

Tuesday, October 20, 2009

Citing costs, study calls for Florida harbor pilot reforms

Florida's harbor pilot system functions like a monopoly that limits the number of available pilots and inflates their salaries, driving up costs for cruise lines and, ultimately, passengers, according to a study commissioned by a group of cruise and cargo operators.

State-licensed pilots earn an average of \$368,000 per year, higher than similar occupations such as cruise ship captains and air traffic controllers, stated the study conducted by The Washington Economic Group (WEG), based in Miami. WEG put the average salary for air traffic controllers nationwide at \$111,870, for captains of US-flag ships at \$230,000 and for masters of foreign-flag cruise vessels at \$110,000.

The pay rates are the result of a system that stifles competition, said Antonio 'Tony' Villamil, WEG's principal economic advisor. WEG conducted the study for the Florida Alliance of Maritime Organizations (FAMO), a group of 33 shipping companies, mostly cruise lines. Formed this year to focus on the harbor pilotage issue, FAMO is led by president Michele Paige, also president of the Florida-Caribbean Cruise Association.

Florida's 14 ports were served in 2008 by 88 pilots, who were paid approximately \$50m in fees by cargo and passenger vessel operators, WEG said. Those costs, it added, are borne by consumers who purchase goods or vacationers who cruise through state waters.

'This study suggests a need for the pilot system to be transformed from a state-protected monopoly to a competitive system that is both safe and efficient,' Paige said. 'The time has come to level the playing field so that a larger pool of qualified maritime professionals has the opportunity to offer their services to help ships safely port in Florida.'

FAMO found the highest paid harbor pilots are at Port Everglades, earning an average salary of \$436,153. The Port Everglades Pilots Association did not respond to an interview request on Tuesday, and the Florida State Pilots Association did not return a phone message late in the day. A port spokeswoman declined to address the issue, which she said is between the shipping lines and the pilots.

There is no specific cap on the number of harbor pilot licenses, a spokeswoman for the Florida Department of Business & Professional Regulation told Seatrade Insider. Each port's pilots association determines the number of licensees required for that port and their salaries. The number of pilots must be approved by the Pilotage Rate Review Board, which also sets the pilot rates.

FAMO alleges that instead of being competitively based on supply and demand, the pool of eligible pilot licenses has been kept low and not subjected to 'free market conditions.' Licenses are issued by the Board of Pilot Commissioners and, according to the state statute, half of those must be licensed state pilots.

FAMO members have expressed their concerns about the harbor pilot licensing system to Florida lawmakers.

This year the Florida Legislature requested a review of harbor pilots by the Office of Program Policy Analysis & Government Accountability. This includes evaluating the efficacy, fiscal impacts and national trends of harbor pilotage considering industry and technological improvements since the harbor pilots statute was originally implemented. The review is expected to be completed by mid-December.

Meanwhile, the WEG study released today states that if Florida harbor pilots were paid at the level of US-flag vessel masters, average annual pilot compensation would drop by more than 37%, from \$368,717 to \$230,000. Total pilot fees would decline \$18.8m, from \$50m per annum to approximately \$31.2m. The study said it is 'safe to assume' the cost savings would be passed on to consumers in the form of lower cruise fares and costs of goods.