, 2011, the Pilot Board set a hearing on such Application, for the regularly scheduled Pilot Board meeting of November 15, 2011.		
Staff Evaluation/Justification: The Pilots have proposed (i) overall pilotage rate increases of two and one-half percent (2.5%) to be effective January 1, 2012, three percent (3%) to be effective January 1, 2013, and three and one half percent (3.5%) to be effective January 1, 2014, (ii) a \$21 contractual fuel adjustment, and (iii) rebalancing of the Port Safety Fund by a \$25 increase in the charge per transit, all as set forth in the Application. The latter two adjustments to be effective January 1, 2012 are included within the overall 2.5% increase for 2012 described above. The Act provides that in establishing pilotage rates, the Pilot Board shall consider factors relevant to determining reasonable and just pilotage rates, including: <ol style="list-style-type: none"> 1. characteristics of vessels to be piloted; 2. the average number of hours spent by a pilot performing: <ol style="list-style-type: none"> A. pilot services on board vessels; and B. all pilot services; 3. costs to pilots to provide the required pilot services; 4. the public interest in maintaining safe, efficient, and reliable pilot services; 5. the average wages of masters of United States flag vessels that navigate in the board's jurisdiction and for which the pilotage rate is to be established; 6. economic factors affecting the shipping industry in the area in which the port is located; and 7. an adequate and reasonable compensation for the pilots and a fair return on the equipment and vessels that the pilots employ in connection with their duties. The Pilots, staff members, and the tanker and dry cargo shipping industries concur that the considering these matters, proposed pilotage rates are reasonable. Staff understands that prior to the date of the hearing the Pilots gave notice of the hearing as required by Section 66.062 of the Act, and submitted to the Pilot Board information as required by Section 66.063 of the Act.		
Full Recommendation: The Pilot Board of Commissioners, at its November 15, 2011 meeting, consider the Houston Pilot's October 19, 2011 application for a change in pilotage rates to be effective January 1, 2012, and (1) grant or deny the application in whole or in part; (2) state the reasons for the decision; and (3) state each new pilotage rate, 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 Board of Pilot Commissioners Action

Category: General	Agenda Date: November 15, 2011	Agenda Section: D - 1
From: Division: Port Security & Emergency Operations Department: Marine	Staff Contact: Ruben Arredondo	
Summary Recommendation: Issuance of Deputy Branch Pilot Certificate in and for the Houston Ship Channel and Galveston Bar: Captain Patrick J. Dean.		
Background: 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 Patrick J. Dean has applied for appointment as Deputy Branch Pilot for the Galveston Bar and Houston Ship Channel. The application includes a letter from Master Houston Branch Pilot Michael Curtiss expressing his willingness to appoint Captain Dean as Deputy Branch Pilot and to act as his master for his proposed deputyship of three years and 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 Dean meets the requirements of Chapter 66 of the Texas Transportation Code, Houston Pilots Licensing and Regulatory Act, Section 66.034, and the Rules and Regulations Governing Pilots and Pilotage on the Houston Ship Channel Between the Galveston Bar and the Turning Basin Terminal. Accordingly, the ARC respectfully submits to the Pilot Board the application of Captain Patrick J. Dean for appointment as Deputy Branch Pilot for the Galveston Bar and the Houston Ship Channel. Such appointment is for a three-year term.		
Full Recommendation: The Pilot Board, at its November 15, 2011 meeting, issue a certificate to Captain Patrick J. Dean as Deputy Branch Pilot for the Galveston Bar and the Houston Ship Channel for a three-year term effective November 15, 2011, 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 Board of Pilot Commissioners Action

Category: General	Agenda Date: November 15, 2011	Agenda Section: D - 2
From: Division: Port Security & Emergency Operations Department: Marine	Staff Contact: Ruben Arredondo	
Summary Recommendation: Recommendation for renewal of Branch Pilot Commission in and for the Houston Ship Channel and Galveston Bar: Captain Thomas E. Phelps.		
Background: Prior authorizing Pilot Board action: Minute No. 2007-1127-03 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 Thomas E. Phelps has applied for renewal of his commission as Branch Pilot for the Galveston Bar and Houston Ship Channel. The application includes a renewal request on his behalf from the Houston Pilots and 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 Phelps 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 Terminal. Accordingly, the ARC respectfully submits to the Pilot Board the application of Captain Thomas E. Phelps 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 15, 2011 meeting, recommend to the Governor the renewal of the commission of Captain Thomas E. Phelps as Branch Pilot for the Galveston Bar and the Houston Ship Channel for a four-year term effective February 16, 2012, 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.		