

10-25-1983

# California's Ports: Planning and Development

Assembly Committee on Utilities and Commerce

Follow this and additional works at: [http://digitalcommons.law.ggu.edu/caldocs\\_assembly](http://digitalcommons.law.ggu.edu/caldocs_assembly)



Part of the [Legislation Commons](#)

---

## Recommended Citation

Assembly Committee on Utilities and Commerce, "California's Ports: Planning and Development" (1983). *California Assembly*. Paper 324.

[http://digitalcommons.law.ggu.edu/caldocs\\_assembly/324](http://digitalcommons.law.ggu.edu/caldocs_assembly/324)

This Hearing is brought to you for free and open access by the California Documents at GGU Law Digital Commons. It has been accepted for inclusion in California Assembly by an authorized administrator of GGU Law Digital Commons. For more information, please contact [jfischer@ggu.edu](mailto:jfischer@ggu.edu).

Informational Hearing  
Of  
Assembly Utilities and Commerce Committee

# **CALIFORNIA'S PORTS: PLANNING AND DEVELOPMENT**



Los Angeles, California

October 25, 1983

**CHAIRWOMAN: ASSEMBLYWOMAN GWEN MOORE**

Robert Jacobson, Committee Consultant

Thurman White, Committee Consultant

Yvonne Wilson, Committee Secretary

KFC  
22  
L500  
U84  
1985  
no. 5

No. 085A

MEMBERS

Bruce Bronzan  
Vice Chairman  
Marian Bergeson  
Bill Bradley  
Gray Davis  
Nolan Frizzelle  
Teresa Hughes  
Bill Leonard  
Alister McAlister  
Gloria Molina  
Steve Peace  
Mike Roos  
Byron Sher  
Cathie Wright



KFC  
22  
L500  
U84  
1985  
no. 5

# California Legislature

## Assembly Committee on Utilities and Commerce

GWEN MOORE  
CHAIRWOMAN  
MEMBER OF THE ASSEMBLY  
FORTY-NINTH DISTRICT

Los Angeles  
October 25, 1983

### CALIFORNIA'S PORTS: PLANNING AND DEVELOPMENT

#### Agenda

- I. Opening Remarks: Assemblywoman Gwen Moore, Chairwoman
- II. Testimony

#### General Perspectives

Dr. Willard T. Price  
School of Business and Public Administration  
University of the Pacific

Dr. Joseph Carrabino  
Graduate School of Management  
University of California, Los Angeles

#### Port Governance

Ms. Gene Kaplan  
President  
Los Angeles Harbor Commission

Mr. C. Robert Langslet  
President  
Long Beach Harbor Commission

LAW LIBRARY  
GOLDEN GATE UNIVERSITY

STAFF  
Thurman White  
Principal Consultant

Bob Jacobson  
Roger Berliner  
Consultants

Yvonne Wilson  
Committee Secretary

State Capitol  
Sacramento, California  
95814  
(916) 445-4246

Port Planning

.....  
Dr. E.L. Perry  
Executive Director  
Port of Los Angeles

-and-

Mr. James H. McJunkin  
Executive Director  
Port of Long Beach  
.....

Mr. Walter A. Abernathy  
Executive Director  
Port of Oakland

Mr. Fred Di Pietro  
Chairman  
Northern California  
Ports and Terminal Bureau

Mr. Jack Alderson  
Executive Director  
Humboldt Bay Harbor District

Ms. Dianne Kelley  
Secretary  
California Assn. of Port Authorities

Regional Development

Ms. Jacki Bacharach  
Chairwoman  
Ports Advisory Committee  
Southern California Assn. of Governments

Transportation Factors

Mr. Michael Murphy  
President  
Pacific Merchant Shippers Assn.

Representative  
Southern Pacific Railroad

## MEMBERS

Bruce Bronzan  
Vice Chairman  
Marian Bergeson  
Bill Bradley  
Gray Davis  
Nolan Frizzelle  
Teresa Hughes  
Bill Leonard  
Alister McAlister  
Gloria Molina  
Steve Peace  
Mike Roos  
Byron Sher  
Cathie Wright

# California Legislature

## Assembly Committee on Utilities and Commerce

STAFF  
Thurman White  
Principal Consultant

Bob Jacobson  
Roger Berliner  
Consultants

Yvonne Wilson  
Committee Secretary

State Capitol  
Sacramento, California  
95814  
(916) 445-4246



GWEN MOORE

CHAIRWOMAN

MEMBER OF THE ASSEMBLY  
FORTY-NINTH DISTRICT

Los Angeles  
October 25, 1983

### CALIFORNIA'S PORTS: PLANNING AND DEVELOPMENT

#### Background

Twelve major commercial ports serve California's ocean-borne commerce. (See Chart 1.) Together, California's commercial ports handle nearly 150 million tons of cargo each year. In 1980, in the midst of a general recession, California's four largest ports -- Los Angeles, Long Beach, Oakland, and San Francisco -- generated over \$160 million in revenues and realized nearly \$75 million in net income before taxes. Expanding trade with the industrial economies of the Pacific Rim, especially Japan, will boost California's ports' traffic through the next century.

A new concept in commercial transportation -- the so-called "land-bridge" -- promises to further increase trade through California's ports. The land-bridge combines harbor delivery with rail carriage across the North American continent, eliminating costs associated with transport of goods through the Panama Canal. Land-bridge traffic predominantly flows from west to east; when it terminates mid-continent, it is termed "mini-bridge" traffic. The fortuitous location of California's ports, convenient to rail connections reaching most Eastern and Midwest markets, will enlarge their business as land-bridge traffic grows. (See Chart 2.)

The expansion of California's ocean-borne commerce is not without risks, however. Some ports, by reason of their location or aging facilities, may not share in increased trade. Others may find themselves better suited to non-commercial recreational or tourism uses, but be unable to make the necessary adjustments to exploit these opportunities. Should California's ports expand too fast, incurring heavy debts in the process, they may price

themselves out of the Pacific trade and lose business to Portland, Seattle-Tacoma, or Vancouver. Finally, while port growth may contribute to regional development, it can also place additional, perhaps unbearable burdens on local infrastructure.

### Port Governance and Finance

Ports in California are located on state coastal properties deeded to cities and counties by the Tidelands Trust Act of 1911. As a result, commercial ports in California are municipally owned. Management of the ports is the responsibility of local governments; this responsibility is generally discharged by port executives answerable to city councils and harbor commissions.

California's ports are among the most successful public enterprises in the nation; none of the larger ports receive tax subsidies. A few generate substantial net incomes. Some experts claim that California's more-efficient larger ports could realize even greater financial success if they pursued joint ventures with lessees in a more aggressive fashion.

The Tidelands Trust Act (Public Resources Code Sec. 6301 et seq.) provides that cities may invest their port incomes, if any, only in port-related activities. Cities which own ports cannot use port revenues for other expenditures, even if their ports accumulate surplus revenues. As a result, port operations are insulated from political interference by city governments -- but at some cost to municipal budgetary flexibility.

In fact, some ports have accumulated sizable reserves. The Port of Los Angeles, for example, has been able to finance improvements in the Cabrillo Recreational Area entirely out of internally generated revenues. Other cities have invested port revenues in improvements to protect the harbor environment and in trade-promotional campaigns.

#### Questions of interest to the committee are:

- Are restrictions on port-revenue expenditures a valid constraint on municipalities?
- Under what conditions, if any, should port revenues be made accessible to municipalities?
- Should priorities be established for port authorities enjoying surplus revenues? Should reserves be required in today's uncertain economic environment?



- Should ports be more aggressive in joint venture and lease agreements with lessees, taking larger risks but possibly realizing greater returns?

### Inter-Port Competition and Cooperation

Each California port has a unique structure and "mission" responding to its history, location, market forces, and local government investments. Ports can be evaluated only on an individual basis. Nevertheless, compelling reasons exist for examining inter-port relationships. Federal agencies, for example, have expressed concern that ports on a regional basis may over-invest in extremely costly, duplicative capital plant (e.g., container cranes), threatening their financial viability.

California's ports enjoy a measure of competition within a cooperative framework. All major ports (except Humboldt) belong to the California Association of Port Authorities (CAPA). CAPA helps the ports avoid "price wars" by coordinating the setting of tariffs. It also provides political representation for the ports.

CAPA, however, does not plan for the ports. Each port makes its own plans for development based on perceived market opportunities. Only recently have ports worked with regional planning authorities, like the Southern California Association of Governments (SCAG) and the Association of Bay Area Governments (ABAG), to develop comprehensive land-use and transportation plans that take into account the collective needs of several ports.

The "2020 Plan" proposed by the Ports of Los Angeles and Long Beach is an ambitious joint-planning activity that incorporates transportation, land-use, and economic development elements. Though unprecedented in scope, the 2020 Plan is limited to the special needs of Southern California's two dominant ports. It does not address the needs of other ports in the region or the state.

Experts differ on the need for institutionalized regional or statewide port planning. Some cite federal studies and research conducted in California to demonstrate that over-investment is occurring at some ports while others stagnate. They suggest that, over the long-term, economies of scale associated with the ultra-efficient Los Angeles-Long Beach ports -- for example, advanced land-transportation facilities -- could gradually draw away business from Bay Area ports, requiring the Bay Area ports to become entrepreneurial or go out of business.

Other experts disagree. They believe competition among the ports best serves the public interest. They foresee anti-competitive cartelization as the only possible outcome of mandated planning. According to these experts, not only would cartelization cause port-use fees to rise, but additional layers of bureaucracy would be required to carry out institutionalized port planning -- without any assurance of public accountability.

Questions of interest to the committee are:

- Do long-term trends promise a "shakeout" among California's ports without regional or statewide intervention?
- Is there an appropriate role for institutionalized port planning on either a regional or statewide basis?
- Short of legislating institutionalized port planning, is there other action the Legislature might take to allay port failures in a competitive marketplace -- without foregoing the benefits of competition?

Trade and Regional Development Issues

Port growth could be a mixed blessing for end-users -- shippers and trading firms -- and for local governments. On the one hand, efficient, state-of-the-art facilities allow ships to enjoy rapid turn-around from arrival to departure. Goods can more rapidly reach their destinations, a factor decisive to a shipping agent's decision to use one or another port.

Additionally, while ports themselves are increasingly capital-intensive, requiring less labor, port development could lead to increased commercial activity in surrounding communities, generating jobs and tax revenues.improvements.

On the other hand, port growth is not necessarily synonymous with port efficiency. Although significant economies-of-scale can be associated with increased port size, this may not always be the case. Some of California's ports are approaching physical sizes and cargo capacities for which there are no precedents. If any inefficiencies inhere to these large entities, the cost of port use could actually rise.

Port development could impose on surrounding communities unwelcome external costs -- falling land values, substantial requirements for "buffer zones" between port facilities and residential housing, higher levels of air and water pollution,



and increased traffic congestion. These potential hazards to quality-of-life require prior mitigation.

Questions of interest to the committee:

- What is required to keep California's ports competitive with other Pacific Coast ports?
- Should ports individually or collectively engage in marketing and promotional activities? (Have ports been surveyed to determine their needs by the California World Trade Commission?)
- How can port development be incorporated in regional plans to ensure that continued vitality of the ports is not purchased at the expense of surrounding communities?
- If ports are to be integrated into a "bigger regional-development picture," what agency or agencies should be delegated to facilitate that integration?

References

Thomas Dowd, "Port Financial Analysis -- Myths and Methods," Institute for Marine Studies, University of Washington, December 1981.

Kathrine Gambill, "An Analysis of the Year-End Reports of Five West Coast Ports," unpublished paper, Institute for Marine Studies, University of Washington, Autumn 1982.

Henry S. Marcus, "The Role of the U.S. Federal Government in Port Planning," University of Southern California, April 1979.

\_\_\_\_\_, "A Regional Port Organization for New England," Massachusetts Institute of Technology, 1980.

James Ortner, "A Review of Port Development Issues," Institute of Transportation Studies, University of California, Irvine, May 1979.

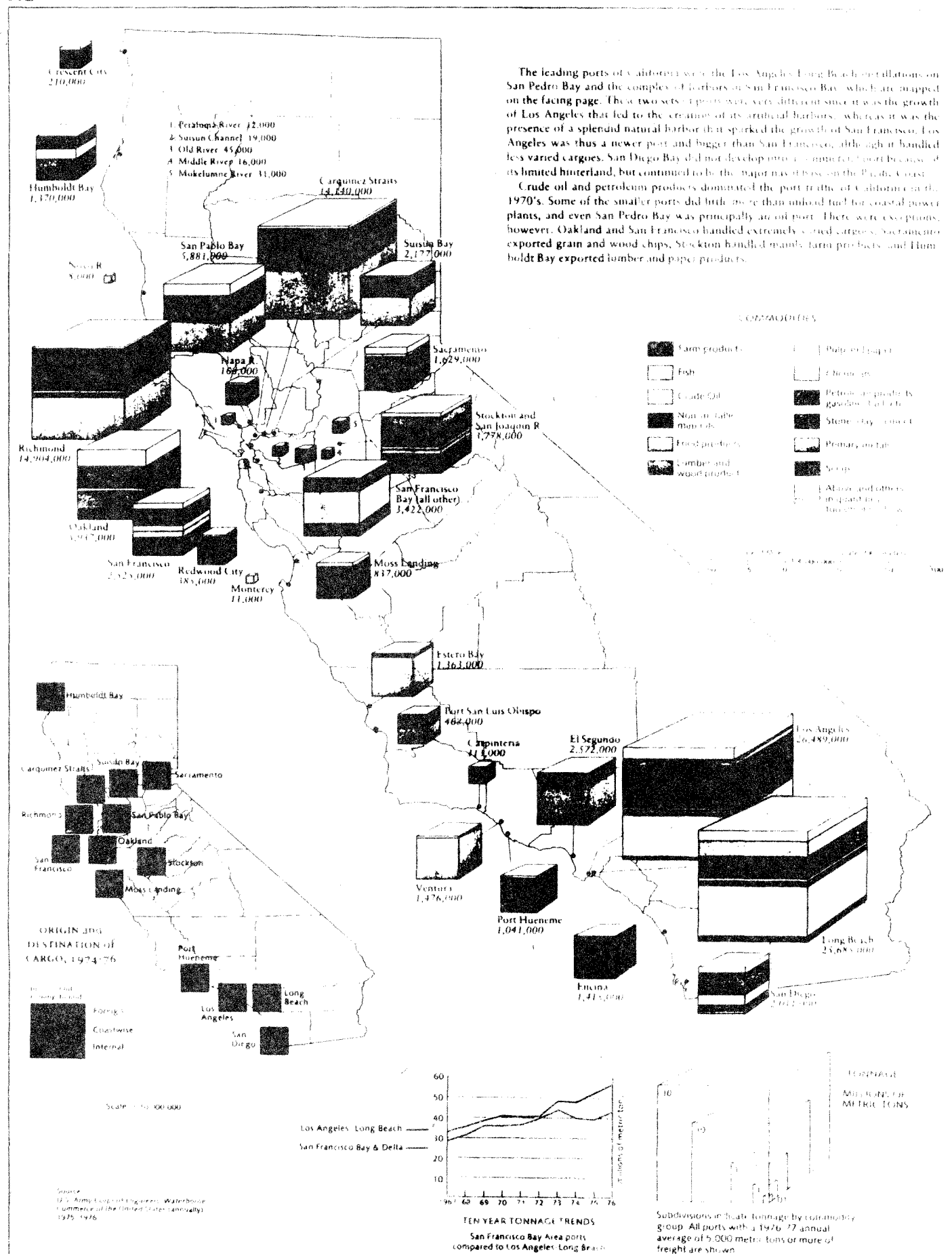
Willard Price, "Seaports As Public Enterprises: Some Policy Implications," in F.W. Hoole, R.L. Friedheim, and T.M. Hennessey (eds.), Making Ocean Policy. Boulder, CO: Westview Press, pp. 217-238.

San Francisco Bay Conservation Development Commission and the Metropolitan Transportation Commission, Seaport Planning Advisory Committee, "The Seaport Plan for the Bay Area and Its Uses," October 19, 1979.

U.S. Comptroller General, American Seaports -- Changes Affecting Operations and Development, U.S. General Accounting Office Report CED-80-8, November 16, 1979.

Robert Jacobson,  
Consultant

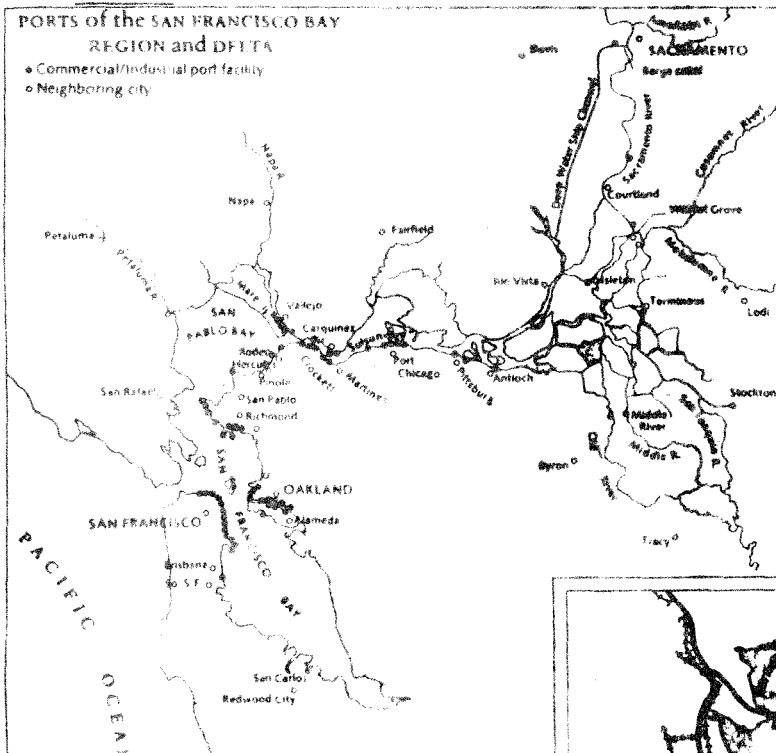
October 25, 1983



# CHART 2

## PORTS OF THE SAN FRANCISCO BAY REGION AND DELTA

- Commercial/Industrial port facility
- Neighboring city



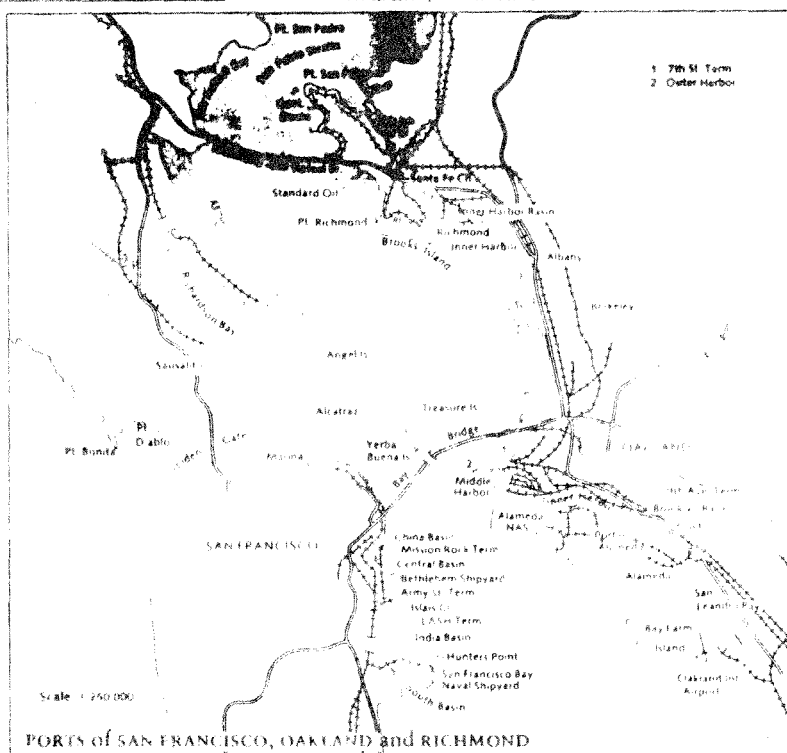
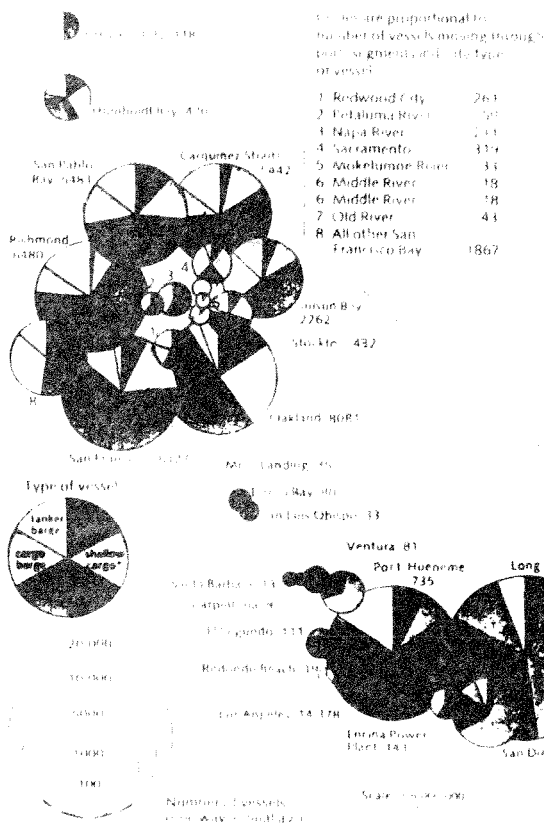
## TRAFFIC THROUGH CALIFORNIA CUSTOMS DISTRICTS, first half of 1978

LEADING TRADING PARTNERS	AGRICULTURAL PRODUCTS	WOOD & PAPER	TEXTILES	IRON & STEEL	PETROLEUM & COAL	NONMETALLIC MINERALS	METALS	PLASTICS	OTHER	ALL OF TRADE VALUE
Japan Exports (Imports from)	\$486 (48)	\$53 (34)	\$206 (100)	\$201 (55)	\$39 (67)	\$699 (3260)	\$217 (491)	\$9 (14)	\$1910 (4075)	10.9% (23.3)
South Korea	71 (11)	17 (24)	189 (106)	34 (5)	3 (2)	292 (233)	26 (178)	10 (14)	642 (565)	3.7% (3.2)
Taiwan	45 (25)	11 (31)	49 (128)	32 (2)	2 (5)	227 (338)	33 (229)	1 (2)	401 (762)	2.3% (4.4)
Indonesia	39 (19)	1 (27)	14 (6)	1 (770)	1 (15)	34 (1)	5 (1)	1 (811)	122 (811)	0.7% (4.6)
Hong Kong	91 (8)	4 (5)	86 (160)	27 (5)	3 (5)	127 (146)	37 (102)	2 (11)	375 (437)	2.1% (2.5)
West Germany	28 (14)	7 (2)	3 (4)	7 (16)	11 (9)	117 (496)	31 (39)	1 (10)	206 (590)	1.2% (3.4)
Australia/Oceania	34 (121)	16 (5)	11 (2)	44 (2)	13 (3)	390 (38)	100 (5)	6 (9)	612 (180)	3.5% (1.0)
Mexico	34 (77)	24 (14)	31 (25)	36 (9)	6 (12)	181 (115)	46 (57)	6 (10)	363 (319)	2.1% (1.8)
Total Exports	1120	995	755	621	154	3399	740	50	7034	40.2%
Total Imports	928	287	874	1341	195	5584	1343	146	10,481	59.8%
Total Trade	11.7%	3.6%	8.1%	11.2%	2.0%	51.3%	11.9%	1.1%	17.5%	100.0%

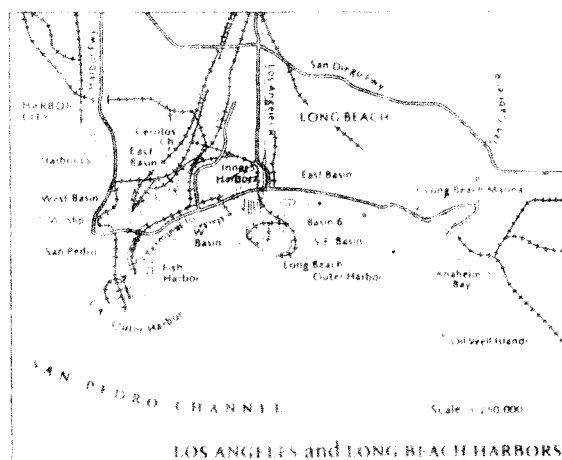
Source: Security Pacific Bank, California International Trade 1978

14. The ports of the San Francisco Bay Region and Delta have been the site of many changes in the last few decades. Some of the most significant changes have been the closing of some ports and the opening of others. The growing importance of the bay as a major shipping center is also evident. The map shows the extent of the bay and the delta, and the locations of the major ports and cities.

## VESSEL ACTIVITY



PORTS OF SAN FRANCISCO, OAKLAND, AND RICHMOND



LOS ANGELES AND LONG BEACH HARBORS

(Source: Atlas of California, Donley et al. Portland: Academic Book Center, 1979.)

PORTS AND HARBORS

CALIFORNIA'S PORTS:  
PLANNING AND DEVELOPMENT  
Los Angeles, California  
October 25, 1983

CHAIRWOMAN GWEN MOORE: I would like to thank the Port of Los Angeles for graciously allowing the Committee to use its wonderful facilities for this hearing.

Operating California ports is a serious business. There is a real challenge facing California ports. Never before have our ports contested so seriously with other states and provinces for a share of the world's shipping trade. Never before has our state's industry, engaged in contest for global preeminence, counted so heavily on the efficiency of its ports. California is a trading "nation" and it relies on its ports.

That is why it is in the interest of all Californians for California's ports, individually and collectively, to be kept healthy and capable of handling our state's ever expanding commerce.

Experts on port management, including those of you here today, differ on the precise role the state should play to assure the continuing vitality of its ports. Some of you advocate regional or statewide port planning, to ensure that all our ports enjoy commercial prosperity. Others of you favor voluntary cooperation among the ports. In fact, the two approaches may be complimentary.

This Committee, charged with considering legislation pertaining to the commercial operations of California's ports, looks forward to hearing from you about these and other important concerns. We are here to learn from you, the experts, how the state can help California's ports' leaders in the growth of maritime commerce.

I'd like to introduce my colleague, who represents this area, Assemblyman Dave Elder.

Our first witness is Dr. Willard T Price from the School of Business and Public Administration of the University of Pacific. Welcome Dr. Price.

DR. WILLARD PRICE: Thank you very much. As the Chairwoman said, I am Will Price. I am an associate professor in the School of Business and Public Administration at the University of the Pacific, as well as an adjunct research associate in the Institute of Marine and Coastal Studies at the University of Southern California. I've been funded for the last five years, three of which I was a Professor in the USC School of Public Administration, by USC's Sea Grant Program to study sea port management. I have visited and interviewed seaport managers up and down the West Coast. I recently coordinated a conference in this room, through the University of Southern California, to have a seminar on research in seaport management and related marine transportation, with academics from across the country. A copy of those proceedings can be made available to the Committee.

I want to bring to you a wide perspective on seaport management issues based on my essential concept of seaports as public enterprises, that is relatively independent agencies with significant public policy implications. As you know, the major California ports are owned by the citizens of the communities in which they reside or are connected to. And we would expect the owners, the citizens, to have control over port planning and development decisions through their commissioners or board members. I have argued before that these owners ought to have the most concern for the planning and development decisions facing them rather than any of the issues within the purview of the service delivery or operation of the port system itself. Financial decisions, of course, are highly dependent upon development choices and as such are important choices for the political leadership of ports.

My view of the critical issues facing ports might be summarized as follows:

(1) An international recession has affected all ports, and certainly some more seriously than others. As we come out of this recession and begin to realize the trade increases predicted, which ports will benefit from those increased cargo amendments? Will they be big ports or small ports, north ports or south ports, or any other categorization you're interested in

2) Some ports continue to seek new cargo movements and necessary development in the face of limited space and more



difficult transportation, implications, and regulations. My questions is, where is space available and where are the environmental implications lessened across the California coastline? As most people know, there will be a decreasing role for the federal government in the dredging program with the proposal, not yet law, to raise revenues through user fees on port customers. These fees may not seriously affect large California ports but they may present a serious hurdle for some smaller ports already burdened by cargo insufficiency, limited depth, and small metropolitan areas. The continuation of maritime business, though certainly desirable as the Chairwoman indicated in her opening remarks, is testing environmental limits, including congestion and noise near residential areas. that may well be decreasing public access and use of the valuable waterfront space

(3) Finally, what disposition should occur for the surplus revenues that result in some ports? The question is whether such revenues ought to be targeted toward more development. Is that development necessary? It appears to me that an excess amount of terminal space available in California at this time.

To address these issues, I don't propose a formative set of answers based on the political values that I may hold or any research that I've completed. Instead, I support an open public debate by the communities themselves on the role of their ports. I would argue that there has been little such debate and there

also has been little evidence in the past of interest by the federal or state government regarding questions such as the success or difficulty of California ports, the trends in cargo distribution among ports, or questions about regional or state planning for the use of port resources. Possibly a very appropriate forum for such public discussion is the cities themselves. At the moment I see no reason for the larger ports to receive additional federal and state aid; they might even resist such aid as they would likely resist any further regulatory intervention in their planning process.

But further, after my conversations with many port managers, I am convinced most ports would desire even more independence from their city governments. The question that I have is whether such home-rule is desirable for seaport agencies. They might very well seek this independence through the creation of more separate special districts like those already established in California: San Diego, Port Hueneme, Stockton, Sacramento, and Humboldt. But before I continue in this direction, let me naively reflect on your Committee's concern regarding ports. You most certainly are interested in stimulating trade through California ports. But there are many social objectives other than the basic economic advantage of more trade.

I expect that we all want California to be competitive with other West Coast ports. We are fairly successful at the moment, but we must recognize as well the importance of the

Seattle-Tacoma area. It has great advantages in geography, water depth, and rail connection to the Midwest. Any space limitations that might exist in Seattle at the moment appear to be absorbed by the Tacoma area. And, as some of you know, there has already been conversation among the people in the Seattle area about the possible formation of a metropolitan or a King County port authority in that area. On the West Coast, the Port of Vancouver, British Columbia, has demonstrated great success in moving cargo and in fact is moving a substantial amount of coal to the Pacific Rim.

Possibly, the question that you're begging is whether California ports could attract increased cargo movements by a more efficient allocation of facilities and resources across the regions or across the entire state. The issue that needs to be addressed is whether any advantage of competition between the ports could be overcome by the efficiency of a statewide port plan. Many smaller eastern states already operate at the state level, Maryland Port Authority, New York, New Jersey Port Authority, South Carolina, etc. The question there is whether a regional plan would in fact be the natural preference of shippers who are served by a state plan. I'm not convinced of that. But would such a plan also consider the needs of smaller ports, those ports that I am having increasing concern about, San Diego, Hueneme, Redwood City, Richmond, Stockton, Sacramento, Humboldt. Are we interested in stimulating economic activity in those localities as contrasted with the larger ports?

More specifically, what issues might the state address? Clearly the state could begin to discuss the idea of a statewide seaport planning effort, however structured. That is a very interesting though controversial policy alternative which I would just love to observe.

CHAIRWOMAN MOORE: Now that you've thrown that out there, why don't you tell us more specifically what the controversy is.

MR. PRICE: Let me go through the rest of the presentation and see how much of that comes out in there and then we can respond to that at the end.

CHAIRWOMAN MOORE: All right.

MR. PRICE: Another action for the state would be to assist the port-development process directly through legislation and/or regulatory change to fast-track projects. I prefer the concept of fast-tracks or setting deadlines for the permitting process. I envision that would be very popular legislation for almost all parties concerned.

ASSEMBLYMAN ELDER: It was.

MR. PRICE: Pardon? I'm talking about parties at the local port level. The state could encourage regional port authorities to focus on regional planning, particularly in the San Pedro and the San Francisco Bay area. There are methods of regional coordination and cooperation already in place in the San Francisco area and certainly between the ports of L.A. and Long

Beach without any regional institutionalization. We can gain a relative advantage of regional planning without forming regional port authorities. That is an issue that has been written on and that I'm very interested in seeing discussed.

The state could certainly provide development grants to aid the competitive position and/or economic development of selected large or small ports in the state of California. Again, I would argue that's probably not needed for the success or viability of large ports, or to accomplish any other social objective.

Finally, ports can be governed at different levels. Local cities can establish departments, and that's what we have done quite deliberately in the state of California with the larger cities. Special port harbor districts can serve wider regions when the interest of the port goes beyond the city itself; we have examples of that in California with smaller ports and that is the general method in Oregon and Washington.

There is no doubt that states could assume ownership or become involved in the activities of financing and/or planning the ports; that is a feasible alternative. That is very common, as I said before, in the East; the question is whether that is politically acceptable. There is also no doubt in mind that a national port system for ownership, planning, financing, even operation, could be developed, as is the case in other countries in the world, including Canada. Canada has wrestled back and

forth on how much central control to have at their ports and I would argue that they are going to increase the decentralization of their ports. But, of course, this is not the traditional American way and I do not envision the politics deciding on a national port system. Nonetheless, some years back the General Accounting Office did propose in a document several alternative ways for new involvement by the federal government in the seaport question.

My expectations on this government issue are as follows:

(1) Cities will want to keep ownership of these ports and provide the best opportunity for those citizens most affected by the port to have a meaningful contribution to the planning and development process. (2) States, this state, will not necessarily seek any significant statewide authority because the benefit is just not clear. (3) Therefore, a regional focus may be the avenue of intervention to the rational allocation of facilities and hopefully to strengthen California's share of the trade market.

But my fear is that such regionalization, caused either corporately or voluntarily, by the courts themselves, or by political direction from the state (I have certainly argued for such regionalization elsewhere), will have negative impacts on the local residents in cities who are in close proximity to the harbors.

I do favor the independence of seaports, but with the recognition that this independence can be varied across different

decision or policy areas. To make a complex point short, I discourage extensive independent planning and development of individual ports. I recognize the need for moderate independence of financing issues and I encourage their maximum independence, with regard to the management of seaports and the delivery of the production function of seaports and service to the customers.

I'll stop at that point and take questions now or later, fts as you wish.

ASSEMBLYMAN DAVE ELDER: Dr. Price, I'll give you a little history about San Pedro Bay. For 38 years, Vincent Thomas wanted to merge both ports and I guess maybe for that reason I sought to have both ports in my district, so that I could work with all of my energy to prevent that from happening. So that the people in San Pedro and the people in Long Beach would have as much say as they possibly could have about what went on in the Port of Long Beach and in the Port of Los Angeles. If you merge them, I think there would be a very high-handed attitude within the governing body as to the interest to both of those communities. I find that to be be very bad as far as the port industry is concerned and for the area. They might even consider such things as have been done in San Diego, with the multi-area operation putting an airport down there. I think the people in San Pedro and the people in Long Beach, even Wilmington for that matter, if they wanted to live in Covina, they would have moved there instead of having that bay out there become the bridge to Catalina.



That's on the first cut. The second cut is that I think the competition between the two ports is extremely important, that it means that cargo is sought vigorously by the management of both ports. And the natural fact is that if it doesn't wind up in Long Beach, it winds up in Los Angeles; if Los Angeles doesn't get it, then Long Beach does. The fact is that the region is better served and that competition has worked fairly well: 85 percent of the traffic in this state goes through these two ports. As far as the state's involvement is concerned, I think San Francisco is a good example. At one time, the state of California did administer San Francisco and left it with a legacy of debt somewhere around fifty million dollars. They are still trying to figure out how to pay off. And the stultification that resulted from the insensitivity of the Sacramento bureaucracy, as it relates to San Francisco, was a disaster. The fourth point that I might make is that, according to Cornell University, it takes 16 years and seven months to get a federally funded core project going and done. I think a more prudent course of action is the course of action that the Port of Long Beach has opted for, and that's to do their own capital projects. That's why they need to have reserves for capital improvements. Other than that I would say that you made some good points.

MR. PRICE: I agree with most of your points, too.

CHAIRWOMAN MOORE: Now that we've heard all the reasons against state planning, why don't you tell me, is there anything in favor of some kind of statewide planning for ports?

MR. PRICE: Well the logical argument of state involvement is to simply be able to control the development process and to make it more rational and more efficient. As I said in the presentation...

ASSEMBLYMAN ELDER: Control it to make it more rational and more efficient?

MR. PRICE: Yes, but the efficiency gained by the state coordination of such effort or, I might add, by regional coordination, must be weighed by against the advantages of individualized competition. Now if you want to try to answer the question...

CHAIRWOMAN MOORE: Okay, what is that can be done that should not interfere with competition to a certain extent? There are planning and development techniques that could be used that would not prohibit the competition between two facilities.

MR. PRICE: Sure, I agree. But there's lots of questions to address, including the environmental advantages of having statewide planning. I'm sure the Committee is familiar with the planning efforts that have gone on in the San Francisco Bay Area. There was a serious attempt to decide on where future seaport development ought to go in the Bay Area, in advance. It was a cooperative venture of not only the ports themselves but the Metropolitan Transportation Commission and the BCDC. I do not know of any research studies that support either position. It is, I might add, a difficult task to prove that there is a

competitive advantage between Long Beach and Los Angeles or San Francisco and Oakland.

CHAIRWOMAN MOORE: I'm surprised that there are not any research studies that would support, state's involvement or potential involvement in the planning for ports. Few developments have been around as long as ports have and it would seem to me that there ought to be or would have been some.

MR. PRICE: I think the answer comes down to political values and not down to a general question of overall efficiency.

ASSEMBLYMAN ELDER: Are you familiar with Megatrends, which talks about the fact that decentralization seems to be going on more and more in terms of our entire society? And you touched on that a little bit, commenting on the Canadian experience. It occurs to me that one of the big advantages in terms of having the ports doing their own planning is that if you have 12 ports in California doing their planning, it's not likely that they all will produce a catastrophe at any one given moment. You spread the risk, as it were, among all of them, so that California is not imperiled by the fact that somebody might make a mistake. It increases the likelihood that a grave planning error will not be made. That's one of the principal advantages that I think should be discussed in terms of what Long Beach tries to do and what Los Angeles tries to do. It's well to have 12 ports vying for the cargo, as opposed to Seattle, where oftentimes and depending upon who is governor, you have a

different swing of how it goes. Recently, I heard that the governor actually went down to the airport to meet somebody who was thinking about locating in the state of Washington. That may or may not be the philosophy, whoever is governor at a particular moment, and I don't think the economies of the whole state should rise or fall on whether you have that kind of governor or not. It should fall on whether the ports aggressively pursue all the commerce that they can attract to their area. And I think you get a better shot in aligning cargo in California when you've got 12 ports competing for it than when you've got some high-level bureaucrat, by whatever appointing authority, trying solely to get that. The state of California has formed the World Trade Commission: We have 12 ports plus a World Trade Commission which I think combines the advantages of having a World Trade Commission going and representing the whole state vis-a-vis another country.

So I think that's about the optimum advantage that I can see; when you get into planning, I think, the assumption is that there is an endless number of people who want to locate here and that's not the case. The fact of the matter is that you have to try to accommodate whoever comes into the port the best way you can and if you have a five or ten year plan you say, "Gee, I'm sorry, I don't see you here -- good luck in Washington or wherever." I think that would be a disaster and again I just want to emphasize that Megatrends, noting all the trends in this

country for the last few years, talks about decentralization. I think that is the model and that's probably what's going to prevent us from making a fatal planning error at the state level.

ASSEMBLYWOMAN MOORE: That's another hearing and another debate.

MR. PRICE: Let me just add something to that decentralization question. I know of the interest in decentralization in governments, that's clear. But we have a lot of evidence of centralization in the private sector, larger aggregations of ownership. My question is whether that's going to happen to the seaport industry in California.

CHAIRWOMAN MOORE: Let me ask you something. We talk about regional planning, and we have specifically been talking about the two ports that are of particular interest to Mr. Elder. But as we are looking at things on a statewide basis, what about the smaller ports?. What about some kind of regional planning for some of the smaller ports, who seem to have far more serious problems at this point than the Ports of Los Angeles and Long Beach?

MR. PRICE: That needs a lot of attention. I'm really worried about the smaller ports in California. I think their viability is at the edge and I'm not sure in another five or ten years that we will have 12 ports in California. So, certainly, cooperation, conversation, discussion would be very helpful. In fact, the University of Southern California, next April, plans to

put on a conference in the Sacramento/Stockton area on the question of small ports, single cargo ports, "speciality ports", if you will.

CHAIRWOMAN MOORE: What about the user fee? How does that benefit the smaller ports and how it would it be used?

MR. PRICE: I don't know if you want to open up the whole question of user fees because there is...

CHAIRWOMAN MOORE: Well we're here to learn and we just want to know a little bit about...

MR. PRICE: It certainly appears that any piece of legislation at the federal level which does not have special provision for support of smaller ports will in fact discriminate against smaller ports, because they will have to raise a substantial of money to cover their own dredging. Most smaller ports end up with a reverse equation. They end up with a need for larger monies for dredging and smaller amount cargo movements to tax. Ports that have large depths and large cargo movements are the inverse of that. Most of the legislation that's been discussed has been real risky for smaller ports unless there is special provision for dealing with that issue.

ASSEMBLYMAN ELDER: On the point of dredging, I just can't see the justification to what's being proposed in Sacramento. That is \$91 million or something like that. According to these numbers, they're doing 1,700,000 tons. I just cannot see the justification for that at all. There are going to

be more justifications for the user fees because you spend that kind of money and it eventually attracts the attention of the federal government.

MR. PRICE: Well, we have to ask the question of whether we're interested in all the ports of this nation or just the ones that are more financially viable.

ASSEMBLYMAN ELDER: I think that the question of the viability of the ports is something that has to be determined by their locations, it's not something that we can by fiat determine. I mean I think they should rise or fall on the basis of what happens in their regions. You can't say that Port Hueneme should have an inordinately higher rate of growth in cargo than it does. That's going to be determined by the population of its hinterland its rail access, and a number of things which we don't control, at least not in the Legislature. As far as L.A. County is concerned, it seems to me to make imminent sense to put the cargo here, because this is where the population center is. To spend \$91 million on the dredging of of the Sacramento port area is lunacy. The user fees are going to be paid for by the rest of the ports in the state that have to move some cargo. And that is counter-productive in terms of the total interest of world trade.

MR. PRICE: Thank you anything else?

CHAIRWOMAN MOORE: One last thing, do you have information regarding, I guess maybe we'll save this for some of the port people, I want to know about their surplus of revenues.



MR. PRICE: I don't have detailed information. Thank you.

CHAIRWOMAN MOORE: We're going to move to port governance. Our first witness under governance is the president of the Los Angeles Harbor Commission, Ms. Gene Kaplan.

MS. GENE KAPLAN: Madame Chairwoman, Mr. Elder, ladies and gentlemen, we welcome all who are interested in good port management and development as it affects the commerce of the state. We in this chamber have that as a common bond of interest and a common goal, toward which I'm sure we'll move as this hearing progresses today. I myself am vitally interested in hearing what the other witnesses will have to say. I'm personally proud to represent my colleagues on the Los Angeles Board of Harbor Commissioners. Five of us are here, four in spirit and one in fact, me. We are appointed by the Mayor of our city, Tom Bradley, with the approval of our city council. In the varying number of years each of us has served on our commission, one of the strongest features of our modus operandi has been our keen interest in and insistence on public participation. Public hearings are a frequent occurrence in this chamber. We hope our own experience in hosting them will add to your Committee's success in holding this one today. Thank you very much.

CHAIRWOMAN MOORE: Thank you very much for your comments and thank you again for allowing us to use your facilities.

MS. KAPLAN: You are most welcome.

CHAIRWOMAN MOORE: Mr. C. Robert Langslet.

MR. C. ROBERT LANGSLET: Good morning Madame Chairwoman and Members of the Committee. I'm C. Robert Langslet, President of the Board of Harbor Commissioners for the City of Long Beach. First, I want to echo the welcoming remarks of my colleague from the Port of Los Angeles, Ms. Gene Kaplan, and say that the Port of Long Beach is very pleased to be here today to participate in your hearing.

CHAIRWOMAN MOORE: Is it any indication of your competition that you were sitting two seats from her?

MR. LONGSLET: No, I would be more than happy to sit next to Gene, as I've done many times. I might add, since you brought that up, that there is competition between our two ports, which I think is very healthy. But I also want to point out that there are a great number of things that we are doing together, in which we work hand in hand. One of the most important today is the intermodel rail yard we're working on together, as a joint venture. I think that's one of the big things about our two ports, the fact that we can have competition and we can work together when it needs to be done. That's a very important thing to understand about our system and the way we work here.

I'd like to briefly outline the structure of our Board of Harbor Commissioners. We also have five members on our board. We're appointed by the mayor of Long Beach and then confirmed by

the city council. We're appointed for a six-year term and we have possibility, if the mayor so desires, of serving us for an additional six-year term.

CHAIRWOMAN MOORE: That's pretty much the way that most ports are established throughout the state, the mayor appoints and the city council confirms.

MR. LANGSLET: Yes, I believe that's fairly common. However, ours just changed within the last few years. Prior to that, the manager made the appointment but he decided to to put it on the ballot, where the mayor would do it (which I think is more appropriate). The manager is a professional who runs the city. The Harbor Commission appointments are political and I think the process should be with the mayor and the city council. That's the way it is now. We are appointed for a staggered six-year term. Most of us have been very successful, in high-key, visual people within our community. At the present time we have two prominent attorneys on our commission, both former presidents of the Long Beach Bar Association. We have a bank president and an auto dealer. I'm a developer and financier and my other colleague, Mr. Houser, is a mortgage broker. He was just recently appointed and has only been on the Commission a short time. The relationship between our commission and our staff I liken to a board of directors environment. We as the harbor commissioners set the policy for the Harbor Commission, and our staff takes over and runs the organization. However, we

are the final authority on the operation of the Harbor Commission and the Port of Long Beach. If you have any questions I'd be happy to answer them for you.

CHAIRWOMAN MOORE: Thank you very much for your presentation.

MR. LANGSLET: Thank you very much.

CHAIRWOMAN MOORE: Now we get into port planning. We have Dr. E. L. Perry from the Port of Los Angeles and the friendly competition, James H. McJunkin, the executive director of the Port of Long Beach. They were sitting next to each other. Since we've only got the one podium why don't we just take one at a time. We had put the two of you together so that, if there were questions, you both could respond to them.

MR. ROY PERRY: Thank you Madame Chairwoman and Assemblyman Elder. I'm Roy Perry, executive director of the Port of Los Angeles. My colleague from next door is Jim McJunkin. I'm going to give you a slide presentation this morning, a joint presentation of the two ports. We flipped the coin this morning and it's my turn to give it. I will be the one making the presentation for both ports.

We're certainly glad to have the opportunity of having your Committee here and giving you a little rundown on the cooperative planning that has gone between the Port of Los Angeles and the Port of Long Beach. I think that Commissioner Langslet told you a little bit ago that we do have quite a number

of project that we are jointly working on. Rail and road access problems, and the intermodal facility are underway right now.

The Port of Los Angeles and Long Beach have taken the position that we are joint occupants of a part of the Coast of California known as San Pedro Bay. And it's virtually impossible for one of us to do anything in the land development area without impacting the other. The logical projection of that assumption or that analysis is that we get together and jointly plan the development of the San Pedro Bay. Mr. McJunkin and his staff and my staff and I have been doing that now for the last couple of years on what we call the "20/20 Plan" for the San Pedro Bay. This is basically a Corps of Engineers plan that is being jointly funded by the two ports. Our staffs, the Corps of Engineers, and the regulatory agencies are all putting their input into this plan; we think it will work. You're looking now at a sunlight photo of the San Pedro Bay, you can see the break water that protects both Long Beach and Los Angeles. This the main entrance channel into the Los Angeles Harbor, the main channel which we've just recently completed dredging through minus 45 feet, depositing the landfill at this location -- about 190 acres. This is the Navy complex. That being San Pedro Bay, that's what we have to work with, that's what we're trying to plan.

Containerization could be termed a transportation revolution, rather than a change in technology. Containerization has changed the way that we look at cargo, the way we handle

cargo, the way we develop ports, and the way actually charge the system for our revenue. Containerization spawns another thing that you will be hearing about more and more called the intermodel system. This is a system where the bills of lading for cargo are processed at the point origin, say in Taiwan, and the container moves right on through the port, goes immediately onto a rail system, and into an inland area. The other revolution that has generated changes in the port are the deep draft vessels. The economies of scale in the larger-size ships is something that just could not be ignored by the shipping industry.

Now, back in the old break bulk days (break bulk being when each package on the ship was handled by hand), the cargo was handled in what we call a pier type facility with trenchant sheds. You really didn't have to have any backland area adjacent to the wharf to handle this cargo. When containers came in, this type of terminal complex became about as useful as the dodo bird. Today, by filling that land in between the two wharfs and tearing down the trenchant sheds, and opening up the backland area, there are three terminal operators in there. This is the trend as far as we can see for the next several years.

One of the things that is happening geographically is that there have been a very decided shift in the amount of trade between the United States and its trading partners. A few years ago Europe was the predominant trading partner of the

United States. Today this is changing. Now there is a very distinct cargo shift in our trading pattern, into the Pacific. The Pacific rim is growing at a much faster rate than is the trade with the Europeans and the African areas.

Also of considerable significance to our planning and to what we're doing is the population trend that is occurring in the Sun Belt region and particularly here in Southern California. The projections given to us by banks and others who do demographic work, is for an approximately 22 percent increase in population by the year 2000. The SCAG -Southern California Association of governments- region is going to go from about 11.5 million to something close to 15 million in that period of time. This has had a tremendous impact on our planning and what we have to be ready for. But even more important, because the Ports of Los Angeles and Long Beach have the capability of saturating our local traffic and our local domestic business very very quickly, is our real market area, the huge Midwest; that's what we're after and that's what we're going for. This changes the principal competition from the West Coast although we still get a heck of a lot of it, as Mr. Elder told, from the Puget Sound area because of its very very excellent rail connections into this area. But now our competition is basically to the Gulf, the East Coast, and particularly up through the New York area.

That is what we're facing here as we look into the future. San Pedro Bay last year handled about 90 million tons



and it is going up at very very rapid rate. The economic impact has been projected, by the Security Pacific National Bank, at something like \$6.5 billion in just the SCAG region. In that region, there is something like 260, jobs rely directly upon the ports of Los Angeles and Long Beach.

This is of considerable significance, particularly as it relates to the question of user fees. U.S. Custom's collection in the

United States from ports amounted to a little over \$6.5 billion last year. Long Beach/Los Angeles provided about \$1.4 billion of that. If you take New York and New Jersey, which had about \$1.6 billion, you end up with two regions of the United States literally providing 50 percent of the Customs revenues in the United States. I think that's a very very significant fact.

Looking at the mandate that the Ports of Long Beach/Los Angeles feel we're operating under, the California Tideland Grant Grant we are to promote commerce, navigation, recreation, and fisheries. I think both of us have been doing this and I hope doing it reasonably well.

The California Coastal Act also gave us a mandate and said that you can develop within your boundaries. You can redevelop and develop but do not go outside your boundaries. That's exactly what we're attempting to do at the present time. What we're looking for, our future requirements in land and water use, are additional land for container terminals, and additional

land for dry bulk terminals. We need to support the offshore oil industry. And Los Angeles is providing something like 270 acres of new recreational expansion in the Cabrillo Beach area. We have wider and deeper channels to accommodate those ships that we were talking about a little bit earlier.

What this breaks down to, and this is the Corp of Engineer's study, is a demand, for after the year 2020, for about 1,2000 additional acres for containers and so on. The petroleum looks a little bit surprising in here but we can handle with larger and deeper drafts more petroleum without actually expanding the necessity for additional land. So, more petroleum will move through the facilities because of larger and faster unloading with the new deeper draft terminals. Infrastructure is very surprising: when you look at the road and rail access to provide additional services, you're talking about 800 hundred acres of land. Model studies will tell us what we can ultimately do as far as surge, the flushing action, and the other wave actions that we will have to take care of. This study, as I said, is a Corp of Engineers' study with the participation of Long Beach/Los Angeles. The draft report is scheduled for January of next year we will have a series of public hearings conducted by the Corp of Engineers in March of next year. And the final report we're expecting to be prepared and sent forward to the Chief of Engineers in May of 1984.

That concludes what I was hoping to say for our two ports, but Mr. McJunkin may have something that he would like to add. We're open for questions as well. Thank you.

CHAIRWOMAN MOORE: It's time to introduce two additional members of the Committee. While the lights were down we had some people join us. To my right we have Assemblyman Nolan Frizzelle from Westminster and to my left we have Assemblywoman Gloria Molina, who represents roughly the east side of Los Angeles. Thank you. Dave do you have any questions on the ports of Los Angeles or Long Beach?

ASSEMBLYMAN NOLAN FRIZZELLE: I have, thank you.

CHAIRWOMAN: Mr. Frizzelle.

ASSEMBLYMAN FRIZZELLE: I'd like to ask questions about the possibility for tiering or multi-level facilities for some of the containers or cargo. It is possible that the expansion or needed acreage can be utilized in a different way than just ground area. Is there any potential for vertical storage?

MR. JAMES MC JUNKIN: We are engaged in vertical storage of containers now, but not with buildings: you can pile containers seven high. They will withstand that. We are operationally going four-high at present. So, yes we are doing that; the conservation of land is a very paramount goal.

ASSEMBLYMAN FRIZZELLE: Can each level of building contain X-number of containers?

MR. MC JUNKIN: There have been some theoretical studies and some development along that line in Hong Kong, but it is horribly expensive. You really have to have high value land to make it economically feasible. The four-high seems to be most practical at the present time. And really, this is moving cargo, it is not setting; we have to be able to handle it within hours and days. It may seem that there are boxes there all the time, but they are different boxes.

ASSEMBLYMAN FRIZZELLE: So, the constraints include the business of transport in and out and easy access ,etcetera.?

MR. MC JUNKIN: Yes sir, we're in the transportation business, not the storage business. Getting back to one basic planning issue that has been overlooked, if I may volunteer a comment: the commerce of the country or locality dictates the port, the port doesn't dictate to commerce where it should flow. For example, the clothing coming into department stores here sure as hell isn't going to move through Yreka.

ASSEMBLYMAN FRIZZELLE: But, then, that requires the infrastructure to bare a weight load and you have to have a breadth, and size of street, parking and loading facilities, that are more expensive than normal.

MR. MC JUNKIN: Yes, there is no question that a major port puts additional burden on, highways and railroad.

ASSEMBLYMAN FRIZZELLE: Do we stress the streets around the harbor area to a deeper level?

MR. MC JUNKIN: Actually, both ports here maintain their own streets, so port streets are not a burden upon the gas tax or anything else. They're a burden on the commerce that is utilizing the port.

ASSEMBLYMAN FRIZZELLE: Do you know Dave, whether they're stressed differently than other kinds of highways?

ASSEMBLYMAN ELDER: Well, I'm in the process of looking at the stressing of highways by trucks, specifically. I really don't have an answer for you. I just would say that Congressman Anderson has got a \$55 million funding proposal for revitalization and redesign and reconstruction of the Harbor, Long Beach, Ocean Boulevard Interconnect, and the Rock 47 Freeways. There is a recognition that these areas have to accommodate more traffic as a result of cargo movement. Between that and the rail we're trying to inconvenience the motoring public as little possible.

CHAIRWOMAN MOORE: I think Mr. Frizzelle's question goes to whether there is more stress on the surrounding streets as a result of the transportation of goods via heavy cargo containers.

MR. MC JUNKIN: Well, port cargo has to meet the same weight and length limitations as any other. I believe the Highway Patrol is very active in the ports.

CHAIRWOMAN MOORE: I think his point is that because of the type of commerce you have, moving goods from the port, you naturally use the heaviest of trucks. Heavy trucks cause more

damage to pavements. Therefore, roads around ports have to stand greater stress than other roads.

MR. MC JUNKIN: I think not, because they're the same weight as any other domestic trucks. There's a higher concentration of trucks on the immediate freeway areas, but those trucks are not in the commercial and residential streets of the community.

ASSEMBLYMAN FRIZZELLE: I don't want to overemphasize this, but I want to stress that fully laden trucks and empty trucks, statistically, cause the first and the second most damage to the surface of highways. In those areas where that type of trucking is concentrated, it might be better to stress those particular roadways and highways differently for the long haul, so they don't have to be overdone and redone consistently.

MR. MC JUNKIN: With that I completely agree. And I think, through the years, Cal Trans has completely ignored the movement of goods. It has concentrated on the movement of people. I think we're finally educating Cal Trans.

ASSEMBLYMAN FRIZZELLE: We want to do it right the first time.

MR. MC JUNKIN: I agree with you, sir. We are also, as I think Dr. Perry mentioned very briefly in the midst of a \$100 million project to transfer somewhere between a fourth and third of our trucks off the highways, onto the railroads, one of the best highway-saving devices we know.

CHAIRWOMAN MOORE: I was going to ask if one of you would expound a little bit on rail movement, that \$100 million project that you just spoke of.

MR. MC JUNKIN: Despite the historic development of the Midwest area, all containers must move either to East Los Angeles or downtown Los Angeles, to be loaded on trains, roughly a distance from 19 to 25 miles. I suspect our SCAG witnesses will go into greater detail when they give their testimony. The concept which we have been working on for about a decade is to bring the railyard to the harbor. We're in final negotiations with Southern Pacific on this project now.

CHAIRWOMAN MOORE: Are you using one of the existing Southern Pacific rail lines?

MR. MC JUNKIN: Yes, that would shorten that haul to approximately three miles.

CHAIRWOMAN MOORE: Are they in agreement?

MR. MC JUNKIN: Yes, madam, they are.

CHAIRWOMAN MOORE: Are there are any questions for the Port of Los Angeles? Thank you very much for your testimony.

We have Mr. Gerald Polk representing the Port of Oakland and Mr. Fred Di Pietro, chairman of the Northern California Ports and Terminal Bureau. I would also like to take this time to introduce Assemblyman Steve Peace, from the San Diego area, who has just joined us.

MR. GERALD POLK: Madam Chairwoman and members of the Committee, I'm Gerald Polk, Director of Administration at the Port of Oakland. I'm representing Walter A. Albernathy, Executive Director, who unfortunately could not be here today. We do have some comments with regard to the various issues which you have raised in this hearing and certainly some comments on the testimony that has already been received. Mr. Di Pietro represents the Northern California Ports and Terminal Bureau, as its president. He has a statement with respect to planning and some of the cooperative efforts that we've engaged in, in our area.

CHAIRWOMAN MOORE: Is Oakland a part of the Northern California Ports and Terminal Bureau?

MR. FRED DI PIETRO: Madam Chairwoman, my name is Fred Di Pietro. I am the Port Director for Redwood City. I'm appearing here today as President of NORCAL. NORCAL is comprised of the public ports of San Francisco, Oakland, Richmond, Sacramento, and Redwood City, and two private ports.

The Committee raises several questions of interest concerning port development and operation. We will focus on interport competition and cooperation. We believe, however, that each point of interest cannot be adequately responded to in this hearing. Accordingly, the NORCAL ports will undertake to respond to the points raised in the Committee's background paper and submit our collective views to the Committee at an early date following this hearing.



The Northern California Ports and Terminal Bureau, with the cooperation of the U.S. Maritime Administration, is undertaking a study of marketing and promotional needs for the NORCAL region. Since it has become apparent that significant additional efforts should be made at the regional level to establish a cooperative marketing-promotional program, this project has been established to identify areas in which NORCAL ports can act cooperatively pursue common goals, and recommend the appropriate regional programs to achieve these goals. The study will focus on development of a regional approach to supplement, not replace, the individual ports efforts in port marketing and promotion.

CHAIRWOMAN MOORE: Is this a voluntary plan?

MR. DI PIETRO: Yes it is a voluntary plan. And it is a plan that is encouraged by the Maritime Administration. The study recognizes that there is a need for NORCAL ports to develop strategies designed to improve their present market share and to minimize developments that negatively impact our region. There is a need to develop these programs not only for international domestic markets, but also to make the local constituency aware of the importance of healthy ports for the economic vitality of the region. We anticipate the study will serve our cooperative desires to promote the economic work of the NORCAL region by strengthening the competitive position of the "Golden Gate Gateway" and creating a greater awareness in the NORCAL area of the role of the regional port system in the local economy. Our

study, when completed and implemented, can be used as a model by the Maritime Administration, to promote similar cooperative efforts in other regional gateways through the development of marketing-support information. This will assist other port regions in performing marketing efforts more efficiently than at present.

This study will cover a broad scope. We will inventory the characteristics and capacities of each NORCAL port and expand on previous efforts to identify each port's projected capabilities for handling specific types of commodities. NORCAL ports would be identified and appropriate programs to promote these commodities, and to solicit them jointly, will be developed. We will identify examples of successfully functioning cooperative industries, evaluating their merits and goals, and determine if there are any aspects of these organizations that might be transferable through a NORCAL regional port-cooperative marketing and promotional effort. We will analyze existing marketing and promotional programs of the NORCAL ports and identify aspects that are complementary to the cooperative program. We will seek to enhance NORCAL ports' ability to take advantage of new trade opportunities and to explore inducements necessary to encourage carriers and shippers to use regional port facilities. Information on market research and marketing and trade development techniques will be exchanged, to assist in making Northern California ports more competitive.

In creating a regionwide promotional program, we need to identify the factors upon which railroads or steamship lines decide to increase or decrease their level of service to a regional gateway. This would assist NORCAL ports in developing presentations with segments of the transportation industry for the purposes of providing NORCAL ports with continuing satisfactory service levels. We firmly believe that the result of this study project will lead to a new cooperative marketing program that can be effectively implemented to promote NORCAL ports as a regional gateway.

We are indeed pleased that this Committee of the State Legislature is interested in planning and development of the California port system. We do not, however, believe that there is an appropriate role for institutionalized port planning on a regional, statewide, or national basis. However, there is a need to alleviate excessive regulatory and bureaucratic control.

CHAIRWOMAN MOORE: Thank you for your comments. Are there questions by the members of this witness? Go ahead, Mr. Frizzelle.

ASSEMBLYMAN FRIZZELLE: Your ports in Northern California essentially carry a greater load of agriculture-oriented business. We have in Southern California more of an industrial type of transfer. Are the railings and other carriers to and from the harbor areas responding adequately to the specialization that the ports seem to be gravitating towards?

MR DI PIETRO: I really don't know whether they are gravitating to the development of the individual ports. It is my understanding that agriculture normally is centered in the Stockton/Sacramento area.

ASSEMBLYMAN FRIZZELLE: Of course, you don't want to be known, do you, as specializing in one or another type of commodity or, commerce?

MR. DI PIETRO: As an individual port, yes, I do.

ASSEMBLYMAN FRIZZELLE: Let me be more specific in this way. As far as the use of your transportation facilities, your highway structures, your port facilities for storage and transfer of goods, etc., has the city allotted or planned to use a part of its funding capacity specifically to accommodate the growth and the increased demand on your harbor area?

MR. DI PIETRO: They have in my harbor area, through a redevelopment agency.

ASSEMBLYMAN FRIZZELLE: Is there any special tax placed on the harbor area or do you help fund it? Does the port facility itself help to fund the construction of the infrastructure immediately surrounding the port area?

MR. DI PIETRO: Yes, we do.

ASSEMBLYMAN FRIZZELLE: Is that generally true for NORCAL?

MR. POLK: Yes, if I may respond to that also. In the port of Oakland, we maintain all those streets within our port

harbor area. We do have some streets that are jointly maintained by the City of Oakland. As an example of that kind of cooperation and the funding needed to improve highways, we just received a \$920,000 grant from the EDA [Economic Development Administration] which we are matching with \$3.5 million, to improve one roadway about a mile and a half long. It's one of the main arteries of our port system, into the Oakland Army Base as well as to a series of container terminals and docks within our port. We do engage in that kind of cooperative development, not only financially, but also to ensure that the design is consistent with our city.

ASSEMBLYMAN FRIZZELLE: Are the warehousing areas fairly close to the actual harbor facility?

MR. POLK: In our case, yes, they are. We do have, I might also mention, railroads right at the pier areas. In fact, none of our piers are over a mile distant from the main railroads that serve our port. As to the adequacy of that infrastructure, in our case, it has been studied and it is being studied to insure that the railroads develop adequate facilities. They are continuing to develop facilities that will take care of the transfer of containers to rail. In Oakland, about 60 percent of our cargo moves by rail and 40 percent by truck. The highway system is also being improved. But I have to agree with you, Mr. Frizzelle, that there is a need to look at the design of pavement, and that sort of thing, to see that they are sufficient

to withstand the growth of trucks and traffic which that we certainly are going to see. We're now handling about 12 million tons of containerized and break-bulk cargos through Oakland. Our speciality is in those two areas; we don't have a lot of bulk and we don't have any petroleum moving out of our port directly. But there is need to develop that infrastructure. It is something that we are vitally interested in, and we're going to see that it does move forward.

This is being done on a regional planning basis. I think that as, Mr. Di Pietro said, regional planning is occurring in the Bay Region among the seven ports in that area. It is being done on a cooperative basis, through MTC [Metropolitan Transportation Commission] and BCDC [Bay Conservation and Development Commission], and it is being done consistent with the laws and the mandate to seaports. I brought along a copy of the seaport plans which I'd be glad to leave with the Committee. We can furnish additional copies if you would like.

CHAIRWOMAN MOORE: We'd very much like to have it.

MR. POLK: That plan speaks to the requirements of port development out to the year 2020. It contains all of the elements that are necessary for that kind of development.

With respect to Dr. Price's remarks, I do not believe that efficiency is going to be achieved by trying to institutionalize planning at the state level. I think that one of the things that we already see in dealing with our own local

BCDC, is that when good laws are passed, (we think that the basic law involved in the BCDC legislation is a good law) they get into the hands of administrators. The people who run those agencies hinder development and make it very very difficult, in some cases, for us to proceed.

I would shutter at the thought of going to the BCDC and telling them that we have a plan for filling 1,100 acres of the Bay, for instance. But, nevertheless, we do have plans for development. We will pursue them, but we're going to have to pursue them in an environmentally sensitive way that addresses the issues that are going to be raised by you, the legislators; by the public at large, and by others interested in port development.

We do believe that we have the mechanism in place, and we can plan. We have demonstrated that we plan, we're continuing with cooperative marketing as a new venture for Bay regional ports. I think our needs are being met on a regional basis, just as they are being met down here in Southern California.

CHAIRWOMAN MOORE: Is there a southern organization equivalent to yours?

MR. POLK: Well, SCAG, Dr. Perry, and Mr. McJunkin can certainly speak to the planning mechanism that they have in place here. Chapter VIII of the Coastal Act provides for certain elements of port planning down here and certainly there are mechanisms that are comparable to what we have within the Bay

region. They don't have the same title or the same label, but there are mechanisms available.

CHAIRWOMAN MOORE: Obviously, recognition that there was some merit in regional planning prompted you to voluntarily work together. Can you cite a couple of reasons?

MR. POLK: One of them is the basic legislation that was passed back in 1972. AB 59 called for a California Transportation Plan on a statewide basis. Various planning districts were set up as a result of the passage of that law. This legislation also called for the creation of the Metropolitan Transportation Commission in our area, SCAG here, and other divisions within other geographical areas of the state. Those mechanisms are the mechanisms that are available for transportation planning on a multi-model basic, not just for ports.

CHAIRWOMAN MOORE: Can you talk a little bit about user fees and their impact is on smaller ports?

MR. DI PIETRO: Among small ports, as you know there has been a great deal of controversy about user fees. Basically, small ports of the country take the position that there should be no user fees. The federal government ought to maintain it's responsibility to keep the channels open without such; however, we take the position, as long as they're hell-bent on doing it, that we want the user fees to be uniform, to protect the small ports and keep us operating.



ASSEMBLYMAN FRIZZELLE: Excuse me, couldn't that be used just the opposite, couldn't it be used in essence to close the small ports.

MR. DI PIETRO: Yes, you could look at it both ways. But we feel as though, at the outset, that the user fees are not necessary, that there were other mechanisms. The federal government many years has maintained we call a partnership between the local port groups and the federal government. And we very basically are to user fees. But as long as they're coming, we want to do right in the beginning.

CHAIRWOMAN MOORE: So, your basic stand is that they should be uniform?

MR. DI PIETRO: As long as they're going to do it, I want them uniform. I have a lot of opposition, though.

CHAIRWOMAN MOORE: I see that, he can't wait.

MR. POLK: Madam Chairperson, I think one of the things that has surfaced in the 2-1/2 years that this issue has been considered, is that there are a lot of different opinions about what should be done and what is appropriate. With your permission, I think Mr. McJunkin can speak to the other side of that issue, with respect to the actions that were taken through the American Association of Port Authorities. He was Chairman of the West Coast Large Port group.

CHAIRWOMAN MOORE: All right, we'll do that in just a couple of minutes. Before we do, that we have a couple more questions. Mr. Frizzelle, do you have a question?

ASSEMBLYMAN FRIZZELLE: I want to dig just a little further into this particular item before we pass by it. If indeed we go to a user fee basis, then those who deliver the greatest user fee revenues will end up being those whose service will be maintained. There's a greater compulsion to utilize the funds for those harbors that have the greatest performance. I'm concerned that the uniform fee structure doesn't take into consideration some additional factors. For instance, in your area around the Bay, you have in the area a number of smaller ports. If you do not use those smaller facilities, maybe more outlying, or a little bit further down the Bay, or a little bit more out of the main channel, you end up having to transport that cargo either by rail or truck on the surface streets. You end up with impacts that are not harbor impacts but local community impact. And I'm not sure that, just be on a generation of user fee basis, the federal government is in a position to make judgments that we at the state level want to make. It could well be that we wish development or maintenance of different facilities, and see critical social and transportation implications, in areas that the federal government might not care about at all. I think that the state's impact has to be felt. And I'm a little bit cautious about this business of uniform fees, with all for the implications of the bureaucracy involved.

CHAIRWOMAN MOORE: I assume you took those things into consideration before you decided that uniform fees preferable?

MR. DI PIETRO: Yes, if you had both hands tied. They were going to really force it down our throats anyway, so if they were going to do it, make it fair.

ASSEMBLYMAN FRIZZELLE: Yes, but fair could be unfair in this case.

MR. DI PIETRO: That's true, but there's another element to it. In the final analysis, the people that are really going to have something to say are the heavy shippers in various small ports around here. Take a grain ship, for example, that uses small port, he certainly is going to object to the additional burden.

ASSEMBLYMAN FRIZZELLE: These ports are going to get lost in the number of loud voices demanding for larger facilities.

MR. DI PIETRO: Possibly.

CHAIRWOMAN MOORE: I didn't ask you when you were making your presentation, what is the speciality of Redwood City?

MR. DI PIETRO: What's the speciality?

CHAIRWOMAN MOORE: Yes.

MR. DI PIETRO: It's the second oldest port in the California in terms of federal sponsorship, the first being San Diego. It's over 100 years old. What we're doing is trying to develop Redwood City into a bulk-type port that will have additional attraction for industry that needs the water in the first place. In other words, we're not going to try to one up

Jim and Dr. Perry on containers. But we're looking for the kind of a business that needs deep water in order to conduct its trade. We have the property; as I said earlier, if we could relax some of the bureaucratic constraints, maybe that property would be developed in order to assist the whole state in economic development.

CHAIRWOMAN MOORE: Do you think that the major problems facing smaller ports is the bureaucratic constraints that are put on them?

MR. DI PIETRO: It's generally known that all get a hard time but I feel as though that I've had the lion's share of it.

CHAIRWOMAN MOORE: More than your fair share, then. What do you really see as the future? Everyone speaks with great concern for the problems of the smaller ports. Do you see a future for them?

MR. DI PIETRO: Oh, I do. In my port, I certainly see a big future. We have some very fine opportunities ahead of us. We have an ability to attract foreign capital. I would certainly take you up on one of the points you have in your background paper, with regard to the possibility of joint venture. We are doing just that. I think that it has merit.

CHAIRWOMAN MOORE: Mr. Peace?

ASSEMBLYMAN STEPHEN PEACE: You mentioned a couple of things, you made reference to bureaucratic constraints -- like what?

MR. DI PIETRO: Like Sohio, like Dow Chemical.

ASSEMBLYMAN PEACE: No, you tell me specifically what are the bureaucratic constraints?

MR. DI PIETRO: I'm talking about general permitting process, the environmental

ASSEMBLYMAN PEACE: The EIR -environmental impact review- process?

MR. DI PIETRO: Yes, absolutely, ARB -Air Resources Board- -- you named a few of them.

ASSEMBLYMAN PEACE: The whole gamut of state regulatory agencies for which you have to get permits for the projects?

MR. DI PIETRO: That's true. That's exactly true.

ASSEMBLYMAN PEACE: The same kinds of things that other private developers have to deal with. Are you saying then...

MR. DI PIETRO: That could very well turn them away from the state of California.

ASSEMBLYMAN PEACE: Are you suggesting that these are problems that extend beyond those situations which private developers have to face also? Should we give some special consideration for port district development above and beyond that which we might want to seek, in terms of regulatory relief, for private development?

MR. DI PEITRO: I think the ports ought to be protected if it's a major part of the economic development of the state of California. They do produce a great benefit to the state, they ought to be protected.

ASSEMBLYMAN PEACE: So we ought to seriously look at taking action that might exempt port districts from the variety of regulatory reviews?

MR. DI PIETRO: I think it could be accomplished with a bit more balance, a bit more interest about the economic side, of it as opposed to the environmental.

ASSEMBLYMAN PEACE: Your colleague indicated that part of the problem lies not so much in laws that are passed, but what happens to those laws after they get into the hands of administrators. Do you agree with that?

MR. DI PIETRO: Absolutely.

ASSEMBLYMAN PEACE: Then you don't feel that the problem is so much legislative as it is regulative?

MR. DI PIETRO: Well, I think the Legislature is going to have to do something. I told Senator Petris, the other day, that I thought it was time that they closed BCDC down and remanded those particular regulations to local government.

ASSEMBLYMAN PEACE: Can we get an example of a specific kind of regulation, just to give me some prospective, keeping in mind that I don't deal day in and day out with permits? Can you give me a specific example of a regulation that you think is particularly exemplary of the unreasonable things you have to deal with?

MR. DI PIETRO: One that concerns me a great deal is that I have 138 acres of land adjacent to a deep-water channel

that I'm not able to develop for port purposes. The interesting part about that is that the Legislature, in its wisdom, granted that particular property to Redwood City for that specific purpose.

ASSEMBLYMAN PEACE: What is the regulation and why is it that you can't do that? Is that because of you must pass certain hurdles or is there a specific regulation that's pending?

MR. DI PEITRO: We have to go back to BCDC and the original Bay plan when it was first adopted. Particular areas were designated for port-priority use; They were taken away from us in the plan that was delivered to the Chairwoman. They were used in the early development of the Redwood City Channel for dredge disposal. Now, we're not permitted to do that. The tragedy is that it costs, as an example, 50 percent of whatever federal appropriation we would get to maintain our channel costs, 50 percent to haul that material 18 miles up the Bay to dump it at Alcatraz -- with the chance that 50 percent of it will come back through the channel! That's a criminal waste of money, in light of the fact that the Legislature did grant that area to us for that express purpose.

ASSEMBLYMAN PEACE: But what I'm trying to get at is what, specifically, is the regulatory entity and regulation that was developed? Let me tell you what I'm trying to get to; maybe that would be helpful. I'm trying to find out where to start legislatively: where is the core of this problem? In theory,

all those regulations are traceable to some piece of legislation. So I'm trying to get some link in terms of...

CHAIRWOMAN MOORE: Let me see if I can help a little bit. Why don't you tell us why you have to take it all the way to Alcatraz?

MR. DI PIETRO: Because in its infinite wisdom, BCDC approved only one site for disposal of dredging and that's at Alcatraz Island.

CHAIRWOMAN MOORE: Now, is there a way to change the plan or does it take a whole new process to develop an additional site?

MR. DI PIETRO: It would take a long process. I know that I've spent ten years trying to get a permit to use the property and I just gave up.

CHAIRWOMAN MOORE: If you did not have take it to Alcatraz, would you be able to develop the project?

MR. DI PIETRO: Yes.

CHAIRWOMAN MOORE: That's the only thing that's holding it up?

MR. DI PIETRO: Well, at the moment.

CHAIRWOMAN MOORE: I mean, if that's the major factor, then that's enough. Mr. Peace, are there any questions. Mr. Elder?

ASSEMBLYMAN ELDER: I don't know where we are with the port general managers but I'd like to surface something for the



Committee's consideration which I think is going to be problematic in January: the local exemption.

MR. POLK: We're listening, Dave.

ASSEMBLYMAN ELDER: In January, as a result of the Governor vetoing AB 900, there will be imposed on bumper fuel (which is ship's fuel) a local sales tax which is presently 1.25 cents. It will be 1.75 cents in Los Angeles County because we have a one-half cent tax for local transience. In the Bay Area ports it will be, I guess, 2.25 cents because you have one cent for BART, which means that it's going to add about a \$1.70 per ton and about \$4.50, to the cost of bunker fuel at San Francisco Port. It will be something less than that in the ports in Southern California. I understand that efforts are being made to rectify this situation, which puts California in a competitive disadvantage as far as fueling is concerned. We have a very serious problem in bunker fuel now: we've lost 30 percent of ship movements in the last year because we've lost our comparative advantage in terms of bunker fuels without the imposition of this tax. The \$50 per ton difference in fuel prices in Los Angeles and Long Beach versus the Far East has been reduced now to where it's \$10; this tax reduces that to about \$7, which means that ships are not going to have the incentive to fuel up here or stop in California to get fuel. But we have a tremendous amount of residual fuel produced as a result of gasoline production, and this is a very serious problem. We

must fundamentally deal with the taxation of bunker fuel in the future, because the amount that's taxable is that portion which takes you to your nearest port outside of the state of California. The state should not be adversely affected by any modification; we've got to do it more intelligently.

I just wonder if any of the general managers would like to comment on a proposal which I'm developing for a local task force on bunker-fuel legislation. I think we need to get some relief. I wonder if anyone would hazard a guess as to what the application of this local tax would do in terms of cargo diversion away from California, which is already down 30 percent in ship movements. Has anybody have any thoughts as to how your region, particularly NORCAL terminals, are going to be at a disadvantage vis-a-vis Southern California ports because you have a higher local tax rate, as much as \$5,000 or \$6,000 on one shipload of fuel?

MR. POLK: I think, Mr. Elder, we are concerned about that tax and any other tax that may be imposed upon ship stores, bunkers, any of those areas that will cause California ports in general to be at a competitive disadvantage. It isn't just Southern California versus Northern California. What happens is in Oregon and particularly in Washington. I don't have any idea of what the diversion might be, but certainly anything that raises costs is going to cause shippers to look at other ports, minimizing their time in California. Vessel emission is another

very important area that I know all of you are interested in, with respect to use of low-sulfur fuel. Container taxes.

Anything that may happen with respect to the Air Resources Board places an additional burden on transportation in California. The Air Resources Board, I believe, is primed and ready to come out with more proposed regulations. Because of the independent nature of that Board it's able to do these things in a very effective way and I think that's something that ought to be looked at. I think there is a cause for the Legislature to conduct some kind of oversight here with respect to that Board. There are other boards, there are other commissions, that are imposing policy and regulations without the benefit of legislation.

ASSEMBLYMAN ELDER: I just wanted to flag the question of the bunker fuel local sales tax as a very serious additional problem with respect to cargo diversion in California. Does anybody know what other states are doing in terms of the bunker fuel tax? I guess PMSA -Pacific Merchant Shipping Association- will be able to respond to that, so we'll wait for them.

ASSEMBLYMAN FRIZZELLE: Can I suggest that those of you who have specific regulations for which there is no specific legislation bring it to our attention; don't just sit on and curse the darkness. Let's bring it to light and see if we can't deal with it realistically.

MR. DI PIETRO: We will. One that we draw to your attention rather immediately is BCDC's historic dikeland project.

CHAIRWOMAN MOORE: I think we might at some point review that plan. Maybe we'll do a hearing so that we can get a better understanding of the problems and see what can be done with them.

MR. DI PIETRO: We'll send you the program that they've already published.

CHAIRWOMAN MOORE Thank you.

MR. POLK: If I may just comment on that historic Bayland Study: what they did, by regulation, is take 80 square miles of the Bay out of development. Through their actions they have effectively defied the landowners the use of their land. They did it in such a way that the regulations really can't be challenged and the only place that it can be challenged is in the Legislature.

CHAIRWOMAN MOORE: Well those are the things that we need to know. Perhaps we will take a closer look at the whole issue of seaport planning. I want to thank you for your testimony. I think you had a question for Dr. Price. Dr. Price do you want to come to the mike? I'm going to let Mr. Polk pose it.

MR. POLK: Oh no, I did not have a question. I had a comment with respect to on the institutional invasion, it's just a comment.

CHAIRWOMAN MOORE: The next witness is Diane Kelly, secretary of the California Association of Port Authorities.

MS. DIANE KELLY: Madam Chairwoman and Committee members, I'm Diane Kelly, association secretary for the California Association of Port Authorities, consisting of the ports of Hueneme, Long Beach, Los Angeles, Oakland, Redwood City, Richmond, Sacramento, San Diego, San Francisco, Stockton, and Encinal Terminals.

Our association was formed in 1941 to promote fair business practices among those engaged in the marine terminal industry, to more adequately serve the interests of the shipping program, and to establish and maintain just and reasonable rates in connection with interstate and foreign waterborne traffic.

Most of the association's activity centers on the discussion and setting of rates, conducted under an agreement with the United States Federal Maritime Commission. This Agreement requires the ports to establish and maintain just and reasonable, and as far as practicable, uniform rates, practices and charges, and grants to them immunity from the federal anti-trust laws that would otherwise preclude discussions of tariffs among ports. Similar agreements exist in other geographical areas of the United States in which there are several ports. These agreements are intended to eliminate potential rate-wars that could bring unfair competition to smaller ports and result in the survival of only a few very-large ports.

The Federal Maritime Commission Agreement is very specific with respect to the procedures to be followed by the association in its rate-setting activities and serves as the bylaws for the organization.

In addition to the Committee on Tariffs and Practices and the Traffic Committee of Operating Members required by the FMC Agreement, CAPA has a variety of other committees within its structure to deal with matters that affect all ports, such as insurance, laws, and legislation. It is their purpose to promote joint actions on issues and problems that can be resolved most cost-effectively for all of our member ports.

Beyond those functions specified in its FMC Agreement, CAPA maintains a legislative and administrative relations program to provide port-industry information and advocacy to state government.

To the extent that our association needs the cooperation and assistance of state government to achieve its purposes, we will continue to work with the Legislature and the various agencies of the administration.

Three basic areas of concern to the ports that require regular attention and occasional action by the Legislature are: (1) Elimination or reduction of duplicative and time-consuming review and approval of development projects; (2) state actions that impose or imply economic and other barriers to free and open trade with other nations; and (3) changes in state policy toward

California's maritime industry that might enable ports in other states to achieve competitive advantages.

Thank you for giving the California Association of Port Authorities this opportunity to address your Committee.

CHAIRWOMAN MOORE: Thank you for your concise and informative statement. Are there questions of Diane Kelly?

ASSEMBLYMAN FRIZZELLE: I'd like to lead off and ask a question regarding federal regulation as it contests with or contradicts state regulations. For instance, you're supposed to have some sort of uniform taxes or uniform fees structure. And the Federal Maritime Commission Agreement, you say, is very specific with respect to those procedures that you have to follow on rate setting activities, etc. But if in one area you have to include a specific kind of tax that ostensibly provides funds for certain things and in another area you don't, or you have to obey environmental regulations in one area and you don't in another, you bring about the need for nonconformity. In other words, we may be passing regulations at a state level, local entities may pass taxes, as in Los Angeles for instance, that would normally make ports less competitive in some ways. How can you abide or establish any kind of a uniform rate activity, taking to account those variables from one place to another?

MS. KELLY: Well, it's the individual ports. When they get together, the other ports take into the account all of these variables.

ASSEMBLYMAN FRIZZELLE: I'm not getting quite the answer that I need, but I think I'm asking the wrong person, so lets let it go.

CHAIRWOMAN MOORE: Yes. Diane, let me ask a question. How does your organization meet and uniformly attempt to set rates and not fall under the heading of monopoly or violate anti-trust laws?

MS. KELLY: Well, the association has antitrust immunity.

CHAIRWOMAN MOORE: Is that federal law?

MS. KELLY: Yes, that's federal law.

CHAIRWOMAN MOORE: Now how will that rate setting mechanism work if you use it for user fees? Would the same process be applicable? You guys have no formula of your own that you're proposing at this point?

MS. KELLY: This Committee does not.

CHAIRWOMAN MOORE: Do you want to come back and tell us a little bit about the user fees, Mr. McJunkin? Thank you very much Diane.

MR. MC JUNKIN: Well, basically, the user fee controversy is more than that. Historically, the federal government has maintained and deepened the channels and the local entities have built the port facilities. For the last 20 years the federal government has essentially reneged on that obligation. Now the present Administration is going a step



further, saying that, both as to maintenance and new channels, there must be local participation. And we of the larger ports with you: on special-purpose channels, particularly for the bigger ships, channels that are dredged to a depth of 50 feet or deeper should be shared 50 percent by federal, 50 percent by local with the local charges raised by the local entity. On the multi-purpose channels, or shallower channels under 50 feet, we're already paying a user charge in the form of \$6 billion a year in customs fees, of which now 30 percent is diverted to agriculture and nothing returned to the ports that generate it. So, how about giving us 10 percent of the customs fees which we're generating for the federal government? We have totally opposed user fees and particularly national user fees, because we think it takes the economic rationality out of ports. Though I may not agree with Assemblyman Elder when he was yelling about Sacramento, the ED Channel Projects have been political projects rather than economic projects historically.

ASSEMBLYMAN ELDER: Are you endorsing the Sacramento projects?

MR. MC JUNKIN: I'm keeping my mouth shut.

CHAIRWOMAN MOORE: Mr. Peace?

ASSEMBLYMAN PEACE: Perhaps I'm laboring under a misconception. What's the basic financial condition, in general terms, of the Long Beach Port. Is there a surplus there, a fairly healthy one?

MR. MC JUNKIN: No.

ASSEMBLYMAN PEACE: How about L.A.?

MR. MC JUNKIN: I think not, our construction demands are such that we're going to have to raise every penny we can borrow, beg, or steal.

ASSEMBLYMAN PEACE: So you're not now currently able to operate your commercial operations?

MR. MC JUNKIN: Yes, if you're talking about the operating profit, yes.

ASSEMBLYMAN PEACE: But your problem is that you can't meet the the technological need for changes?

MR. MC JUNKIN: Not only technological needs but growth of commerce.

ASSEMBLYMAN ELDER: They're going out for a \$100 million bond issue to do the intermodel rail facility, for one thing. We just freed up \$125 million in project funding for both ports.

ASSEMBLYMAN PEACE: Coming from San Diego, we've got a port district down there that was so paranoid about having a surplus being taken away from them that they're going to give it away to the City of San Diego.

MR. MC JUNKIN: Tell them to send it up. I'll take it.

ASSEMBLYMAN PEACE: They're so convinced that we're going to take the money away from them that they're looking for somebody they like better to give it to them. And San Diego is not a particularly active commercial port, obviously.

MR. MC JUNKIN: No, it is not.

ASSEMBLYMAN PEACE: The difference is that they have made money off of development along the bay.

MR. MC JUNKIN: If you say so. I'm not that familiar with San Diego.

ASSEMBLYMAN PEACE: I'm asking you, when you have a port that is relatively inactive and has all of the disadvantages of the coastal regulations limiting the amount of things it can do, why is it San Diego can operate at such a tremendous surplus and Long Beach can't?

MR. MC JUNKIN: Perhaps their capital needs are less. Our money needs are for capital improvements.

ASSEMBLYMAN PEACE: Yes, but their income levels are also substantially less and they don't have to do as much business. Is there somebody here that can?

MR. MC JUNKIN: As I say, I'm not that familiar with the details of San Diego's fiscal picture. I know the port is relatively inactive and I think it's probably its close proximity to here that's the problem.

ASSEMBLYMAN PEACE: But that's what is confusing to me. San Diego has a relatively inactive port that makes all kinds of money, and you have a very active port and you're telling me that you're in trouble.

MR. MC JUNKIN: We're making money but our capital demands consume everything we earn, yes. I don't say we're in

trouble. We're not asking for a handout but we certainly have no surplus.

CHAIRWOMAN MOORE: Mr. Frizzelle?

ASSEMBLYMAN FRIZZELLE: I want to get back to what you said earlier. I want to make clear that the customs fees in essence are user taxes. Isn't that correct?

MR. MC JUNKIN: You certainly are.

ASSEMBLYMAN FRIZZELLE: And, to the extent that you deliver that \$6.5 billion or whatever it is, you're already paying a user tax on the basis of what actually flows in commerce through the harbor.

MR. MC JUNKIN: Yes. For example, the operating incomes of our two ports are less than \$140 million, yet Uncle Sam gets a \$1.4 billion out of these two ports.

ASSEMBLYMAN FRIZZELLE: In essence the federal government is already levying a user tax. To levy another one is a misnomer, if they're just raising what they already levy.

MR. MC JUNKIN: Right. But Mr. Stockman says, "That's money we already have. We want new money."

CHAIRWOMAN MOORE: Did they reimburse you for the port, the \$140 million that you expend to do the maintenance, etc.?

MR. MC JUNKIN: Oh, no.

CHAIRWOMAN MOORE: So the \$1.4 billion goes directly to the federal government with nothing off the top?

MR. MC JUNKIN: Right, absolutely nothing. There's one place maybe you can help us: we can't get 20 extra inspectors so that we can get the cargo moved. They won't even pay to collect it.

CHAIRWOMAN MOORE: Mr. Elder?

ASSEMBLYMAN ELDER: Your operating statement -- does it take into account depreciation?

MR. MC JUNKIN: Yes.

ASSEMBLYMAN ELDER: I don't know what the capitalization of the Port of Long Beach is, but it's probably \$2 billion at least. When you lay looks like a \$50 million capital operating fund on that level of investment, it's not very much money and doesn't go very far. That's why you have to go out to bond everytime you get a major project.

MR. MC JUNKIN: That's right, you can't find a million dollars in a port project.

ASSEMBLYMAN PEACE: That's begging the question. I don't know very many entrepreneurs that go out and build major capital improvement projects without borrowing money either, David. If the port were in a position to be able to go out and build massive capital projects without going in and borrowing money I'd be very impressed, very impressed indeed. I'm building a commercial project right now and I'd sure love to be able to build that out of my cash flow, and I don't have an unhealthy business. I feel very good about the fact that I can afford to

go out and borrow the money and build a brand new building. That's what concerns me here: I don't see any real effort to clear it up for me. I don't see where A leads to B. We're sitting here and talking about user fees and need for additional revenues and I see absolutely no evidence whatsoever that there is a problem in terms of money.

CHAIRWOMAN MOORE: User fees are coming from the federal government.

ASSEMBLYMAN ELDER: The federal government is proposing user fees and the ports are opposing those as unnecessary.

ASSEMBLYMAN PEACE: Maybe I'm hearing you wrong and that's why I ask the question.

MR. MC JUNKIN: We're not communicating, I think.

ASSEMBLYMAN PEACE: Exactly, that's why I ask the question. What I thought I heard was that, if these expansions are going to take place, you feel that you need to get a greater share of revenues that are now going someplace else.

MR. MC JUNKIN: What we are opposing is a national user fee which would...

ASSEMBLYMAN PEACE: Well clear that up for me. Don't go on naming it. You said something about taking 10 percent of something that goes to agriculture.

MR. MC JUNKIN: The federal government is threatening to impose a user fee and an additional tax on cargo moving through the ports. We are opposing that, saying you're already getting

\$6 billion in user fees, you don't need any more, put some of that back from where it came. The other question you asked me, if I had a surplus from operating revenues, I said "No." We have an operating profit but that profit has to go for debt service and new projects due to the demands for physical improvements and enlargement.

CHAIRWOMAN MOORE: In other words, you are not operating in the red, you're operating in the black.

MR. MC JUNKIN: We're operating very much in the black.

CHAIRWOMAN MOORE: And the reason you're operating in the black is that you're continuously refunding projects, you're putting money back into your operation so that you don't have a chance to buildup a surplus.

MR. MC JUNKIN: We operate just as a private enterprise, our only source of income is our earnings.

ASSEMBLYMAN ELDER: I might say that the projects that they build are for tenants who are ready to sign leases and do business. It's not on speculation, as if you were going to build this facility and hope it works out. They're not able to do that then they can't keep the revenue coming because there is a certain amount of attrition on the waterfront. These businesses turnover like everywhere else in the economy, and unless you're recycling all the time, you can wind up in five years with 50 percent of your berths vacant.

ASSEMBLYMAN PEACE: Okay, so then where is the genesis of the desire for fees? Somebody wants some money.

CHAIRWOMAN MOORE: The federal government.

ASSEMBLYMAN FRIZZELLE The federal government wants it for dredging, principally for small harbors, to keep them from silting up and to take them down in design depth. For example, in the case of Sacramento, they want \$91 million to deepen that channel, which only handles one-fiftieth as much cargo as either one of the large ports. It doesn't make a lot of sense to spend \$91 million to do that. If you do it, then you go down the road of then saying, "Well, we spent \$91 million, so therefore we need user fees to pay those kind of costs." The best thing to do is not to do \$91 million project on a port that is not viable from that point of view.

ASSEMBLYMAN PEACE: From your perspective, you're happy with the status quo but it's a question of what the small ports need for port development.

MR. MC JUNKIN: I think we would be happy with the status quo in legislation if there were any projects approved. In creating this 20/20 Plan we're talking about, we would very much like for the federal government to participate in the dredging as a federal cost.

CHAIRWOMAN MOORE: What's happening is that the federal government, which traditionally has been responsible for the dredging, is now trying to shift the cost to the ports themselves in the form of a user fee. Is that essentially right?



MR. MC JUNKIN: That is correct, "go to the end users."

ASSEMBLYMAN FRIZZELLE: They're already taking in enough money on the custom fees to do that, except they're transferring some of those funds to other project.

MR. MC JUNKIN: That's right.

CHAIRWOMAN MOORE: What they ought to do is establish some priorities and continue the program as it is, using the revenue that's already generated by the ports.

MR. MC JUNKIN: Precisely.

CHAIRWOMAN MOORE: Are there other questions? All right, our next speaker is Renee' Simon.

MS. RENE SIMON: Madam Chair I am Renee' Simon, deputy director of transportation for the Southern California Association of Governments (SCAG). Councilwoman Bacharach unfortunately for us, is attending a conference in San Bernardino and is not able to be here. I was selected to take the forefront. With me is Gill Hicks, the program manager for our port study. Together, we'll be available to answer questions at the conclusion of our presentation.

SCAG certainly appreciates the opportunity to speak to you today on the importance of ports, to both the region and the state. Much of the testimony which you have received thus far has addressed waterside transportation. We are studying and will be talking specifically about landside transportation.

The SCAG region is comprised of six Southern California counties and includes the most urban, Los Angeles, to the most rural, of Imperial. We are fortunate to have three major ports in our SCAG region, Long Beach, Los Angeles, and Port Hueneme in Ventura County. The importance of port-related activity and its impact on our overall economy has often been overlooked.

Let place the significance of the ports in perspective and make several points:

1. The ports are a major generator of employment and income. I think you've had ample evidence of that this morning. According to a recent study by the Pacific Merchant Shipping Association, the economy of the maritime industry in the five-county Los Angeles area amounted to \$4.5 billion in output and 68,000 jobs in 1981.
2. Our region's ports are the gateway to the Pacific, with the harbors of Long Beach and Los Angeles being the most active on the West Coast and the third largest, I believe, in the United States. In 1981/82, 84 million tons of cargo were moved through these ports.
3. Similarly, in FY 81-82, the Los Angeles Customs District, as Mr. McJunkin just explained, collected \$1.4 billion in revenues -- the second highest in the nation.

Clearly, the continued viability of our ports is of national, as well as regional, significance. In an effort to address some of the landside transportation issues associated with ensuring healthy port activity, SCAG organized a Ports Advisory Committee in 1981. The committee includes locally elected officials and it is chaired by Councilman Bacharach. The Los Angeles and Long Beach port officials, city officials,

Cal-Trans representatives, the Los Angeles County Transportation Commission, both the trucking industry and the railroad industry, the United States Navy, and representatives from the Corp of Engineers sit on the committee.

The Ports Advisory Committee is focused on the rapidly increasing traffic congestion in the ports area. Our analysis indicated that truck traffic to and from the ports might double by the year 2000. Additionally, the Navy has returned to Long Beach; there's an enormous increase that we are seeing in employment and travel. After only six months of deliberation, the committee endorsed a comprehensive, cost-effective plan for improving highways in the port area and solved what had been at least a 15-year, long-standing problem of how to proceed with Route 47, "Terminal Island Freeway."

Our study recommended specific changes in Route 7 and Route 47 of the state highway system, and improvements to the major truck route at Alameda Street in this area. We are very grateful for the assistance of Assemblyman Elder and Senator Beverly in sponsoring the state legislation that was necessary to lay out the new state system and to facilitate negotiating the funding of these programs. Last year, as well, Congress authorized \$58 million, over a three-year period, for implementation of the projects. Thanks to the funding made available through Congressman

Glen Anderson's efforts and the passage of the 1982 Federal Surface Transportation Act, the growth in highway traffic around the ports will be handled efficiently, without significant negative impacts to the ports' surrounding communities.

Having completed our highway element, we are now in the process of working on the rail element in the ports area. We expect that our initial work will be completed and recommendations made in December. The continued growth and strength of the ports is dependent upon the region resolving several key issues relating to rail transportation: (1) The impacts of increased train traffic on highway traffic at grade crossings; (2) the joint use of rail corridors by both passenger and freight trains; (3) the environmental issues, the noise and air quality emissions that will occur; and (4) the impacts of freight trains on the redevelopment projects in Compton and the area of Watts.

In 1981 the traffic of level port-bound trains averaged approximately 18 per day. We are projecting that this port-related traffic will dramatically increase by the year 2000. Obviously, forecasting port-related train traffic is speculative. There are uncertainties associated with international trade, we've seen coal exports and tonnage changing significantly in the last two years. However, our figures indicate a "low" projection of 38 trains a day (19 in full,

19 out empty), and a "high" projection of 70 trains a day moving in and out of the ports area. The high scenarios are consistent with the long-term objectives of the ports.

These forecasts indicate that significant delays will occur at grade crossings. In Table I, which is on Page 4 of the presentation here, we've listed the total number of railroad crossings in the port-to-downtown Los Angeles study area.

There are 303 rail-highway grade crossings, 253 of which are not grade separated. At 20 miles per hour, a 4700-foot train will block traffic for about 3.5 minutes. As you can see, such delays if we had between 38 and 70 trains a day, would cause tremendous congestion. Cal-Trans is presently estimating the costs for needed grade separations. It's clear that existing funding sources are completely inadequate to meet the pressing capital development needs of the next several years.

ASSEMBLYMAN FRIZZELLE: Excuse me, are you speaking in that case of grade separations?

MS. SIMON: Yes, specifically.

ASSEMBLYMAN FRIZZELLE: Is there any portion of that paid by the railroads?

MS. SIMON: For the grade separation, they contribute.

ASSEMBLYMAN FRIZZELLE: They benefit from the increased cargo carrying.

MS. SIMON: They contribute 5 percent, 10 percent.

CHAIRWOMAN MOORE: Ten percent. Go ahead and we'll get through this.

MS. SIMON: The Public Utilities Commission has approximately \$15 million a year devoted to grade separation projects statewide. The steady growth of rail access to the ports will require additional both private and public funding for grade separations. We urge the Committee and the State Legislature to focus on this crucial funding problem.

Additional rail traffic in the ports area will also cause vibration problems for residents near the rail lines. We've done an analysis of the number of residence living within 1000 feet of the four principal branch lines serving the ports:

The Santa Fe	Harbor District	58,000
Southern Pacific	Wilmington Branch	48,161
Southern Pacific	San Pedro Branch	26,233
Union Pacific	San Pedro Branch	39,006

With the assistance of the railroads and our

consultants, we are evaluating three alternative routes for goods movement, into and out of the ports:

1. "Status Quo", which would provide that each of the railroads would continue to use their own lines.
2. The "One-Way Loop", where the cargo would come in on Union Pacific and the empty trains out on the Santa Fe, to the West.
3. A "Consolidated" route, where all freight traffic would be consolidated on one central corridor along the Southern Pacific San Pedro Branch.

The routes are being evaluated on five major factors:

- (1) Their impact on grade crossings; (2) what the grade

separation needs are for each alternative; (3) their impact on residential population; (4) their cost for railroad capital improvements; and (5) their operational feasibility.

We hope we can develop broad support for our rail-access recommendations from both the public and private sectors. The implementation will be important to long-term growth of the ports and the economic health of the region and the state.

In conclusion, in these comments, we've outlined the work of SCAG's Ports Advisory Committee and described the persistence of both the public and private sectors in Southern California to ensure that our ports are able to manage their growth without negatively impacting the community. I believe our efforts can serve as an example of a cooperative effort on port development.

The type of planning in which we are engaging is absolutely necessary for Southern California's ports to remain competitive with others on the West Coast. Everyone realizes that if we don't solve the problems associated with increased train traffic, it could result in non-California West Coast ports getting a larger share of the business.

Because of the many regional impacts of ports, SCAG, as the regional transportation planning agency, has included these activities in our Regional Transportation Plan. It is very important to view port development as a regional, and not just a local, issue. It's why the Ports Advisory Committee was

established in the first place. Only by developing a cooperative process through which elected officials and city representatives, port officials, and the private sector can arrive at basic planning and implementation agreements, can everyone's needs be met. We feel we have developed that type of a relationship in Southern California. I hope it is one that can be used throughout the state.

We would be very pleased to respond to your questions.

CHAIRWOMAN MOORE: Are there any questions?

ASSEMBLYMAN ELDER: It seems that the consolidated rail looks to be the preferred alternative. What is the estimated time of completion of this study?

MS. SIMON: Assemblyman Elder, we expect the documentation to be completed within the next month and the analysis of that documentation by our staff and the two consultants we've hired (with the assistance of both ports, incidentally) to be completed and out by the December.

ASSEMBLYMAN ELDER: In looking at this study, while consolidation from my perspective is a preferred alternative, it looks to me that there are 233 grade separations necessary, as opposed to 70 for the one-way loop? Am I right?

MR. GILL HICKS: Mr. Elder, Table I simply lists the number of existing grade crossings that are in the network right now. This is just an inventory of auxiliaries that are happening right now, by branch line.



We have not determined explicitly how many of these streets need to be separated. We're completing that evaluation right now from a number of perspectives, including delays to traffic, safety, and other issues. I would like to caution the Committee that the study has not reached a conclusion at this stage; but we are approaching that in the next month or two. The preferred alternative has not yet been identified by the Ports Advisory Committee, but it will be by the December meeting of the Committee.

ASSEMBLYMAN ELDER: You'll be circulating a draft report for responses at that point or in December, when you have the draft? I would like to receive that so that I can make copies.

MS. SIMON: There are many elements that have to be considered before you can decide which alignment might be the most cost-effective.

CHAIRWOMAN MOORE: Would you see to it that Assemblyman Nolan Frizzelle gets a copy of that? He has a particular interest in that area. Are there other questions?

ASSEMBLYMAN FRIZZELLE: I'd like to know how traffic movement capacity by rail compares to the potential for moving by truck, how much the costs of better access by trucking might be compared to what it would cost to redo or separate the grade crossings. And I'd like to know if there are more direct routes to the warehouse areas, etc., that store the goods that are shipped, which come by truck, then by rail.

MS. SIMON: The commodities are different that are shipped by truck or by rail.

ASSEMBLYMAN FRIZZELLE: A lot of it's containerized, isn't it?

MS. SIMON: Well, we're talking about, for example, coal unit trains coming into the ports from Colorado, Utah, and Wyoming; and grain and cotton coming from the agricultural areas.

ASSEMBLYMAN FRIZZELLE: I see, thin-type stuff.

MS. SIMON: The agricultural goods come from Imperial County; some of it is coming by rail, some of it is coming by truck. It's a factor of distance and it's a factor of commodity. Those are probably the major criteria for the choice of mode, for goods coming in for export.

ASSEMBLYMAN FRIZZELLE: When you think of increasing dramatically the number of railcars, I know you're thinking of coal a lot, because of the national interest in exporting coal through Los Angeles. I don't know what that does for our air pollution, either, but is there a ratio of costs involved there that ought to be figured into whether we do that or not through this area.

MS. SIMON: I can't answer specifically. Maybe Gill can. Among the concerns that we have and that we will be looking at are the tradeoffs between rail and truck for goods movements that can be shifted.

ASSEMBLYMAN FRIZZELLE: It may be national policy to export coal. Why, then, is this not to a large extent funded by the federal government, implementing its own general interest that may be contrary to local entities' interests?

CHAIRWOMAN MOORE: I think they share your concern.

MS. SIMON: I would reemphasize the cooperation of Congressman Anderson as chair as the subcommittee and his efforts, which achieved for this region \$58 million of federal dollars as a demonstration program under the new Surface Transportation Act. Those \$58 million are going to highway improvements and street improvement in the port area in order to facilitate the truck movement of goods. And when we complete the work on the rail study...

ASSEMBLYMAN FRIZZELLE: We're going back for more?

MS. SIMON: We're certainly going to try. But I must emphasize, whatever the federal government may be willing to assist with, if we're going to provide the grade separations that we believe will probably be necessary, I think we're going to be looking at every level of government and the private sector. SB 620, before it was amended, had among its 9 or 10 ten cookie jars funds for grade separation. That's not there anymore.

CHAIRMAN FRIZZELLE: Of all the places in the world that has a natural capacity to store pollutants in the air, we're going to ship a large portion of the coal, a heavy polluter, out of this area. To the extent that occurs, other industries cannot

expand and utilize so-called "air space." I'm wondering whether or not you have the capacity in your organization to make recommendations and tradeoffs regarding the air pollution standards and that type of thing?

MS. SIMON: One of SCAG's major responsibilities is the development of the Air Quality Management Plan as it relates to mobile sources for this region. We develop that plan and so we're very concerned about the air quality at issue in the tradeoffs. Coal itself is not a pollutant, it's the diesel engines that are bringing it. Whether those engines are bringing coal, I suppose, or cotton, or potash or whatever for export, that's where the pollution is.

MR. HICKS: I must add a comment. The two ports are working very closely with the Air Quality Management District and other agencies with regard to mitigating the emissions impact of increased coal coming in. The environmental impact report, before it came out, showed a superb effort by both ports to mitigate the emissions impact of the coal terminal itself.

CHAIRWOMAN MOORE: Mr. Frizzelle?

ASSEMBLYMAN FRIZZELLE: San Diego County and Orange County are suffering an inability to improve highways and sanitation districts, etc., because we don't meet air pollution standards in many areas of California, most notably Los Angeles. And yet the federal demands on this area, what they choose to ship and develop, force a particularly difficult problem on a

vulnerable area. There ought to be tradeoffs and some relenting in their air pollution standards as a result.

CHAIRWOMAN MOORE: I think that you, as a Southern California regional organization, would be in support of that, and I'm sure you're in the process now of attempting to do that. Since there's no further questions, I'd like thank you for your testimony and I'm going to ask the next two speakers to come up at the same time. That's Michael Murphy, president of the Pacific Merchants Shippers Association, and is there a representative from Southern Pacific Railroad?

MR. MICHAEL MURPHY: Madam Chairwoman and members of the Committee. I'm president of the Pacific Merchant Shipping Association, a regional trade association located in San Francisco. Our members are both foreign and U.S. flag operators of boats and vessels that call on California ports. I'm also appearing before you today representing your local association, which is the Los Angeles Steamship Association. I have several guests with me today, who can answer particular questions with respect to operators. We have Gerald Fountain, who is the vice president for the General Steamship Agency; Glen Spargo, who is the district manager for American President Line; and Morton Weinberg, who is the area controller for Matson Navigation. I might point out that Mr. Weinberg also recently with the Department of Transportation for the State of Maryland, so he has some particular and interesting knowledge in that area.

First of all, we believe that California's ports are in an excellent position to recognize, cope, and be able to handle the anticipated trade from the Pacific Rim. We are trying to work with them; obviously it's to our advantage to bring that cargo to the West Coast. The ports, as you heard today, are competing with themselves. Secondly, they're competing with other ports on the West Coast and the Northwest. What Dr. Perry touched on, and what has to be driven home, is that the major competition is that with the Gulf Coast and the East Coast. Those are the areas the Pacific Rim trade can travel to all by water and it's up to us to work together to make sure it travels through the California ports as well as the northwest ports. We want to make sure, when we're dividing up that pie, and competing for that pie that the pie is large enough -- very large. If we focus only on the internal competition, we ignore what is happening in other parts of the United States.

The competitive factors that we believe influence our members' decisions to call on the California port are several. Some of these factors you have no control over. The northwest ports have a natural competitive advantage in that it takes a day and a half less to call between the the Far East and that port area. That is something that California has to take into account and has to counter, a natural advantage. This is very important to us because it relates to all port costs. You heard earlier that much of the traffic that arrives in California goes through

California. This is important because, luckily, 50 percent of the cargo that reaches the West Coast isn't bound for California, it's bound for the Gulf area, the Inland area, and the East Coast. That cargo can move very easily. It moves up and down the coast. That's not to say that a company won't call, because of your local domestic market but it can shift as much as 50 percent of that to another area because of rail connections to that area.

We also heard earlier a request for information with respect to regulations, what we see as areas that can be controlled by the state and also some tax service. Generally, there are three areas for concern: regulations, state taxation, and local involvement in port activity -- local taxation or regulation. As an example, since 1978 the California Air Resources Board has been attempting to regulate vessel air emissions. We have been opposed to that and we have also been involved in extensive studies. Most recently, ARB developed a six volume document, 1,800 pages. Unfortunately, its conclusions haven't changed, that is to require vessels calling on, quote, "California coastal waters", (and I'll explain that), to burn a special type of fuel. There are three problems there. First, the fuel will cost \$8.36 more per barrel. Secondly, vessel modification to burn that fuel will cost in the neighborhood of a half-million dollars per vessel. And, finally, regulated California coastal waters will reach out as much as 100 miles,

eventhough there is no way to enforce that. The foreign operators told us they'll just call on a different port. There's no way that they will comply. They believe they do not have to comply with anything beyond the three mile limit. That is a serious problem for vessels calling on ports in California.

CHAIRWOMAN MOORE: Now has that been placed into a regulation? Is that actual regulation at this point or are those recommendations which the Board has not yet adopted?

MR. MURPHY: In 1980, it was a proposed regulation. Now they are conceding that maybe they should defer any regulations. We are supporting a bill in the Assembly, AB 579, which would prohibit the state from imposing regulations on vessel air emissions.

CHAIRWOMAN MOORE: Do you happen to know who is authoring it?

MR. MURPHY: I believe it is Dennis Brown, In the area of taxation, Assemblyman Elder mentioned bunker fuel taxation. We had sponsored and worked in getting AB 900 through the Legislature; unfortunately, it was recently vetoed by the Governor. In his veto message, he did specify that he would sign a similar bill on an urgency basis in January. We have AB 899 which we will amend and introduce or get moving on Committee in January.

CHAIRWOMAN MOORE: Wait a minute, why did he veto 900 if he was going to sign in January?



MR. MURPHY: That's a very good question.

ASSEMBLYMAN ELDER: He said that the sunset was too long.

CHAIRWOMAN MOORE: Did he say it?

ASSEMBLYMAN ELDER: He said the sunset was five years and he thought he could support one for two.

MR. MURPHY: That's absolutely true.

CHAIRWOMAN MOORE: With a modest change then we support two.

MR. MURPHY: And the tanker fuel issue is particularly important down here in Southern California. In 1981, and I'm sure the ports have those figures, as much as 40 percent of the vessel calls were just to load bunkers, not to discharge or load cargo. That activity would be immediately jeopardized.

ASSEMBLYMAN ELDER: Ship calls are down 30 percent in ports, and with the application of the local sales tax on top of the state's 4.75 cent tax, it can have disproportion diverting affects. I'm very concerned about that. We are forming a task force in San Pedro Bay to look at a more rational way to attract the revenues the state has to get, without diverting the cargo. It's a problem of administration, who pays the tax, auditing, and a number of things that have to be taken into account.

CHAIRWOMAN MOORE: Are you working with the State Board of Equalization?

ASSEMBLYMAN ELDER: We are trying to figure out what we think is the best thing to recommend at this point. When we have that then we'll go work with the state Board of Equalization and the Franchise Tax Board. On your point with respect to the ARB regulation. I guess the shippers have 27,000 ships in the world fleet that could call here at anytime, so we would be talking about trying to convert 27,000 vessels in the world fleet to have separate tanks for low sulfur fuel.

MR. MURPHY: Separate tanks that would automatically transfer that special fuel they're going to carry around the world, just to burn in California coastal waters. That's correct.

ASSEMBLYMAN ELDER: You feel that's an unreasonable burden?

MR. MURPHY: Very definitely. This is something that our association will be working on very closely next year. California is the only state that imposes a tax on bunker fuel. Ports in the Northwest and ports in the Gulf and on the East Coast apparently don't. Washington and Oregon are becoming very aggressive at going after your cargo traffic. Recently, one of our members, on a temporary, experimental basis, shifted a number of containers to the Northwest ports for one reason only, fuel cost savings. Now what we want to do is find out is what are the options. If we move them off that local sales, what would that do to projections for the state as far as maritime activity? The

paperwork that was alluded to is terrible. If the "T's" aren't crossed and the "I" is not dotted, the Board of Equalization and the auditors will come back three years later and say, "Gee, I'm sorry you didn't fill out your paperwork properly you owe us \$11,000." Once this gets to a foreign country, though say, "Fine, we'll pay it", they may have second thoughts in the future about purchasing bunker fuel here.

ASSEMBLYMAN ELDER: Are you saying that other states don't charge a state tax on bunker fuel?

MR. MURPHY: As far as we can determine, and we are in the process of making sure, Oregon has no sales tax. Of course, its port is located quite a ways inland, so it's going to take a large amount of time to get into that port. But Washington state, Louisiana, and New York, do not have bunker sales tax state or local. We are verifying that now.

ASSEMBLYMAN ELDER: So what we're talking about is continuing the current state but, if the exemption is not continued, adding a cent and a quarter to two and a quarter cents,

depending upon what the local sale tax situation is, for BART or for local transportation.

MR. MURPHY: That's correct.

ASSEMBLYMAN PEACE: On the ARB, is it treating the ships as stationary sources, or vehicles or what. They have basically two changes, one specifying their authority on vehicle

emissions, and a totally separate statement of authority over stationary sources.

MR. MURPHY: I believe that they are attacking us as a vehicle.

ASSEMBLYMAN PEACE: Mobile.

ASSEMBLYMAN ELDER: Well, they say since the ship calls in a berth and the berth...

MR. MURPHY: It becomes a stationary source when it stops.

ASSEMBLYMAN ELDER: Right. If you're going to build a facility they say, what is the emission that's likely to be generated by that facility? They include in the count the emissions from the ship, the train, everything. They don't count the trucks, they count trains because trucks are mobile and they're exempted. It's interesting that if a facility complies with the ARB, they're forced to go by truck almost inevitably, which means that it winds up with more air pollution because trains don't pollute as much as much. It's really nuts but that's the ARB.

CHAIRWOMAN MOORE: But you said that there's some 1,800 pages documenting the need for this program?

MR. MURPHY: Basically they arrive at the same conclusion: you regulate emission from vessels. And they start off by going after the general cargo tanker.

CHAIRWOMAN MOORE: What got them to back off actually implementing? They're not known to relent

MR. MURPHY: I would think a very vigorous opposition and the concern of the California Legislature that they should thoroughly study this issue of ports. We have worked very closely with the port authorities here in California. It's been a concerted effort to force them to slow down before they implemented it. Now, after some five or six years of study, I think we have enough information to demonstrate that they shouldn't proceed.

CHAIRWOMAN MOORE: Did they take economic factors into account?

MR. MURPHY: To our way of thinking, they have not given proper consideration to economic factors. I believe that their economic unit is just beginning to look at the implication and the impact of imposing such a regulation.

We're also concerned about local tax issues. We're concerned, as was mentioned earlier, that there is an attempt to call what the ports have a "surplus" and move that to some other locality or into a general fund. Those monies will be needed in the future to fund those capital projects. If that money isn't there the ports will have to come back to the Legislature.

CHAIRWOMAN MOORE: We were just told that there is no surplus.

MR. MURPHY: No, they're not surpluses, they're for future capital needs and we would support them a hundred percent.

CHAIRWOMAN MOORE: There can't be a problem if there is no money. What you're trying to tell me is that it all depends on how we define surplus.

MR. MURPHY: Yes, yes. And probably in that issue we do share in their concern. The impact that we and as you mentioned earlier, the maritime industry has on California is significant. We have prepared a study; I have the information here and can leave it with you. I can furnish you with additional resource documents. These are the brochures that highlight those areas. We have those for California, the Pacific Region, for the Los Angeles and Long Beach area, and also for the Northern California area. We contribute \$8.2 billion to the California economy. We provide 138,000 jobs. This industry has been remiss; and with this report, we're going to continue our ability to inform you what the maritime industry has been doing. The port industry has been very good at forecasting and registering its economic impact. We'll be happy to answer any questions and I appreciate the time.

CHAIRWOMAN MOORE: Why don't we hear from Southern Pacific. We should have someone from the California Trucking Association as well, but in their absence we will go ahead with Southern Pacific and allow them equal time whenever they come.

MR. WILLIAM S. WEBER: Thank you Madam Chairwoman and Committee members. I am William S. Weber, assistant to the vice president governmental affairs Southern Pacific Transportation. We appreciate the opportunity to be here this morning and to testify in this hearing. Our company directly serves most of the deepwater ports in California. Our company's success depends in good part on trade that goes through these ports. Thus, we're well aware of the importance of foreign trade to California and to the individual ports of most of our country.

You've heard a lot this morning about the type of traffic, etc., moving through California ports, I will try to scan some of those comments and we can get back to them if there are any questions. Certainly transportation is an important feature of the land site for traffic moving to and from the ports. The land site has to be kept fluid if cargo is going to be able to move efficiently to and from docks and to incoming and outward bound ships. If import traffic at a given port is not moved efficiently, if the port becomes clogged or for other reasons there are difficulties for a shipper using an individual port, unfortunately that traffic is going to go someplace else. The ports in California not only are competitive with each other, but they're also competitive with in the Gulf Coast and the East Coast. Shippers, we've found, are very sensitive to costs, direct or indirect, to their operation. We are presently working with the

Ports of Los Angeles and Long Beach on a new container channel a short distance away from these ports. In serving the various ports throughout the state, we try to cooperate with the various port operators and provide the facilities they need, trying to plan ahead so that we can adequately have the facilities on the rail site for any future movement through the ports.

Most of the traffic moving for import and export is handled either in unit trains, in multi-car shipments involving coal or covered hoppers with grain and grain products, or in containers. We operate container trains, so called unit trains with nothing but containers between California ports and the Gulf Coast and mid-America, as well as the East Coast. These container services are known either as "land bridge" or "mini-bridge" services and they are usually in direct competition with ship and sea routes from Pacific Rim country ports to the Gulf and East Coast ports. We have been able to adopt our own operations to individual shippers much more quickly than we have in the past as a result of recent economic legislation. It allows us greater flexibility to make rate and other changes that our customers need on very short notice, rather than, as in the past, going through very lengthy regulatory proceedings.

In the Los Angeles/Long Beach area, you heard presentations regarding the study that SCAG has underway regarding rail access to the ports. Southern Pacific presently operates two direct lines between central Los Angeles, where our



main railyard for the Los Angeles Basin is located, and the harbor area. One of these lines is known as the San Pedro Branch: it was one of the original lines to the port of San Pedro over a century ago. It generally operates alongside Alameda Street. The other line is our so-called Wilmington Branch. The Wilmington Branch was formerly a part of Pacific Electric Rail Line between Los Angeles and the harbor areas. The two lines jointed at Dominguez about seven or eight miles north of the port. Along this line we are working with the ports to the construct a new rail intermodel facility at Watson. The purpose of this intermotile facility is to locate closer to the ports a railyard where containers can be transferred to and from rail flat cars. The new terminal will be located approximately three miles from the port and result in less truck traffic having to move over the regions' highways.

CHAIRWOMAN MOORE: Is it Southern Pacific's line that will be used to the downtown? Is it basically your existing rail line that will be the major...?

MR. WEBER: Which SCAG is considering?

CHAIRWOMAN MOORE: Yes.

MR. WEBER: We presume so but we don't know so because we're studying their recommendations that have not been completed.

CHAIRWOMAN MOORE: Are you in agreement?

MR. WEBER: Again, not having seen their study, I don't know.

CHAIRWOMAN MOORE: Let's put it like this. If they decide to use Southern Pacific, if the study recommends that they use your line, are you for it?

MR. WEBER: We may be. The reason I hedge my answer is because, if you're talking about the Wilmington Branch, the Los Angeles County Transportation Commission is also proposing to use the Wilmington Branch right-of-way for the Los Angeles/Long Beach light rail line. And they want to take up a portion of that...

CHAIRWOMAN MOORE: Are you for that?

MR. WEBER: We are for that, if by "that" you mean, are we working with them to help them to develop their plan? The answer is yes.

CHAIRWOMAN MOORE: No, no, no -- that's not my question. My question is, are you going to be for that. Is Southern Pacific now for light rail using their own railroad line?

MR. WEBER: Use for a light rail system using it's own rail lines or our rail lines?

CHAIRWOMAN MOORE: Using your rail line.

MR. WEBER: Not using our tracks, not mixing light rail with vehicles on our tracks with our heavy train equipment.

CHAIRWOMAN MOORE: So, then you're not for it? See, what you told me was that the reason that you might not be for using your track was because there are conflicting

recommendations, one being made for light rail and the other for port transportation. Are you for either of those?

MR. WEBER: Let me say what we are for as a company. We've told the Los Angeles County Transportation Commission that we are willing to make available to them any portions of rights-of-way that we can. Much of the Wilmington Branch right-of-way, is a four-track wide right-of-way. They have made their surveys and they are planning to use a part of the right-of-way but not traffic on that right-of-way. Today we have either a single or a double track operation over there but the right-of-way still maintains the width from land area that was there when a four-tracks operation was in. The Los Angeles County Transportation Commission is proposing to use one or the other side of that right-of-way. So that will presumably leave us the capacity for two tracks, in some cases there two tracks. In and in some cases there is only one track in there, right now.

CHAIRWOMAN MOORE: So you're not for that either? Well I won't query you along these lines, I'll wait until you come before the Transportation Committee -- that's another hat that I wear -- so I won't continue to pursue this. But you just caught my interest because I happen to know that you're not for either of those plans and I just thought that I heard you indicate to me in this Committee that you were.

MR. WEBER: I'm not sure what you're saying we're are for or what we're are against.

CHAIRWOMAN MOORE: You said that you're in support of the recommended uses on which you're cooperating with SCAG, or with the L.A. County Transportation Commission or either of them in their various proposals for use of your rail lines.

MR. WEBER: We are cooperating with the Los Angeles Transportation Commission.

CHAIRWOMAN: But not SCAG?

MR. WEBER: We are cooperating with SCAG to the extent that we have provided their consultant...

CHAIRWOMAN MOORE: You keep qualifying what you're doing. I just want you to tell me that you're open and you're cooperating, that whatever they come up with as the best use for the city and the county in terms of improving our transportation system, you're for it. But you keep qualifying.

MR. WEBER: Well, I can make a general statement and say I'm for it but I don't know, that might interpreted in another hearing when someday when you will say, "You said you were for it."

CHAIRWOMAN MOORE: Well that's all right, we understand where you are.

MR. WEBER: We are cooperating, and working with the LATCT. They're further along in their plans than SCAG. They have given us a preliminary route how they would use the right-of-way. There are places where they would have to cross our existing freight line. Those shippers along the line and we

are diligently working to work out arrangements to bring this about. We would anticipate that, if a line is constructed, it will be constructed on that right-of-way. LACTC has indicated to us that the problem that they have, the last time I was aware, is how the line is going to access downtown Los Angeles and downtown Long Beach, not how soon we bring it to them.

CHAIRWOMAN MOORE: All right, well we'll let you come to an end.

MR. WEBER: I'm just going to close with a comment about the SCAG study. We have provided their consultants with information for the study. We are concerned that any final recommendation or analysis that comes out of the SCAG study consider our Southern Pacific need for capacity to move our existing freight traffic over the line. We anticipate a considerable rail intermodal traffic to and from the port, as well as coal and other train traffic which might develop in the future.

CHAIRWOMAN MOORE: Thank you. Mr. Frizzelle?

ASSEMBLYMAN FRIZZELLE: When a shipper in Japan, Taiwan, any other part of the Pacific Basin, or anywhere ships to a city -- let's say like Chicago or Detroit or somewhere in the general area of the Midwest -- there are a variety of considerations they have to make as to how they're going to ship. One is basically time and dollars, how long is it going to take it to get it and how much is it going to cost to get there? The contention so far

has been that, if we develop our ports and the transportation system connecting the ports and with destinations we can ship over land more cheaply than if a ship went by water most of the way and then shipped a very short distance by rail. Is that true or does it cost you so much to build these connection links, it's going to be cheaper for you to pick up that same cargo in New York or somewhere else maybe a little closer? How do the numbers work out? Are we really in a competitive mode or are we deluding ourselves?

MR. WEBER: We are in a competitive mode. There is not a very large profit, mind you, on the traffic, but we are in a competitive mode or we would not be in the business.

ASSEMBLYMAN FRIZZELLE: Now, is all the transfer process going to cost the shipper more dollars and take them more time than it would to carry by water around to a Southern port or an Eastern port and unload?

CHAIRWOMAN MOORE: Michael, you're shaking your head. Why don't you comment on that?

MR. MURPHY: We have probably one of the prime intermodel carriers with us today, the American President Line. American President line serves only the West Coast. And they are using the land, train, and bridge operation to move all that cargo and compete with all-water service to the east coast ports, and to Chicago. They do not call on the Gulf ports, though they feel they can do that effectively.

CHAIRWOMAN MOORE: And they do it at a competitive price using all those?

ASSEMBLYMAN FRIZZELLE: I want to know we're not putting this down in a rat hole using these ports as transfer points.

MR. MURPHY: Definitely not. This is why I talked about the common goal. If we don't control the amount of international trade from those points behind California, Washington, and Oregon, then it's going to go to the Gulf and they're going to benefit with the jobs and the input to the economy.

ASSEMBLYMAN FRIZZELLE: That's what I'm interested in.

MR. MURPHY: There's where we should work together, to keep that traffic flowing through the West Coast ports.

CHAIRWOMAN MOORE: I think you made your point very well.

ASSEMBLYMAN FRIZZELLE: So, if we botch up the rail transport and the cost goes up too high, making that infeasible, we end up then losing the business all the way from the point of origin to point of destination in California?

MR. MURPHY: Yes.

CHAIRWOMAN MOORE: The point is that all modes of transportation have to be working together well. We have to develop an overall plan and shouldn't overburden one with taxes, which could affect what happens with the others.

MR. WEBER: Mr. Frizzelle, I think you made the key point about time and cost. The ship generally is cheaper than

moving by rail. But it takes longer for the ship to go through the Canal into those Gulf and eastern ports. We, the railroad, can go much faster -- that's times savings -- and when you have a lot of money tied up in inventory, for example, those kinds of savings result in making big bucks. It does make a difference where rail can be profitable, and it is profitable on those types of distances.

ASSEMBLYMAN FRIZZELLE: And if we don't put too many burdens on you, as Gwen says, then...

MR. WEBER: Oh, if you shift the costs over then the ships will probably go through the Canal.

CHAIRWOMAN MOORE: I want to thank you for your testimony and I want to thank all the people who testified this morning. This Committee came here today to learn about ports. I think that each members of the here feels that it has been a very enlightening meeting. We on this Committee look forward to working with you during the next legislative year.

# # # # #



**SUBMISSIONS  
AND  
COORESPONDENCE**



*The Northern California  
Ports and Terminals Bureau, Inc.*

475 SEAPORT BOULEVARD, REDWOOD CITY, CALIFORNIA

CALIFORNIA LEGISLATURE  
ASSEMBLY COMMITTEE ON UTILITIES & COMMERCE  
LOS ANGELES, CALIFORNIA  
OCTOBER 25, 1983

PRESENTATION BY

MR. FRED J. DI PIETRO, PORT DIRECTOR,  
PORT OF REDWOOD CITY, CALIFORNIA

AND

PRESIDENT

NORTHERN CALIFORNIA PORTS & TERMINAL BUREAU (NORCAL)

SUBJECT: CALIFORNIA PORTS: PLANNING AND DEVELOPMENT.

Honorable Chairwoman, and Members of the Committee:

My name is Fred J. Di Pietro. I am Port Director for the Port of Redwood City, California, and I appear here today as the President of the Northern California Ports & Terminals Bureau, commonly known as NORCAL. NORCAL is comprised of the public ports of San Francisco, Oakland, Richmond, Sacramento, Redwood City, and the private ports of Benecia and Encinal Terminals.

While the Committee raises several questions of interest as concerns port development and operation, we will focus on Inter-port Competition and Cooperation. However, we believe that each point of interest as may apply to each of our member ports cannot be adequately responded to in this forum. Accordingly, the NORCAL ports will undertake to respond to each of the points raised in the committee's background paper and submit our collective views to the committee at an early date following this hearing.

BENECIA...ENCINAL...OAKLAND...REDWOOD CITY...SACRAMENTO...SAN FRANCISCO

PAGE TWO

The Northern California Ports and Terminals Bureau, Inc.,(NORCAL) with the cooperation of the Maritime Administration (MARAD) is undertaking a study of marketing and promotional needs for the NORCAL region. Since it has become apparent that significant additional effort should be made at the regional level to establish a cooperative marketing and promotional program, this project has been established to identify areas in which NORCAL ports can act cooperatively in pursuit of common goals and to recommend the appropriate regional program to acheive these goals.

The study will focus on development of a regional approach to supplement, not take place of, the individual ports' efforts in port marketing and promotion. The study recognizes that there is a need for NORCAL Ports to develop strategies designed to improve and continue their present market share and to minimize the developments that negatively impact the region. There is need to develop these programs not only for international and domestic markets but also to make the local constituency aware of the importance of healthy ports to the economic vitality of the region.

Accordingly, we anticipate the study will serve our cooperative desire to promote the economic growth of the NORCAL region by strenthening the competitive position of the Golden Gate gateway, and to create a greater awareness in the NORCAL area of the role of the regional port system in the local economy. Additionally, with the cooperation of MARAD, we would hope that our study, when completed and implemented, will be used to develop a model that can be used by the Maritime Administration to promote similar cooperative efforts in other regional gateways through the development of marketing support information that will assist other port regions in performing marketing efforts more effectively than at present.

It is intended the study will cover a broad scope of work to accomplish the goals we expect to acheive. We will inventory the characteristics and capacities of the facilities of each of the NORCAL ports and expand on previous study efforts to identify each port's projected capabilities for handling specific types of commodities. Cargoes that will be able to be handled by the NORCAL ports would be identified, and appropriate programs to promote these cargoes and solicit them jointly would be developed.

PAGE THREE

We will identify examples of successfully functioning cooperative industries, evaluating their merits and goals, and determine if any aspects of these organizations might be transferrable to a NORCAL regional port cooperative marketing and promotional effort. We will analyze existing marketing and promotional programs of NORCAL ports, and identify aspects that are complimentary to the cooperative program.

We seek to enhance NORCAL ports abilities to take advantage of new trade opportunities and to explore inducements necessary to encourage carriers and shippers to use the Region's port facilities through the development of a system whereby information on market research and marketing and trade development techniques may be exchanged that would assist in making northern California ports more competitive. In creating a region-wide promotional program, we need to develop new approaches and strategies to identify the factors, upon which, railroads or steamship lines decide to increase or decrease their level of service to a regional gateway. This would assist NORCAL ports in developing presentations for segments of the transportation industry for the purpose of providing NORCAL ports with continued satisfactory service levels.

We firmly believe the results of this study project will lead to a new cooperative marketing program that can be effectively implemented in promoting NORCAL ports as a regional gateway.

We are indeed pleased with the interest of this committee of the State Legislature in the planning and development of the California Port System. We do not however believe that there is an appropriate role for institutionalized port planning on a regional, statewide or national basis, however, there is a need for broader legislative interest to allieviate excessive regulatory and bureaucratic controls that seemingly detract from or otherwise delay orderly development of port infrastructure and our ability as ports to attract waterborne industry.



TESTIMONY OF THE  
SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS  
TO THE  
ASSEMBLY UTILITIES AND COMMERCE COMMITTEE

OCTOBER 25, 1983

ASSEMBLYWOMAN MOORE, MEMBERS OF THE COMMITTEE, I AM RENEE SIMON, DEPUTY DIRECTOR OF TRANSPORTATION FOR THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS (SCAG). I APPRECIATE THE OPPORTUNITY TO SPEAK TO YOU TODAY ON THE IMPORTANCE OF PORTS TO BOTH THE REGION AND THE STATE.

THE SCAG REGION IS FORTUNATE TO HAVE THREE MAJOR PORTS: LONG BEACH, LOS ANGELES AND PORT HUENEME WHICH IS IN VENTURA COUNTY. THE IMPORTANCE OF PORT-RELATED ACTIVITY AND HOW IT IMPACTS OUR OVERALL ECONOMY IS OFTEN OVERLOOKED.

IMPORTANCE OF PORTS IN THE REGION

IN ORDER TO PLACE THE SIGNIFICANCE OF PORTS IN PERSPECTIVE, LET ME MAKE SEVERAL POINTS:

- o PORTS ARE A MAJOR GENERATOR OF EMPLOYMENT AND INCOME. ACCORDING TO A RECENT STUDY BY THE PACIFIC MERCHANT SHIPPING ASSOCIATION, TOTAL ECONOMIC IMPACT OF THE MARITIME INDUSTRY IN THE 5-COUNTY LOS ANGELES AREA AMOUNTED TO \$4.5 BILLION IN OUTPUT AND 68,000 JOBS IN 1981.
- o OUR REGION'S PORTS ARE THE GATEWAY TO THE PACIFIC, WITH THE HARBORS OF LONG BEACH AND LOS ANGELES BEING THE MOST ACTIVE ON THE WEST COAST. IN FY 81-82, 84 MILLION TONS OF CARGO WERE MOVED THROUGH THESE PORTS.

- o IN FY 81-82, THE LOS ANGELES CUSTOMS DISTRICT COLLECTED \$1.4 BILLION IN REVENUES -- THE SECOND HIGHEST REVENUE GENERATION IN THE NATION.

CLEARLY, THE CONTINUED VIABILITY OF OUR PORTS IS OF NATIONAL, AS WELL AS REGIONAL, SIGNIFICANCE. IN AN EFFORT TO ADDRESS SOME OF THE LAND-SIDE TRANSPORTATION ISSUES ASSOCIATED WITH ENSURING HEALTHY PORT ACTIVITY, SCAG ORGANIZED A PORTS ADVISORY COMMITTEE IN 1981. THIS COMMITTEE INCLUDES LOCALLY ELECTED OFFICIALS (AND IS CHAIRED BY COUNCILWOMAN JACKI BACHARACH OF RANCHO PALOS VERDES), LOS ANGELES AND LONG BEACH CITY AND PORT OFFICIALS, CALTRANS, LOS ANGELES COUNTY TRANSPORTATION COMMISSION, THE TRUCKING INDUSTRY AND RAILROADS, THE U.S. NAVY AND THE CORPS OF ENGINEERS.

#### WORK OF SCAG'S PORTS COMMITTEE

THE PORTS ADVISORY COMMITTEE ORIGINALLY FOCUSED ON THE RAPIDLY INCREASING TRAFFIC CONGESTION IN THE PORTS AREA. OUR ANALYSIS INDICATED THAT TRUCK TRAFFIC TO AND FROM THE PORTS MIGHT DOUBLE BY THE YEAR 2000. ADDITIONALLY, NAVY HOMEPORTING AND INCREASING EMPLOYMENT WOULD RAPIDLY MAKE HIGHWAY TRAVEL UNMANAGEABLE. AFTER ONLY SIX MONTHS OF DELIBERATION, THE COMMITTEE ENDORSED A COMPREHENSIVE AND COST-EFFECTIVE PLAN FOR IMPROVING HIGHWAYS IN THE PORT AREA AND SOLVED THE LONG-STANDING PROBLEM OF HOW TO PROCEED WITH ROUTE 47, THE "TERMINAL ISLAND FREEWAY".

THE HIGHWAY ACCESS STUDY RECOMMENDED SPECIFIC CHANGES IN ROUTE 7 AND ROUTE 47 IN THE STATE HIGHWAY SYSTEM. LAST YEAR, CONGRESS AUTHORIZED \$58 MILLION, OVER A THREE-YEAR PERIOD, FOR IMPLEMENTATION OF THESE



PROJECTS. THANKS TO THE FUNDING MADE AVAILABLE BY CONGRESSMAN GLENN ANDERSON AND THE PASSAGE OF THE 1982 FEDERAL SURFACE TRANSPORTATION ACT, THE GROWTH IN HIGHWAY TRAFFIC AROUND THE PORTS WILL BE HANDLED EFFICIENTLY, WITHOUT SIGNIFICANT ADVERSE IMPACTS TO THE PORTS OR SURROUNDING COMMUNITIES.

THE PORTS ADVISORY COMMITTEE IS CURRENTLY WORKING ON A COMPREHENSIVE RAIL ACCESS PLAN AND RECOMMENDATIONS SHOULD BE FORTHCOMING IN DECEMBER. THE CONTINUED GROWTH AND VIABILITY OF THE PORTS IS DEPENDENT UPON THE REGION RESOLVING SEVERAL KEY ISSUES RELATING TO RAIL TRANSPORTATION: (1) IMPACTS OF INCREASED TRAIN TRAFFIC ON HIGHWAY TRAFFIC AT GRADE CROSSINGS; (2) JOINT USE OF RAIL CORRIDORS BY PASSENGER AND FREIGHT TRAINS; (3) NOISE AND AIR QUALITY EMISSIONS; AND (4) IMPACTS OF FREIGHT TRAINS ON REDEVELOPMENT PROJECTS IN COMPTON AND WATTS.

#### RAIL ACCESS TO PORTS

1981 TRAFFIC LEVELS OF PORT-BOUND TRAINS AVERAGED APPROXIMATELY 18 PER DAY. WE ARE PROJECTING THAT THIS PORT-RELATED TRAFFIC WILL DRAMATICALLY INCREASE BY THE YEAR 2000. FORECASTING PORT-RELATED TRAIN TRAFFIC IS VERY DIFFICULT BECAUSE OF THE UNCERTAINTIES ASSOCIATED WITH INTERNATIONAL TRADE. HOWEVER, OUR FIGURES INDICATE A "LOW" PROJECTION OF 38 TRAINS A DAY (19 IN, 19 OUT), AND A "HIGH" PROJECTION OF 70 TRAINS A DAY MOVING IN AND OUT OF THE PORTS AREA. THIS HIGH SCENARIO IS CONSISTENT WITH THE LONG-TERM OBJECTIVES OF THE PORTS.

THESE FORECASTS INDICATE THAT SIGNIFICANT DELAYS WILL OCCUR AT GRADE CROSSINGS. IN TABLE ONE, WE HAVE LISTED THE TOTAL NUMBER OF RAILROAD CROSSINGS IN THE PORT-TO-DOWNTOWN STUDY AREA. THERE ARE 303 RAIL-HIGHWAY GRADE CROSSINGS, 253 OF WHICH ARE NOT SEPARATED. AT 20 MILES PER HOUR, A

4700-FOOT TRAIN WILL BLOCK TRAFFIC FOR ABOUT 3.5 MINUTES. AS YOU CAN SEE, SUCH DELAYS WITH BETWEEN 38 AND 70 TRAINS A DAY WOULD CAUSE TREMENDOUS CONGESTION. CALTRANS IS ESTIMATING THE COSTS OF NEEDED GRADE SEPARATIONS. HOWEVER, IT IS CLEAR THAT EXISTING FUNDING SOURCES ARE COMPLETELY INADEQUATE TO MEET THE PRESSING CAPITAL DEVELOPMENT NEEDS OF THE NEXT SEVERAL YEARS.

THE PUBLIC UTILITIES COMMISSION HAS APPROXIMATELY \$15 MILLION A YEAR DEVOTED TO GRADE SEPARATION PROJECTS STATEWIDE. IT IS CLEAR, FOR THE STEADY GROWTH OF RAIL ACCESS TO THE PORTS, THAT ADDITIONAL PRIVATE AND PUBLIC FUNDING FOR GRADE SEPARATIONS WILL BE NECESSARY. I WOULD URGE THIS COMMITTEE AND THE STATE LEGISLATURE TO FOCUS ON THIS CRUCIAL FUNDING PROBLEM.

ADDITIONAL RAIL TRAFFIC IN THE PORTS AREA WILL ALSO CAUSE NOISE AND VIBRATION PROBLEMS FOR RESIDENTS NEAR THE RAIL LINES. LISTED BELOW ARE THE NUMBER OF RESIDENTS LIVING WITHIN 1000 FEET OF THE FOUR PRINCIPAL BRANCH LINES SERVING THE PORTS:

SANTA FE	-- HARBOR DISTRICT	58,020
SOUTHERN PACIFIC	-- WILMINGTON BRANCH	48,161
SOUTHERN PACIFIC	-- SAN PEDRO BRANCH	26,233
UNION PACIFIC	-- SAN PEDRO BRANCH	39,006

SOURCE: 1980 U.S. CENSUS

WITH THE ASSISTANCE OF THE RAILROADS AND OUR CONSULTANTS, WE ARE EVALUATING THREE ALTERNATIVE ROUTES:

1. "STATUS QUO" -- WITH ALL THREE RAILROADS USING THEIR OWN LINES;

2. "ONE-WAY LOOP" -- UNION PACIFIC AND SANTA FE TRAINS WOULD USE THE UNION PACIFIC LINE SOUTHBOUND AND THE SANTA FE LINE NORTHBOUND;
3. "CONSOLIDATION" -- ALL THROUGH FREIGHT TRAVEL WOULD USE THE CENTRAL CORRIDOR ALONG THE SOUTHERN PACIFIC SAN PEDRO BRANCH.

THESE ROUTES ARE BEING EVALUATED WITH RESPECT TO (1) IMPACTS ON GRADE CROSSINGS, (2) GRADE SEPARATION NEEDS, (3) IMPACTS ON RESIDENTIAL POPULATION, (4) RAILROAD CAPITAL IMPROVEMENT COSTS, (5) OPERATIONAL FEASIBILITY, AND OTHER FACTORS. THIS EVALUATION WILL BE COMPLETED IN DECEMBER.

I AM HOPEFUL THAT WE CAN DEVELOP BROAD SUPPORT FOR OUR RAIL ACCESS RECOMMENDATIONS FROM BOTH THE PUBLIC AND PRIVATE SECTORS. ITS IMPLEMENTATION WILL BE IMPORTANT TO THE LONG-TERM GROWTH OF THE PORTS AND THE ECONOMIC HEALTH OF OUR REGION AND STATE.

#### CONCLUSIONS

IN MY COMMENTS, I HAVE OUTLINED THE WORK OF SCAG'S PORTS ADVISORY COMMITTEE AND DESCRIBED THE PERSISTENCE OF BOTH THE PUBLIC AND PRIVATE SECTORS IN SOUTHERN CALIFORNIA TO ENSURE THAT OUR PORTS ARE ABLE TO MANAGE THEIR GROWTH WITHOUT NEGATIVELY IMPACTING THE COMMUNITY. I BELIEVE OUR EFFORTS CAN SERVE AS AN EXAMPLE OF A COOPERATIVE EFFORT ON PORT DEVELOPMENT.

THE TYPE OF PLANNING WE ARE ENGAGING IN IS ABSOLUTELY NECESSARY IF SOUTHERN CALIFORNIA'S PORTS ARE TO REMAIN COMPETITIVE WITH OTHERS ON THE WEST COAST. ALL PARTIES REALIZE THAT IF WE DO NOT SOLVE THE PROBLEMS

ASSOCIATED WITH INCREASED TRAIN TRAFFIC, IT COULD RESULT IN OTHER NON-CALIFORNIA WEST COAST PORTS GETTING A LARGER SHARE OF THE BUSINESS.

BECAUSE OF THE MANY REGIONAL IMPACTS OF PORTS, SCAG, AS THE REGIONAL TRANSPORTATION AGENCY, HAS INCLUDED THESE ACTIVITIES IN OUR REGIONAL TRANSPORTATION PLAN. IT IS VERY IMPORTANT TO VIEW PORT DEVELOPMENT AS A REGIONAL, AND NOT JUST A LOCAL, ISSUE. THIS IS WHY THE PORTS ADVISORY COMMITTEE WAS ESTABLISHED. ONLY BY DEVELOPING A COOPERATIVE PROCESS WHERE ELECTED OFFICIALS, CITY REPRESENTATIVES, PORT OFFICIALS AND THE PRIVATE SECTOR CAN COME TO BASIC PLANNING AND IMPLEMENTATION AGREEMENTS, CAN EVERYONE'S NEEDS BE MET. WE FEEL WE HAVE DEVELOPED THAT TYPE OF A RELATIONSHIP IN SOUTHERN CALIFORNIA. I HOPE IT IS ONE THAT CAN BE USED THROUGHOUT THE STATE.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS. THANK YOU FOR THE OPPORTUNITY TO SPEAK WITH YOU TODAY.

#####

Table 1: Road-Rail Crossings  
in the Ports-to-Mainline Study Area<sup>1</sup>

<u>Rail Line</u>	<u>Total</u>	<u>Already Separated<sup>2</sup></u>	<u>Not Separated</u>	<u>Identified For Further Study<sup>3</sup></u>
A: The Ports-to-Downtown Corridor				
ATSF	112	17 (15%)	95	15 (16%)
SP-Wilmington	37	2 ( 5%)	35	9 (26%)
SP-San Pedro	38	6 (16%)	32	10 (31%)
UP	46	13 (28%)	33	14 (42%)
Sub-total	233	38 (16%)	195	48 (25%)
B: The Downtown-Bypass Corridor				
SP-La Habra	35	3 ( 9%)	32	3 ( 9%)
SP-Santa Ana	23	2 ( 9%)	21	5 (24%)
SP-Puente (n)	4	4	0	0
(s)	8	3 (38%)	5	1 (20%)
Sub-total	70	12 (17%)	58	9 (16%)
C: The Entire Study Area				
Total	303	50 (17%)	253	57 (23%)

### Notes for Table 1

1. This area is defined as all branch lines used for port-related traffic, north of Thenard Connection and south of connections with any mainline. For a map of the area, see Figure 1.

The Ports-to-Downtown Corridor includes four branch lines of three railroads north of Thenard Connection. All crossings south of Redondo Junction are included for the ATSF and both SP branches. All crossings south of Hobart Tower are included for the UP.

The Downtown-Bypass Corridor includes portions of three branch lines of the SP railroad. The La Habra Branch connects to the SP-Wilmington while the Santa Ana Branch connects to the SP-San Pedro. The Puente Branch connects both SP-Santa Ana and SP-La Habra with the UP mainline at Whittier Junction and thence to the SP Yard at the City of Industry; the northern (n) segment is defined north of Los Nietos to Whittier Jct, the southern (s) segment is defined south of Los Nietos to Studebaker.

2. Percentage figures refer to the percentage of all crossings (column 1) which are already separated.

3. Percentage figures refer to the percentage of at-grade crossings (column 3) which have been identified for further study.

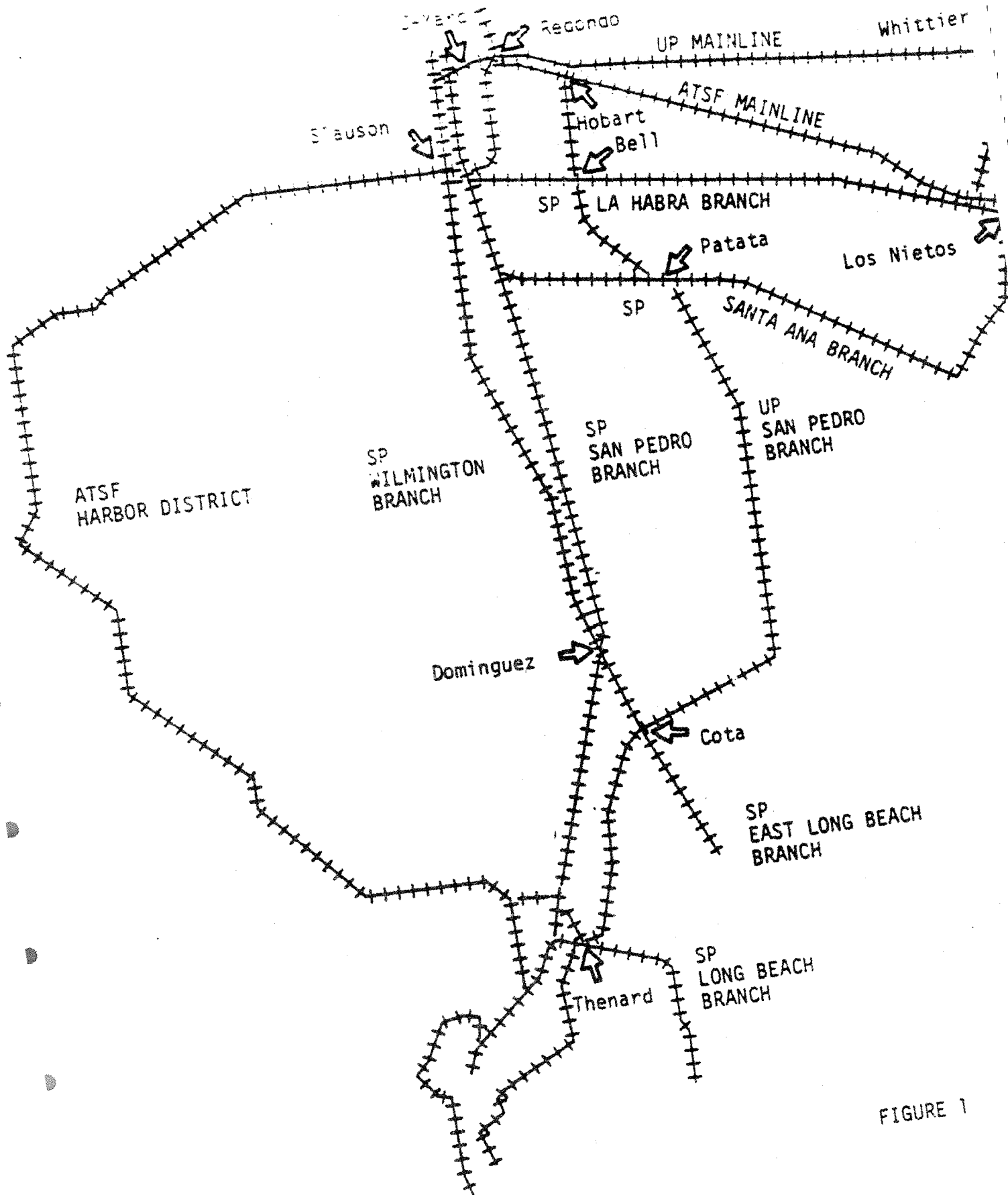


FIGURE 1





Remarks  
to the  
Assembly Committee on Utilities and Commerce  
Hon. Gwen Moore, Chairwoman

Los Angeles  
October 25, 1983

presented by Dianne Kelley  
on behalf of the California Association of Port Authorities

I am Dianne Kelley, Association Secretary for the California Association of Port Authorities, consisting of the ports of Hueneme, Long Beach, Los Angeles, Oakland, Redwood City, Richmond, Sacramento, San Diego, San Francisco, Stockton and Encinal Terminals.

Our Association was formed in 1941 to promote fair business practices among those engaged in the marine terminal industry, to more adequately serve the interests of the shipping public and to establish and maintain just and reasonable rates in connection with interstate and foreign waterborne traffic.

Most of the Association's activity centers on the discussion and setting of rates, conducted under an agreement with the United States Federal Maritime Commission. This Agreement requires the ports to establish and maintain just and reasonable, and as far as practicable, uniform rates, practices and charges, and grants to them immunity from the federal anti trust laws that would otherwise preclude discussions of tariffs among ports. Similar agreements exist in other geographical areas of the United States in which there are several ports. These agreements are intended to eliminate potential "rate-wars" that could bring unfair competition to smaller ports and result in the survival of only a few, very large ports.

The Federal Maritime Commission Agreement is very specific with respect to the procedures to be followed by the Association in its rate setting activities and serves as the by laws for the organization.

In addition to the Committee on Tariffs and Practices and the Traffic Committee of Operating Members required by the FMC Agreement, CAPA has a variety of other committees within its structure to deal with matters that affect all ports, such as Insurance and Law and Legislation. It is their purpose to promote joint actions on issues and problems that can be resolved most cost-effectively for all of our member ports.

Beyond those functions specified in its FMC Agreement, CAPA maintains a legislative and administrative relations program to provide port industry information and advocacy to state government.

To the extent that our Association needs the cooperation and assistance of state government to achieve its purposes, we will continue to work with the legislature and the various agencies of the administration.

Three basic areas of concern to the ports that require regular attention and occasional action by the Legislature are:

- Elimination or reduction of duplicative and time-consuming review and approval of development projects.

- State actions that impose or imply economic and other barriers to free and open trade with other nations.

- Changes in State policy toward California's maritime industry that might enable ports in other states to achieve competitive advantages.

Thank you for giving the California Association of Port Authorities this opportunity to address your committee.

COMMISSIONERS

1st Division  
R.E. Davenport  
2nd Division  
R. Storre  
3rd Division  
J.A. Gast  
4th Division  
H.D. Blumer  
5th Division  
R.B. Hardison, Sr.

HUMBOLDT BAY  
HARBOR, RECREATION, AND CONSERVATION  
DISTRICT

(707) 443-0801  
P.O. Box 1030  
Eureka, California 95502-1030



November 1, 1983

NOV 7 1983

Assemblywoman Gwene Moore  
Chairwoman  
State Capitol  
Sacramento, CA 95814

Attention: Mr. Robert Jacobsen

In Reference To: The Assembly Committee on Utilities and Commerce

Dear Assemblywoman Moore:

First of all, my apologies for being unable to be present at the Los Angeles Testimony, we were unavoidably detained.

I will attempt to go through your brief page by page and make comments where appropriate.

Page 1. Statement: "Some ports, by reason of their location or aging facility, may not share an increased trade" --- This is very true of Humboldt Bay. However, in the future, if user fees are attached with large portions of operations and maintenance cost being levied against the local ports, Humboldt Bay stands a strong chance of becoming the regional port for Northern California and Southern Oregon, as the dredging and maintenance cost for Coos Bay, Portland, Sacramento and Stockton become burdensome.

Page 2. Statement: "The port of Los Angeles for example has been able to finance improvements in the Cabrillo Recreation area, entirely out of internally generated revenues" --- Comment: Untrue, the Port of Los Angeles has borrowed monies from the Department of Boating and Waterways for the Cabrillo development, monies that many small ports would have liked to of had and certainly not important to the Port of Los Angeles if you were to look at the size of their bank account.

Page 2. Questions of Interest for the Commissioners:

1. "Are restrictions on port revenue expenditures a valid constraint of municipalities?" --- Comment: It is believed to be a valid constraint, for with these constraints, California's ports have grown to be the most productive in the United States. If these monies could have been siphoned

off for municipal swimming pools, roads, streets, parks and welfare programs, they would have been to the detriment of our ports and the foreign trade necessary to the United States.

2. "What conditions, if any, should ports revenues be made accessible to municipalities?" --- Comment: Only where they have a direct relationship with the efficiency and the development of the port.

3. "Should priorities be established for port authorities enjoying surplus revenues? Should reserves be required in today's economic environment?" --- Comment: California's ports, as previously stated, are the most efficient port organizations in the world. They are continuing to expand and develop foreign trade for both the State of California and the United States, a winning combination should not be disrupted.

4. "Should ports be more aggressive in joint venture and lease agreements with lessees, taking larger risks and possibly realizing greater returns?" --- Comment: This should be the prerogative of the port involved. Analyzing their own situation, including availability of assets and the needs of the economic community. Where unemployment is high and the area economically disadvantaged, a more aggressive management would be needed.

#### Page 4. Questions of Interest for the Commissioners:

1. "Do long term trends promise a "shake out" among California's ports without regional or state wide intervention?" --- Yes! If user fees for the United States Army Corps of Engineers operation and maintenance of ports is put into effect.

2. "Is there an appropriate role for institutionalized port planning on either a regional or state wide basis?" --- No. However, there should be a maritime "OMBUDSMAN" within the State of California wherein ports that run into problems within the state bureaucracy, whether it is with the Air Quality, Coastal Commission or whatever agency, might go to for some friendly assistance. Someone who has knowledge of the port system in the State of California and the bureaucratic maze of Sacramento.

3. "Short of legislating institutionalized port planning, is there any other action the Legislature might take to allay port failures in a competitive market place without foregoing the benefits of competition?" --- Yes, the Department of Boating and Waterways, while not planning a small craft harbor, does furnish a revolving fund of loan monies wherein smaller ports may borrow to develop needed small craft facilities. Some type of revolving fund made available to ports might enable them to modernize facilities, see them through a cash flow crisis or assist in the development of new facilities. Some funding might be made available to further train Californians in foreign trade. One of the weaknesses of the State of California and the United States in foreign trade is the ability of our sales people to do business in foreign countries. Additional funds might be set aside for the training of individuals in port

operations and for the California Maritime Academy to increase the efficiency of the entire maritime industry for the State of California.

Page 5. Questions of Interest to the Commissioners:

1. "What is required to keep California's ports competitive with other Pacific Coast ports?" --- While everyone believes in cleaning up the environment and the protection of natural resources, the lack of knowledge of the maritime industry by many of the regulatory agencies makes it difficult and expensive to operate; this is one place the maritime OMBUDSMAN in Sacramento would be of assistance to the ports.

2. "Should ports individually or collectively engage in marketing and promotional activities?" --- Comment: While competition between ports is considered healthy, there should be no reason why, if one port is unable to handle the needs of a customer, they could not pass that on to another California port that can meet those needs. The selling of California ports might come under the maritime OMBUDSMAN's position. When he finds a customer, he can turn that customer over to the ports that have the capability of meeting that customers needs and let them healthily compete for the trade.

3. "How can port development be incorporated into regional plans to insure that the continued vitality of the ports is not purchased at the expense of surrounding communities?" --- Comment: No comment.

4. "If ports are to be integrated into a bigger regional development picture, what agency or agencies should be delegated to facilitate that integration?" --- Comment: No comment.

The State of California has many organizations that have to do with the marine/maritime field, CAPA, CMANC, CMPHA, California Harbor Masters Association, etc. By the same token, they have many agencies within the State of California which are interested in the Coast and ports, Department of Fish and Game, The Coastal Commission, The Coastal Conservancy, etc. This commentor believes that the position of the maritime OMBUDSMAN in Sacramento would facilitate port operations. What is difficult for even major ports is to keep track of all of the legislation that is before our Senate and Assembly in Sacramento, let alone keeping up with the Federal Legislation's rules and regulations. The state wide maritime OMBUDSMAN might also be in a position that input can be made to the Federal Legislation in Washington D.C. on matters affecting the ports of California. A revolving fund could be established for low interest loans, short or long term, that could be made to ports for the development modernization and improvement of facilities. The OMBUDSMAN could also play an important role in the upcoming Waterfront Renewal funds that are soon to be made available in the State of California. When there is a major disagreement between ports, an example of which may be a bill supported by the Port of Los Angeles and opposed by the Port of Long Beach, the State Legislature could go to the OMBUDSMAN for a fair and unbiased opinion of the bill, its merits and disadvantages by someone who is familiar with the overall maritime picture of the State of

November 1, 1983  
Assemblywoman Gwene Moore  
Page -4-

California.

Thank you for the opportunity to express these views.

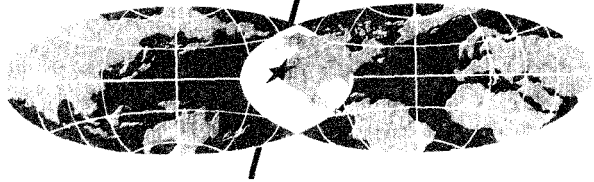
Sincerely,

A handwritten signature in cursive script, reading "Jack B. Alderson", written over a horizontal line.

JACK B. ALDERSON  
Chief Executive Officer

JBA/sdp

# PORT OF OAKLAND



1506  
The  
of the  
BOARD OF PORT COMMISSIONERS  
CITY OF OAKLAND

PATRICIA PINEDA	President
H. WAYNE GOODROE	1st Vice President
G. WILLIAM HUNTER	2nd Vice President
DAVID CREDUE	Commissioner
HERBERT ENG	Commissioner
DOUGLAS J. HIGGINS	Commissioner
NORVEL SMITH	Commissioner

November 17, 1985 NOV 18 1985

WALTER A. ABERNATHY

Executive Director

Assemblywoman Gwen Moore  
State Capitol  
Sacramento, California 95814

Dear Assemblywoman Moore:

I appreciated the opportunity of discussing some of the issues of importance to ports. Since some of the ports in California are also operators of airports, and developers of other properties removed from the normal maritime activities I think it appropriate to comment further on particular items of interest to that quite possibly will be the subject of consideration in the next legislature. With respect to the airport, an important issue relates to small claims noise suits generated as a result of actions involving claims against San Francisco International Airport. A bill was passed that would have given relief to the airports but, unfortunately, it was vetoed by Governor Dukemejian. Another bill relating to taxation of aircraft was introduced by Assemblyman Elihu Harris, received favorable action in the legislature and it, too, was vetoed.

The unitary tax situation still needs attention. Assemblywoman Teresa Hughes has been a champion of this legislation and I hope it will again be addressed in the next legislature.

Other areas of interest that may surface involve continuing exemptions for vessels calling at California ports regarding vessel emission. As I mentioned, we compete not only with ports of California, but some of our most formidable competition comes from the ports of Seattle, Tacoma and Portland in the northwest. Our concern is twofold:

1. That California not adopt standards above federal standards.
2. That particular attention be paid to regulations present in the northwest, so as not to pass legislation that places us at a competitive disadvantage.

66 Jack London Square • P.O. Box 2064 • Oakland, California 94604 • Phone (415) 444-3188  
Cable Address PORTOFOAK, Oakland • Telex 336-334

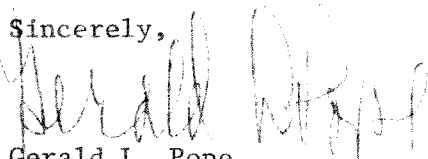
MEMBER OF THE AMERICAN ASSOCIATION OF PORT AUTHORITIES, INC. THE AIRPORT OPERATORS COUNCIL INTERNATIONAL, INC.  
and THE INTERNATIONAL ASSOCIATION OF PORTS AND HARBORS

Assemblywoman Gwen Moore  
Page Two  
November 17, 1983

Another area of interest relates to additional actions that may be taken by the Air Resources Board concerning standards for the control of emissions from surface transportation. Here again, the ports of California need to be treated in such a way so as to allow them to maintain their competitive positions with ports on other coasts. The other concern we have with respect to ARB activities is that they not, through administrative action, adopt rules and regulations that have not been properly heard through the legislative process. It is our feeling in the case of the ARB, Coastal Commission and other involved state agencies that these agencies administratively exceed their legislative mandates. The reviews conducted by the Office of Administrative Law are a step in the right direction. We also suggest that perhaps the legislature through its committee process, may want to examine the whole subject of regulation as it is promulgated by agencies of state government.

These are but a few of the concerns that we have and I think it is encouraging that committees of the legislature are taking an interest in promoting ports and international trade. The creation of the World Trade Commission is a step in the right direction. It is our hope that all levels of state government will continue to articulate a state position promoting international trade and the viability of the California port system in serving those needs. We look forward to working with you, and others in the legislature in continuing with the development of California ports and their promotion.

Sincerely,

  
Gerald L. Pope  
Director of Administrative  
Services

GLP:dh





U.S. Department  
of Transportation

**Maritime  
Administration**

400 Seventh Street, S.W.  
Washington, D.C. 20590

September 19, 1983

Mr. Robert R. Jacobson  
Public Utility and Common  
Carrier Committee  
California Assembly  
Room 2117, State Capitol  
Sacramento, California 95814

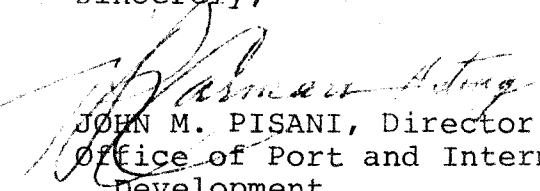
Dear Mr. Jacobson:

As you requested in our conversation last week, I am enclosing a copy each of the San Francisco Bay Area Seaport Plan and our Port and Intermodal Development Program, April, 1983.

The Seaport Plan was a joint project as you will see from the reference on the Title Page. It represents one of the more comprehensive studies of this nature in which this agency has participated. It will be a helpful guide for the new work which faces your committee.

If you have any further questions please feel free to get in touch with me again. Our Western Region Director, Samuel Galston, is available for assistance, as well. His office is located at 450 Golden Gate Avenue, Box 36037, San Francisco, California, also his telephone number is (415)556-3816.

Sincerely,

  
JOHN M. PISANI, Director  
Office of Port and Intermodal  
Development

Enclosure



MARITIME ADMINISTRATION'S  
PORT AND INTERMODAL DEVELOPMENT PROGRAM

Office of Port and Intermodal Development  
Maritime Administration  
U.S. Department of Transportation  
April 1983



## Introduction

Through its Office of Port and Intermodal Development, in Washington, D.C., and four region offices (New York, New Orleans, San Francisco and Cleveland), the Maritime Administration (MARAD) provides research and technical assistance to State and local port authorities and private industry, which own and operate the Nation's ports and terminals. It also plans for the utilization and control of ports and port facilities in a national emergency.

MARAD's role in port development is statutory. It is mandated by the Merchant Marine Acts of 1920 and 1936, as amended, to promote port and intermodal development adequate to serve the Nation's waterborne commerce, and by the Defense Production Act of 1950 and Executive Orders 10480 and 11490, as amended, to support military and commercial port operations for national defense purposes. Also, under Section 2 of Public Law 96-371, it is required to submit an Annual Report to the Congress on the status of public ports in the United States.

Advice and assistance are offered directly to public port entities, private stevedore/terminal operators, inland and ocean carriers, and shippers and consignees. Extensive cooperation is also maintained with various industry associations serving these interests, such as the American Association of Port Authorities, the Inland Rivers, Ports and Terminals Association, the National Association of Stevedores, etc.

Staff studies are undertaken of a promotional or technical nature, which furnish information to local ports to improve planning, enhance productivity and facilitate the movement of domestic and international waterborne commerce. Cooperative research projects are accomplished with the port industry and State and local agencies. These cost-shared efforts help ports plan for future cargoes, ship types, and intermodal transportation technology.

The Office of Port and Intermodal Development has the lead responsibility for port development activities within MARAD and the U.S. Department of Transportation. Two programs - planning and operations - have been established and staffed as shown in the organizational chart below. Some examples of the projects underway, completed or initiated by the Office during the year 1982 follow. For more detailed information, contact the Director, Office of Port and Intermodal Development, Maritime Administration, U.S. Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590.

OFFICE OF PORT AND INTERMODAL DEVELOPMENT

John M. Pisani, Director

Ann Higbee, Secretary

Port and Intermodal Planning Program

Ken Randall, Manager  
Sharon Thompson, Secretary

National Affairs

National Port Assessments  
Annual Reports to Congress  
Port Promotion Activities  
Port Development Legislation

Ken Randall

State and Local Planning

Regional Port and Intermodal Studies  
Port Statistical Analyses  
Port Technical Assistance

Bill Dean

Information Systems and Techniques

Port Planning Information Systems  
Port Planning Models  
Port Data Bases Management

Richard Korink

International/Interagency Affairs

International Port Planning Conferences  
International Technical Port Seminars  
Bilateral Technical Assistance Programs  
Interagency Port Development Liaison

Nick Pakis

Economic/Financial Analyses

Port Economic Impact  
Port Pricing  
Port Finance  
Port Liability/Risk Management  
Port Marketing

Richard Walker

Port and Intermodal Operations Program

Jim Carman, Manager  
Pat Davis, Secretary

Waterway Development

Waterway Financing Analyses  
Harbor/Channel Improvements  
Waterway User Charge Analyses  
Waterway Development Legislation

Jim Carman

General Cargo/Intermodal Operations

Terminal Management Information Systems  
Intermodal Equipment Inventory/Standards  
Intermodal Traffic Analyses  
Ports for National Defense  
Intermodal Logistics/Regulation  
Intergovernmental Intermodal Activities

Geoffrey McIntyre

Bulk Cargo Operations

Equipment/Facilities Analyses  
Terminal/Waterway Simulations  
Coal Export Port Capacity Analyses  
Offshore Transfer Systems

John Neidlinger

Port Safety and Environmental Protection

Fire and Disaster Protection  
Environmental Protection  
International Environmental Conventions  
Waterfront Revitalization

Carl Sobremisana

## Planning Program

MARAD continued its cost-shared port and intermodal planning program. This effort includes cooperative master planning studies with local, state, and regional port agencies and associations; port planning information systems and data base developments; and economic impact and financial analyses.

The following projects were completed during 1982:

- o Annual Report on Ports - Produced initial report, as required by Public Law 96-371, which identified problems U.S. ports face in adjusting to technological, economic, financial, environmental and legislative changes.
- o San Francisco Bay Area Seaport Plan - Developed a coordinated master plan for seaports in the San Francisco Bay. The approved plan provides the basis for future Bay Area development.
- o Regional Port Impact Model - Designed a flexible, self-contained analytical planning tool to enable U.S. ports to prepare regional economic impact assessments and to undertake policy simulations based on changes in a port's activities or its economic environment.
- o Usage Pricing for Public Marine Terminal Facilities - Created a formula to derive reasonably compensatory prices for use of public marine terminal facilities, providing a benchmark for comparative analyses of port terminal tariff rates.
- o Technical Port Assistance - Surveyed the St. Louis Bi-State Metropolitan Port at the invitation of the Port Administrator of the City of St. Louis Port Authority. The inspection was followed by discussions and briefings on potential use of MARAD's research and analytical port planning tools. In addition, the director of the Office of Port and Intermodal Development and an industry shipping representative inspected seven major bulk cargo-handling ports in the People's Republic of China. The purpose of this mission was to enhance the implementation of the U.S.-P.R.C. Agreement on Maritime Transport by assessing opportunities and constraints U.S.-flag carrier operators face in attaining a greater percentage of the U.S.-China trade.

These projects were initiated during the year:

- o Port Planning Information System - To create an integrated and automated port planning analysis system, incorporating various port-related data bases, terminal capacity, facility requirements, vessel movements, and economic impacts.

- o Port Marketing Assistance - To provide data, processed information and analytical tools developed through research efforts and special projects with industrywide applications. Individual ports can use such tools to formulate or enhance their own marketing strategies.
- o Port Economic Impact Kit - To revise an existing kit, simplifying its methodology and adapting various sections to software programs suitable for micro-computers or desk-top calculators. The kit enables small and medium-sized ports with limited resources and personnel to make port economic impact assessments.
- o Public Port Financing in the United States (Update) - To update an existing public port financing study to address port development and expansion. Present financing methods, problems, and alternatives will be emphasized and foreign financing methods noted.
- o Port Risk Management Manual - To develop a guide for solving common risk management problems and provide a reference on port risk management techniques.

During the year, work on the following projects continued:

- o Delaware River Regional Port Study - Analyzes long-range port development needs for the Delaware River. Under the management of the Delaware River Port Authority, the study involves four major cities and two counties.
- o New York-New Jersey Regional Port Planning Study - Analyzes cargo terminal needs and uses of city-owned piers, wharves, docks, and waterfront, including intermodal services and future sites. The study is managed by the City of New York, assisted by the cities of Bayonne, Elizabeth, Jersey City, and Hoboken, New Jersey.
- o Maryland Statewide Port Planning Study - Analyzes economic, environmental, and institutional impacts on port development within Maryland. Funded under a cooperative agreement with the Maryland Department of Transportation and its Port Administration, the study encompasses cargo demand, terminal capacity, intermodal connections, and services.

#### Operations Program

As in its planning program, MARAD shares the costs of its port and intermodal operations program with industry participants and with other Federal and State agencies. The program helps port and terminal operators improve productivity in the operation of facilities, equipment, and waterways.



Several projects were completed during 1982:

- o Waterway Development - Supported efforts to reduce constraints on dredging and recover the costs of improving and maintaining the Nation's navigable channels. Also participated in Government-industry efforts to increase U.S. coal exports and contributed to projects and studies designed to assess existing and potential U.S. port capabilities.
- o Inland Waterway Port Operations Model - Developed model to study operating characteristics of inland waterway port facilities. Produced by the University of Tennessee under MARAD's University Research Program, the model can estimate port capacities and cost and time associated with port operations at various cargo levels.
- o Inland Waterway Fleeting Operations Evaluation Model - Developed model to examine site and operational alternatives to provide through tow or dock delivery fleeting while minimizing harbor congestion. Model was developed and implemented by Washington University, St. Louis, Mo., under the University Research Program.
- o Tanker Berthing Evaluation - Evaluated tugboat performance during tanker berthing maneuvers and provided data to define changes in tugboat thrusting capability experienced as a tug interacts with a slowly moving tanker. The project was jointly funded by MARAD and the Coast Guard.
- o Port and Waterway User Fees - Investigated effects of proposed U.S. Coast Guard user fee structure on port and vessel operations and on foreign and domestic trades. The study was undertaken at the request of the Coast Guard.
- o Tonnage Tax and Customs Revenue Uses - Analyzed Federal revenues collected from tonnage taxes and import duties as an alternative means of funding channel maintenance and improvements. The study was made in response to a request to the Secretary of Transportation from the port industry.
- o Joint Exercises with Military Traffic Management Command (MTMC) - Conducted joint exercises with MTMC to evaluate procedures for marshalling commercial motor and rail transportation to meet Department of Defense needs in a contingency prior to a national emergency declaration. MARAD also published new regulations governing preallocation and use of port terminal facilities for emergency operations.
- o Inventory of American Intermodal Equipment - Conducted annual inventory of U.S. steamship and container leasing companies.

- o International Shipborne Barge Register - Produced reference identifying shipborne barges engaged in international trade.

At the end of the year, work was continuing on the following projects:

- o Nationwide Vessel In-Port Locator System (VIPLOC) - Demonstrates a computer-based VIPLOC system at the San Francisco Marine Exchange. The cost-shared system will be used by the National Association of Marine Exchanges to develop nationwide vessel traffic reporting capability.
- o U.S. Stevedoring/Terminal Operator Industry Study - Provides an economic profile of the stevedore/terminal operator industry. Data have been gathered with the cooperation of the National Association of Stevedores. The Port Authority of New York and New Jersey is producing economic impact data on equipment investment, jobs, income, taxes, and expenses.
- o Coal Export Terminal Design Criteria for Large Shallow Draft (LSD) Ships - Involves development of design criteria for coal terminal shiploading facilities for LSD and wide-beam ships.
- o Lightweight Tug Firefighting Module Evaluation - Tests lightweight firefighting module in various operational modes. The economic and operational feasibility of temporarily mounting air-transportable pump and monitor modules on commercial tugs to combat waterfront or shipboard fires was previously demonstrated. Evaluation is being made in a joint venture with the U.S. Navy and National Aeronautics and Space Administration.
- o Dredging and Dredge Disposal - Investigates new methods for dredging and dredge disposal in U.S. ports.
- o Multipurpose Harbor Service Craft Evaluation - Provides technical evaluation of the City of Tacoma's high-speed surface effect ship as a multipurpose harbor service craft. The results of operational tests during simulations will provide port city fire service organizations, port authorities, and State and Federal agencies with information on a cost-effective marine fire protection tool.