

( S E R V E D )  
( SEPTEMBER 24, 2008 )  
(FEDERAL MARITIME COMMISSION)

FEDERAL MARITIME COMMISSION

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DOCKET NO. 08-05

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**CITY OF LOS ANGELES, CALIFORNIA, HARBOR DEPARTMENT OF THE CITY OF  
LOS ANGELES, BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LOS  
ANGELES, CITY OF LONG BEACH, CALIFORNIA, HARBOR DEPARTMENT OF THE  
CITY OF LONG BEACH, AND THE BOARD OF HARBOR COMMISSIONERS OF THE  
CITY OF LONG BEACH – POSSIBLE VIOLATIONS OF SECTIONS 10(b)(10), 10(d)(1)  
AND 10(d)(4) OF THE SHIPPING ACT OF 1984**

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**ORDER OF INVESTIGATION AND HEARING**

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On November 20, 2006, the governing boards of the Ports of Los Angeles and Long Beach voted to approve the San Pedro Bay Ports Clean Air Action Plan (“CAAP”). The CAAP is a broad effort aimed at significantly reducing the health risks posed by air pollution from port-related ships, trains, drayage trucks, terminal equipment and harbor craft by at least 45 percent in five years. To that end, each port has adopted a Clean Truck Program (“CTP”) as a component of the CAAP to address air pollution caused by the short haul truckers that transport containers to and from the ports, i.e., the harbor truck drayage system. Each port’s CTP becomes effective on October 1, 2008.

The Federal Maritime Commission (“Commission”) is responsible for enforcing the requirements of the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998

("Shipping Act"). 46 U.S.C. 40101 *et seq.* As the ports of Los Angeles and Long Beach operate as marine terminal operators ("MTOs") under the Shipping Act, their actions, to the extent they impact international transportation, are subject to the Commission's jurisdiction and, in particular, to the requirements of section 10 of the Shipping Act.<sup>1</sup>

While the Commission appreciates the significant environmental and public health benefits of the San Pedro Ports CAAP, it is concerned that certain aspects of the ports' CTPs may violate the Shipping Act. Accordingly, the Commission has determined to initiate an Investigation and Hearing of the Ports' Clean Truck Programs under section 11 of the Shipping Act with respect to possible violations under section 10 of the Shipping Act.

#### SAN PEDRO BAY PORTS

The Port of Los Angeles ("POLA"), referred to as the Los Angeles Harbor Department, is a self-supporting department of the City of Los Angeles, California. POLA is under the control of a five-member Board of Harbor Commissioners appointed by the Mayor of Los Angeles and approved by the City Council, and is administered by an executive director.<sup>2</sup> POLA is the largest container port in the United States. POLA's annual loaded container volume for 2007 was 5.7 million twenty-foot equivalent units ("TEUs").

The Port of Long Beach ("POLB") has an administrative structure similar to POLA. POLB is a public agency managed and operated by the City of Long Beach Harbor Department. POLB is governed by the Long Beach Board of Harbor Commissioners, whose five members are appointed by the mayor of

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1. Section 10(d)(1) requires MTOs to establish, observe, and enforce just and reasonable regulations and practices relating to or connected with receiving, handling, storing, or delivering property. 46 U.S.C. 41102(c). Section 10(d)(4) provides that an MTO may not give any undue or unreasonable preference or advantage or impose any undue or unreasonable prejudice or disadvantage with respect to any person. 46 U.S.C. 41106(2). An MTO may not unreasonably refuse to deal or negotiate. 46 U.S.C. 41106(3).

2. For the purposes of this order, the City of Los Angeles, the Harbor Department of the City of Los Angeles and the Board of Harbor Commissioners of the City of Los Angeles will be referred to as the Port of Los Angeles or POLA.

Long Beach and confirmed by the City Council. POLB is administered by an executive director.<sup>3</sup> POLB is the second largest port in the United States. POLB's annual loaded container volume for 2007 was more than 4.9 million TEUs.

POLA and POLB are located side-by-side in San Pedro Bay and together are referred to as the San Pedro Bay Ports. Together they would constitute the 5<sup>th</sup> largest container port in the world. While the two ports compete for business, they cooperate on infrastructure projects and environmental issues pursuant to agreements filed with the Commission. It is reported that approximately 16,800 trucks, affiliated with an estimated 600-1200 licensed motor carriers ("LMCs"), transport containers to and from the ports. At present, nearly all of the trucks are operated by independent owner operators.

#### THE CLEAN TRUCK PROGRAMS

Central to each port's CTP is a system to control truck access to the container terminals through the issuance of port concessions to LMCs. Each CTP presently provides that after October 1, 2008, entry to container terminals at the ports will be limited to licensed motor carriers that have a concession agreement.<sup>4</sup> Carriers serving both ports must have a separate concession from each port. To obtain a concession, an LMC must file an application (with a \$2,500 fee for POLA, and \$250 for POLB, plus an annual fee of \$100 per truck in both ports) in which it presents an appropriate maintenance plan for trucks used at the port; ensures that all trucks comply with safety, regulatory and security requirements, and that drivers have obtained their Transportation Worker Identification Credential; agrees to searches; maintains prescribed insurance levels; equips trucks with prescribed devices to allow for the electronic reading of certain data concerning the truck; ensures compliance with parking ordinances; agrees to

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3. For the purposes of this order, the City of Long Beach, California, the Harbor Department of the City of Long Beach and the Board of Harbor Commissioners of the City of Long Beach will be referred to as the Port of Long Beach or POLB.

4. The concession requirement has been challenged in federal court. See *American Trucking Associations v. City of Los Angeles, et al*, No. 08-04920, C.D. Calif. The district court has denied a request for preliminary injunction, and this decision has been appealed. The outcome of the legal action by the American Trucking Associations does not affect the

hiring preferences for drivers with port experience; and agrees to travel only on specified truck routes established by local municipalities or the ports.

There are certain differences between the CTPs of the two ports. POLA requires that all approved concessionaires transition to providing port service only with company-employee drivers. This requirement is phased in over a 5 year period commencing January 1, 2009. By December 31, 2013, all concession drivers at POLA must be company employees. Independent owner-operators will not be permitted entry to the container terminals. POLB has no similar mandate and will permit concessionaires to continue to provide service with either employee drivers, independent owner-operators or a combination of both, as is presently allowed. POLA also requires concession applicants to submit for approval a plan that limits parking to off-street locations. No on-street parking will be allowed for trucks not in service. POLB, on the other hand, requires applicants to submit a parking plan that demonstrates either the availability of off-street parking or legal on-street parking. POLA also requires applicants to submit financial statements and a statement of business experience at the port, in drayage service, and with owner-operators or driver employees, together with references to verify this information. POLB does not have a similar requirement.

The applications of both ports provide that submission of an application does not guarantee an award of a concession. There are no published criteria or standards governing the granting or denial of concessions. Both ports require the LMC to register its drayage vehicles in a Drayage Truck Registry (DTR) identifying the vehicle and all of its pertinent details, including the model year of the truck and its engine. Only vehicles registered in the DTR will be permitted entry to the container terminals.

Also as part of their CTPs, both ports have adopted a truck ban by which trucks older than

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Commission's authority to institute this investigation.

model year 1989 will be prohibited from entering terminal premises on and after October 1, 2008. Thereafter, the program progressively bans trucks that do not meet 2007 federal Environmental Protection Agency (“EPA”) emission standards by January 1, 2012. Each port has adopted truck replacement programs to assist truckers to purchase or upgrade to 2007-compliant trucks through grants and lease-to-own plans. State and port funds as well as funds derived from a Clean Truck Fee will be used to finance the truck replacement programs through a Clean Truck Fund maintained by each port.

Commencing October 1, 2008, a fee of \$35 per loaded TEU, or \$70 per FEU, will be collected from the beneficial cargo owner on every container entering or exiting the terminals by truck. Containers entering or leaving the ports by rail and those moving between terminals at the ports are not subject to the fee. Both ports will exempt collection of the fee where the truck hauling the container was privately financed and is compliant with the 2007 federal EPA standards and meets certain conditions. Each port maintains slight variations with respect to eligibility for the exemption depending on whether the truck's fuel is diesel or an alternative fuel such as LNG; when the vehicle was purchased; whether an old truck was scrapped; and whether it was purchased with program funds. Verification of eligibility and enforcement of access to the terminals as well as collection of the Clean Truck Fee are to be the responsibilities of the MTO tenants of the ports. Provisions governing these requirements are published in the respective tariffs of the ports.

#### THE PORT OF LOS ANGELES INCENTIVE PROGRAM

On August 21, 2008, POLA adopted two additional incentives to encourage companies operating 2007 or newer compliant trucks to become concessionaires and commit to a stated minimum of service at POLA. One incentive offers a cash payment of \$20,000 for each 2007 EPA-compliant truck that is privately funded and committed to service in the port drayage market at a minimum

frequency of 6 trips per week for 5 years. Carriers interested in participating were required to submit a letter of interest by September 19, 2008, stating the number of eligible trucks operated, the number to be initially committed to port service, and the number to be added monthly. The other incentive provides for a cash payment of \$10 per dray by a 2007 EPA-compliant truck, if the truck achieves a minimum target of 600 qualified drays per year in and out of POLA and POLB, and 300 of those drays are for POLA cargo. There is a per truck limit on this incentive of \$10,000 for the year commencing October 1, 2008. Incentive payments for both programs will be made from the Clean Truck Fund and other port funds. Successful applicants for the payment will be selected at the sole discretion of the port staff.

#### COMMISSION AUTHORITY

A marine terminal operator is defined as “a person engaged in the United States in the business of furnishing wharfage, dock, warehouse or other terminal facilities in connection with a common carrier, or in connection with a common carrier and a water carrier subject to sub-chapter 11 of chapter 135 of title 49, United States Code.” 46 U.S.C. § 40102(14). Section 10(d)(1) of the Shipping Act, states that a “[c]ommon carrier, ocean transportation intermediary, or marine terminal operator may not fail to establish, observe, and enforce just and reasonable regulations and practices relating to or connected with receiving, handling, storing, or delivering property.” 46 U.S.C. § 41102(c). Under section 10(d)(4), “[a] marine terminal operator may not give any undue or unreasonable preference or advantage or impose any undue or unreasonable preference or advantage or impose any undue or unreasonable prejudice or disadvantage with respect to any person;” 46 U.S.C. § 41106(2). Section 10(b)(10) of the Shipping Act prohibits a marine terminal operator from unreasonably refusing to deal or negotiate. 46 U.S.C. § 41106(3).

The Commission is responsible for ensuring that the practices and regulations of marine terminal operators are just and reasonable. Under Section 10(d), a regulation or practice must be tailored to meet

its intended purpose. It may have a valid purpose and yet be unreasonable because it goes beyond what is necessary to achieve that purpose. Distribution Services, Ltd. v. TransPacific Freight Confer. of Japan, 24 SRR 714, 722 (FMC, 1988). The test of reasonableness as applied to MTOs requires that actions and practices “be otherwise lawful, not excessive and reasonably related, fit and appropriate to the ends in view.” Exclusive Tug Arrangements in Port Canaveral, 29 SRR 487, 489 (FMC, 2002) and West Coast Maritime Association v. Port of Houston, 18 SRR 783, 790 (1978), 610 F2d 100 (D.C.Cir. 1979), *cert. denied*, 449 U.S. 822 (1980).

NOW THEREFORE, IT IS ORDERED, That pursuant to section 11(c) of the Shipping Act of 1984, 46 U.S.C. § 41303(c), an investigation is instituted to determine:

1. Whether Respondent Port of Los Angeles has failed to establish, observe, and enforce just and reasonable regulations and practices in violation of section 10(d)(1) of the Shipping Act by mandating, on a phased- in basis, that LMCs providing drayage service to the Port utilize only employee drivers;
2. Whether Respondent Port of Los Angeles provides an undue or unreasonable preference or advantage or imposes any undue or unreasonable prejudice or disadvantage with respect to any person in violation of section 10(d)(4) of the Shipping Act by implementing, on a phased-in basis, a ban on independent owner operators providing drayage service at the Port;
3. Whether Respondent Port of Los Angeles has failed to establish, observe and enforce just and reasonable regulations and practices in violation of section 10(d)(1) of the Shipping Act or provides an undue or unreasonable preference or advantage or imposes any undue or unreasonable prejudice or disadvantage with respect to any person in violation of section 10(d)(4) of the Shipping Act, by making payments to certain selected motor carriers as incentive to provide drayage service at the port, but not to others;



4. Whether Respondent Port of Los Angeles has failed to establish, observe and enforce just and reasonable regulations and practices in violation of section 10(d)(1) of the Shipping Act or provides an undue or unreasonable preference or advantage or imposes any undue or unreasonable prejudice or disadvantage with respect to any person in violation of section 10(d)(4) of the Shipping Act, by denying access to terminal facilities to drayage carriers absent port-approved arrangements to park their vehicles on off-street premises;
5. Whether Respondents Port of Long Beach and Port of Los Angeles have failed to establish, observe and enforce just and reasonable regulations and practices in violation of section 10(d)(1) of the Shipping Act, or give an undue or unreasonable preference or advantage or impose any undue or unreasonable prejudice or disadvantage with respect to any person in violation of section 10(d)(4) of the Shipping Act, by exempting from the \$35/TEU Clean Truck Fee those beneficial cargo owners whose cargo is moved by privately financed, 2007 compliant trucks, while imposing fees on those beneficial cargo owners whose cargo is moved by publicly financed 2007 compliant trucks and trucks manufactured between 1989 and 2006;
6. Whether Respondents Port of Long Beach and Port of Los Angeles have failed to establish, observe and enforce just and reasonable regulations and practices in violation of section 10(d)(1) of the Shipping Act by requiring motor carriers providing container drayage service at the ports to submit an application for a concession, but not publishing standards or criteria by which such application will be granted or denied;
7. Whether Respondent Port of Los Angeles violated section 10(b)(10) of the Shipping Act by refusing to deal or negotiate with motor carriers otherwise authorized to provide drayage service at the port who conduct their port operations using independent owner-operators;
8. Whether, in the event one or more violations of section 10 of the Shipping Act are found, civil



penalties should be assessed and, if so, the identity of the entities against whom the penalties should be assessed and the amount of the penalties to be assessed;

9. Whether, in the event violations are found, appropriate cease and desist orders should be issued.

IT IS FURTHER ORDERED, That a public hearing be held in this proceeding and that this matter be assigned for hearing before an Administrative Law Judge of the Commission's Office of Administrative Law Judges at a date and place to be hereafter determined by the Administrative Law Judge in compliance with Rule 61 of the Commission's Rules of Practice and Procedure, 46 C.F.R. § 502.61. The hearing shall include oral testimony and cross-examination in the discretion of the presiding Administrative Law Judge only after consideration has been given by the parties and the presiding Administrative Law Judge to the use of alternative forms of dispute resolution, and upon a proper showing that there are genuine issues of material fact that cannot be resolved on the basis of sworn statements, affidavits, depositions, or other documents or that the nature of the matters in issue is such that an oral hearing and cross-examination are necessary for the development of an adequate record;

IT IS FURTHER ORDERED, That the following entities be designated as Respondents in this proceeding:

City of Los Angeles, California; Harbor Department of the City of Los Angeles; Board of Harbor Commissioners of the City of Los Angeles; City of Long Beach, California; Harbor Department of the City of Long Beach; Board of Harbor Commissioners of the City of Long Beach;

IT IS FURTHER ORDERED, That the Commission's Bureau of Enforcement be designated a party to this proceeding;

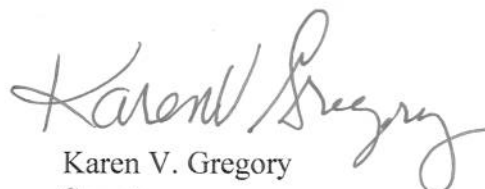
IT IS FURTHER ORDERED, That notice of this Order be published in the Federal Register, and a copy be served on all parties of record;

IT IS FURTHER ORDERED, That other persons having an interest in participating in this proceeding may file petitions for leave to intervene in accordance with Rule 72 of the Commission's Rules of Practice and Procedure, 46 C.F.R. § 502.72;

IT IS FURTHER ORDERED, That all further notices, orders, or decisions issued by or on behalf of the Commission in this proceeding, including notice of the time and place of hearing or prehearing conference, shall be served on all parties of record;

IT IS FURTHER ORDERED, That all documents submitted by any party of record in this proceeding shall be directed to the Secretary, Federal Maritime Commission, Washington, D.C. 20573, in accordance with Rule 118 of the Commission's Rules of Practice and Procedure, 46 C.F.R. § 502.118, and shall be served on parties of record; and

IT IS FURTHER ORDERED, That in accordance with Rule 61 of the Commission's Rules of Practice and Procedure, the initial decision of the Administrative Law Judge shall be issued by September 24, 2009 and the final decision of the Commission shall be issued by January 22, 2010.

  
Karen V. Gregory  
Secretary