FEDERAL MARITIME COMMISSION

PUBLIC FORUM ON PORT CONGESTION

MONDAY, SEPTEMBER 15, 2014

The meeting of the Federal Maritime Commission convened in San Pedro, California, pursuant to notice at 9:33 a.m., Mario Cordero, Chairman, presiding.

PARTICIPANTS:

MARIO CORDERO, Chairman
Federal Maritime Commission

EUGENE SAROKA
Executive Director
Port Authority

JON SLANGERUP
Executive Director
Port Authority

THE HONORABLE JANICE HAHN (D-CA)
U.S. House PARTICIPANT of Representatives

THE HONORABLE ALAN LOWENTHAL (R-CA)
U.S. House of Representatives

Panel One:

ROBERT CURRY SR.
California Cartage Company

ALEX CHERIN
England Knabe & Allen
### Public Forum on U.S. Port Congestion

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<td>1. CHAIRMAN CORDERO: Good morning. Thank you so much for all of you taking the time this morning to attend this forum. Anyone here from San Francisco? Good, good. Dodgers 17, (laughter) Giants 10. Thank you for being here.</td>
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<td>2. On a more serious note, again, really appreciate you attending this forum. Let me say from the outset the Federal Maritime Commission is holding four of these forums across the nation. First one to be held here, and then, of course, we'll have one for the east coast in Baltimore, Southeast Charleston, New Orleans for the Gulf, and those are the four.</td>
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<td>3. This is an issue that we're approaching as an issue that impacts the nation, and let me make myself very clear: This is not about the FMC visiting a particular gateway and saying you're congested. That is not what this is about, and that's why we're having four regional gateways. But the fact of the matter is no matter what Maritime periodical you pick up, the talk of the day is congestion and avoiding a crisis of potential congestion, not just in the nation, but in Europe. Example: Rotterdam, Asia. Example: Hong Kong.</td>
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<td>4. I'd like to thank very much the two new port directors who are here: Eugene Saroka, John Slangerup. Again, congratulations on your new position and very much appreciate you being here for this dialogue. And also I will recognize the Congressional representatives we have here as I move forward with my formal comments, and I also want to recognize the chairman of the Coast Guard and Maritime Transportation Committee Duncan Hunter, who is not here, but did submit his comments of which he is very concerned about this whole issue with regard to maritime transportation.</td>
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<td>5. So, with that, let me move forward, and again, good morning. Welcome to the Federal Maritime Commission's Public Forum on Port Congestion. Let me first thank the Commission staff for their efforts in preparing this event</td>
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and the Port of Los Angeles for hosting us. By the way, the staff is very excited about coming to Los Angeles because I keep telling them how great the weather is; let's get away from the heat and humidity. So, obviously I was wrong. But the Commission is moving forward with the first forum scheduled about our nation's major gateways.

The objective is to facilitate dialogue among those affected by the consequences of port congestion, including port authorities, maritime terminal operators, ocean common carriers, and the maritime workforce, truckers, and the beneficial cargo owners, and ultimately the public who rely on this industry to provide steady and efficient flow of goods to their hometowns, places of business, local stores, often without knowing how critical efficient ocean transportation is to their personal lives.

Thank you for coming here, and thank those who have submitted written statements in advance; many of you have. Following the discussion, I encourage you to submit further comments and feedback.

The mission of the Federal Maritime Commission is to foster a fair, efficient, reliable, international ocean transportation system. Official cargo handling at ports of entry is essential to maintaining a reliable supply chain and ensure sustainable maritime commerce.

Excessive traffic or gridlock at these ports threaten the reliability of ocean transportation. Delays increase transport costs, frustrates cargo owners, and decrease productivity and profitability for marine terminal operators and truckers alike.

Port congestion is neither a new challenge nor a localized one. It is a national, even global, issue affecting the international shipping community. At the port of Hong Kong, the maritime terminal operators struggle to efficiently maneuver containers with severe space constraints that will lobby to the Hong Kong government to release more land to expand their container yards. As I referenced before, in Europe the largest port, Rotterdam, has issues of their own.

In the United States, port congestion's a topic which is not limited to one region. Rather, a concern at all our major gateways. East Coast ports will require greater handling capacity to accommodate the new Panamax vessels. As many of you know, President Obama signed the Water Resource Reform and Development Act in June of this year. The legislation will assist the East Coast ports in having the infrastructure required to handle the bigger vessels.

Even as the East Coast ports begin to compete for cause from large vessels, the efficiency and vitality of the West Coast ports remains crucial to international commerce. Seven percent of all U.S. goods imported from Asia arrive here in the West Coast ports. Forty percent of all those imports arrive through Los Angeles, Long Beach alone. That's the virtual gateway of U.S. imports. West Coast ports are the essential first step in ensuring the efficient national transport of inborn cargo and with such high volumes. West Coast ports, especially in the Southern California area, are also more susceptible to excessive congestion.

The Federal Maritime Commission aims to mitigate congestion by partnering with members of the Maritime international transportation industries to identify and resolve factors which contribute towards congestion. As we worked towards solving some of these systemic problems that cause congestion, input from those who experienced these firsthand are valuable, and this is exactly the reason why we're here.

Again, thank you for your personal participation. I look forward to hearing from the stakeholders. Before we begin, let me introduce the Commission staff that are present today: Mary Hoang, the Chief of Staff of the Federal Maritime Commission; Tyler Wood, Deputy General of Counsel; Ray Pearson, Director of Office Economics and Competitive Analysis; and Rebecca Fenneman, the Director of the Office of Consumer Affairs and
Dispute Resolution, also known as CATERS. CATERS offers alternative dispute resolution services to all segments of the industry, including issues related to the location of cargo, dealing with defaulting operators, interpretation of tariff rules or leases, including disputes over documentation. Our CATERS unit can provide assistance at any stage of a dispute. It is a confidential process and voluntary, so if any of you have these types of issues feel free to talk to Rebecca today or contact her office in the future.

Now I am very honored and proud to turn this over to our Congressional representatives, Representative Janice Hahn and Alan Lowenthal. Now, being in Washington, D.C., I could tell you, and nothing that I’m sure you don’t know, you are so fortunate in Southern California to have two representatives who are doing such great work and really know what the needs of our maritime community are for this nation. I will add that they both reconfigured their schedules to be here this morning because as soon as we’re finished here in the morning they have to take the first flight out to D.C. With that, let me welcome Congressman Alan Lowenthal and then I’ll defer to Congresswoman Janice Hahn.

MR. LOWENTHAL: Thank you, Mario. I want to thank you for convening this hearing and for everyone for coming. Again, my name is Alan Lowenthal. The last 22 years I’ve come to really appreciate and to work with all of our ports, but especially Long Beach and Los Angeles, and understand that they’re the economic engines that generate the good jobs that benefit our region and our nation. So, the critical importance of the ports.

Over the years, I’ve tried to support the good actions of the port and economic development of the port, but I’ve also worked really hard to lessen some of the negative impacts of port development, especially congestion and environmental degradation. That’s the kind of issues that I worked on when I was in the state legislature and also as a city councilman when I was asked by Commissioner Cordero to address this on U.S. port congestion, examining some of the causes, impacts.

I struggled on how I was going to actually frame what I was going to say. How am I really going to talk about and give a benefit to the group? I’ve been meeting with both John Slangerup and also Gene Saroka to get to know each other and the new leadership here in the ports. There was something that Gene said to me this past week that really struck a chord: That for all the good works that we’ve been doing, and we have been doing good work in Southern California, it is time to raise the bar again.

We are at that point where we need to come together and raise the bar and to take us to the next level. That struck me, and I wondered if there’s some lessons in raising the bar. How do you bring everybody together? What are some of the case studies of the maritime industry that worked? What are some of the things when we’ve raised the bar? Goodness knows, Janice knows, and I know, the ports have raised the bar many times over the last number of years.

I’m going to give one example of something that I think really has some impact here about how I participated in it. Not only me; Janice was a city council member at the time. She worked on it at the city council level. But 10 or 11 years ago, I could not get across the 710 Freeway. The congestion on the 710 Freeway 10 to 12 years ago to 15 years ago was outrageous during the daytime. You just could not get out of the port complex. I had realized for many years that the terminal operators and those in the industry had been working to try to resolve this. How are they going to extend these hours?

I, at the end of about 2003, ’04 year, had just had a small victory in the state legislature against the opposition of a lot of folks, including some people here, I had passed and gotten to the governor a bill on truck idling;
Many people in the industry came to me and said, we'd like you to come and talk about what you did, but also about ideas about how we're going to take it to the next step. How are we going to work together? We've been trying, as an industry, for years to get everybody on the same page. We all know it's the time to have the ports open more than day hours. It was time to move forward. There were lots of people working on that; as I mentioned, Janice was working, a lot of other folks were working on that issue, people in the industry. Is there something that you can do?

I challenged them. I was invited before the Harbor Association or PMSA -- I'm not sure who it was -- and I challenged them. I said, look. You had a year. Being successful, not saying I'm going to be successful again, but I will give you 1 year to come up with a way that the industry can get your act together and do it.

Everybody said great, great, and so people didn't believe I could get it through, and all of a sudden that bill began to move. It moved through the state assembly; it passed that. It got through the state senate, and as it's getting towards the end of the year, I began to have more and more meetings with the industry. As they began to see that this bill was getting through, it was going to be a state entity now that was going to do it, the industry all agreed among themselves to come together and to come up with what they considered their solution, which was the PierPASS solution. That was a major step forward because the step was -- I'm not saying you need that kind of pressure. It was how do you put pressure on people to do what they know they had to do all along because this was their issue. They wanted to do that.

I'm not saying that was the only reason to create it. There was lots of other reasons and things, but it did put pressure on them. The bill had been through the legislature, ready to go through the governor; then came PierPASS. As we know, for the first 6 months of PierPASS more than thirty percent of the containers were moved to night. Now almost fifty-five percent of the daytime moves are at night. Forty million containers have been moved at a time when they're not competing with California moguls. My people in Long Beach. Not only does it help the industry are very grateful that they're not having to compete during the daytime hours. We did it without expanding the terminal footprint. It created more capacity to move containers by and we used our resources in a better way.

So, what about here today, maybe, what comes up with their own proposal, because if you don't come up with that proposal, you're going to watch, and I'll work with you, I am moving a bill through the legislature that is going to mandate that the ports stay open, and it's going to be run by a public entity, that's what we're going to do. But I will go away and not be seen again if you can get your act together and do it.

We moved much more goods. We had a tremendous amount. Now we have to step back and look at what are those critical issues that we did not address or that the ports themselves did not address and the industry did not address. So, whether it's the appointments -- I'm not advocating for it now, but I am saying -- or whether we have other hours or how we move goods more efficiently during the hours that they're there, it is time to raise the bar again.

That's why we're here. We're not here to say that we're not going to do it, the industry all agreed among themselves to come together and to come up with what they considered their solution, which was the PierPASS solution. That was a major step forward because the step was -- I'm not saying you need that kind of pressure. It was how do you put pressure on people to do what they know they had to do all along because this was their issue. They wanted to do that.
because of complaining. We're here because of our successes. The rest of the nation looks to us because we did extend the hours here. It is now time to take it to the next level. Our ships are bigger, so are our volumes. Efficiency has never been more critical. This is not going to solve it. We're going to have to figure out how are we going to move our resources not just within the gates; it's the entire supply chain that we're talking about.

I'm real excited. How we reduce truck cues, how we manage growth, how we generate new jobs, how we protect our communities are all on the table. It is time to raise the bar one more time. Thank you for inviting me, and I really look forward to hearing what goes on.

CHAIRMAN CORDERO: Thank you very much, Congressman. Next I'll defer to Congresswoman Janice Hahn, but before I do that let me just mention a couple things. As the Congressman has referenced, it's time to raise the bar more time. Thank you for inviting me, and I really look forward to hearing what goes on.

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led to Asia, and we spent time in Hong Kong and
Shanghai, and I came back with the feeling of --
it seemed to me if we really wanted to raise the
bar, we needed to figure out how to open our gates
more than just 8 to 5, and the 710 Freeway really
was the impetus. At that time, if you remember,
in the early parts of this decade, we were talking
about widening the 710 Freeway. We heard from the
public that was a bad idea and would face enormous
obstacles, and things have really shifted.

My brother tasked me with one of the
harbor commissioners at that time, James Acevedo,
to begin holding hearings with the industry on
what it would take to begin opening our ports and
moving cargo off-peak. We were told it would
never happen. Oh, we've been trying to do this
for 20 years, Ms. Janice. It's not going to
take place. The industry will never get on board.
I just didn't buy that, and I said the
difference now than maybe 20 years ago is the
public. The public is really fed up with the
congestion. The truck drivers were coming to us
saying, because of the congestion on the 710
Freeway, all of us trying to make that last run at
3 o'clock in the afternoon -- my constituents in
Wilmington were taking pictures of trucks running
over sidewalks so they could get in line fast
enough. We knew that the dynamics had changed,
and it was time to really look at moving cargo
off-peak.

One, unfortunately, jackknife truck on
the 710 would really stop that freeway for 4
hours, and many of the truckers told me, frankly,
they didn't like driving on the freeways with the
rest of us commuters. They didn't think we really
knew how to drive and many times we caused
accidents because we would -- not us, but I'd saw
it happen to other drivers -- cut off truck
drivers. So, the time was now to use our
infrastructure smarter and longer while we worked
on maybe gaining support for any kind of widening
of our freeway.

We worked very difficult days here at
the Port of Los Angeles in meetings with all the
stakeholders about off-peak cargo movement. Alan
Lowenthal, at the state level, was crafting
legislation. Between the two of us, I believe, we
really did help to form the foundation for
PierPASS. I think off-peak shipping changed the
way business was done here at the port, and I
don't ever see us going back to the way it was
before we began four nights a week and on
Saturday.

I ultimately would like to see us 24/7
some day. I don't think there's a lot of appetite
for that right now, but I think ultimately that's
where we need to move. It's got a number of
benefits: Off-peak shipping; it reduces
congestion for goods movement; it makes port
operations run more efficiently; it also helps our
communities by decreasing congestion during
commuting hours and improving air quality by
reducing the amount of idling that trucks
experience during peak congestion times.

As we move forward, I think we need to
shore up our off-peak hours. I think part of what
we're going to look at at this hearing is the role
of PierPASS, the amount of the mitigation fee,
looking at where these funds go, and I really want
to thank Commissioner Cordero for looking into
these issues. But the rest of the country is
looking at our model. I was up in Oakland on
Friday meeting with the port director there, and
they're definitely discussing how they move
forward with off-peak hours.

In Congress I'm fighting for our ports
every day. From the first day I was elected in
2011, I went back and listened to everyone talk
about the jobs and the economy and what we needed
to do, but no one was mentioning ports. I was
baffled that we could be having this national
discussion about our economy and jobs and not be
talking about the role that our nation's ports
played in that discussion.

I started the PORTS Caucus in Congress,
and there's caucuses for everything back there,
but in the entire history of Congress no one had
thought about gathering members of Congress around
the idea of ports.

It is a bipartisan caucus. I have about 90 members in Congress, both Republicans and Democrats, who now are engaged in education, they're engaged in legislation, and the awareness level for ports has risen dramatically. The PORTS Caucus, hopefully, moving forward will continue to be a vehicle for all of your issues. It is, again, a great bipartisan caucus that wants to move for your issues. So far it's not been controversial. It's something I can find common ground on. I can reach across the aisle and work, and frankly that's what Americans want us to do is to find common ground to move forward your issues.

This year Congress passed and the President signed into law, as Commissioner Cordero said, legislation that increases spending for our nation's port infrastructure. I fought very hard for the Harbor Maintenance Tax to be spent rather than to sit in a general fund, a bank account in Washington D.C. with a surplus, and I got the buy-in of many of my members to understand what the Harbor Maintenance Tax meant, what it went for, and why it was important to spend it. In July of this year, I continued that fight when a bipartisan amendment that I was on passed the House to increase funding for our ports by $57 million improving our gateways to freight entering our nation.

I'm going to take this fight to landside congestion because that's I know what we're talking about. I've always heard that the biggest threat to cargo, the reason cargo gets diverted from our ports, is landside congestion. We still see that on our local freeways, highways, and even across the country. Goods from Los Angeles take 48 hours to get to Chicago, and then they take another 30 hours to get across that city. This impacts commerce and the cost of goods for our consumers, and we know the local impact of congestion here. Although our communities get great benefits from our ports, we also pay a price on the wear and tear on our roads and our highways and our bridges.

President Obama actually called for $2.8 billion of freight infrastructure projects on our nation's highway and rail. However, as what happens a lot back there, people don't offer suggestions on how to pay for these projects. But I did, and I just introduced a bill called the National Freight Network Trust Fund Act of 2014. I think we have copies of that for all of you to look at. This will help pay for our nation's freight projects.

I'm asking Congress to take five percent of the Customs and Border Protection fees that come into our ports and divert those and put them directly into a freight network trust fund to fund projects like dedicated truck lanes, better bridges, on-dock rail, the last mile rail and roads, grade separations, and things that will improve our freight corridors; those are the corridors in this country where our freight travels on a daily basis.

By the way, this money currently goes to Washington, D.C. in the general fund and is used to fund who-knows-what programs in this country. Seems to me everyone, shippers included who are paying these fees, would much rather see that money put back into our freight network to improve goods movement. We don't raise taxes, we put about $2 billion back into our economy, and we create more good-paying jobs and keep our ports competitively strong.

I think it's a good bill. If you have any interest in looking at it and supporting it -- I'm trying to get support across this country so that my colleagues in Congress will understand the impact that it could have on moving goods in this country and will support it.

Thanks again for this hearing, Commissioner Cordero, and thanks to all of you who come, and thanks to everyone who really is the backbone of the goods movement industry in this country. You are responsible for keeping our economy booming, you are responsible for goods jobs, and you're responsible for our economy really growing and keeping strong for this...
country. It's great to be here.

CHAIRMAN CORDERO: Thank you so much for your comment, Congresswoman. We have 5 minutes before the next item on the agenda. I'm trying to go right on time in terms of approaching each topic.

Let me just say that in affirming what you've just heard from our representatives, and needless to say not only do they have the experience in this industry, but they're putting that experience back to work in Washington. We definitely need that.

I was in Charleston last week, and at the Port of Charleston there was an international conference. Bill Margelusa was there, and they were doing a good job, as he always does, whether it's in the West Coast or the East Coast.

What was interesting to me is when this whole topic of congestion was being discussed, which includes many facets whether it's truckers, whether it's chassis, railroads, intermodal connectivity, how the different regions of the country have such similar issues.

By the way, they were pretty open about discussing this, and needless to say, there is this competitive aspect: East Coast versus West Coast. But for the Federal Maritime Commission, again, as I indicated in my opening comments, we're looking at this as what's best for the nation. It's a national interest. It's not about what's best for a port or what's best for a city or even what's best for a state unless that's part of the discussion. But from our perspective, what is best for the nation?

Last, before we move on to other item, I will say I met this interesting author in Washington earlier this year, and I bought his book. The author's name is Lincoln Paine. And Mr. Payne wrote a book this year, and the name of the book is The Sea and Civilization. For those of you who are historians like President Drummond is at the Port of Long Beach, it's a fabulous read because the purpose of him writing this book is that successful empires, as was the term used centuries ago, and he studied the history of successful empires. The first thing they did:

Investment in maritime movement, goods, international trade. The connection to the sea was very important.

That is no different now in the 21st century, and that is why stakeholders like yourself, whether it's government or the private sector, it is ever more important to come together, collaborate, and, as Congressman Lowenthal stated, it's time to raise the bar. We cannot wait and further debate these issues for more and more years.

Now I'm going to move to the executive directors. Again, we're very fortunate to have not only directors who are relatively new at these ports, not new to the industry, and I will say that I've met with them both, and we're so fortunate to have people who have so much experience in this industry, including the reputation of being visionary and getting the job done. I'd like to particularly thank Gene Saroka for being kind enough to host this forum. I was very appreciative, and I will tell you you could tell when you see leadership because it's not about perception; it's about getting things done.

I was a little bit hesitant on approaching the Port of L.A. Because me, being from the West Coast, while we were debating these ideas, the first things people said: Was there congestion in the West Coast? Absolutely, from my perspective, that's not the message we're here to do. We're, again, talking about factors and avoiding potential crisis. So, relaying that, I thought, well, why would you want to host a forum on this? The reason is because this Congressman is known for leadership, and as Congressman Lowenthal has stated and Congresswoman Hahn has reiterated and indicated in her work, this is the region where people see the leadership. So, I'd like to really thank you, Gene, for stepping up and hosting this forum.

One other comment. Why was it not at Long Beach? The reason: A couple years, we had
it at Long Beach. We had a similar forum, so to speak, and it was a bit more of a listening session. At that point, I had stated that I'm not biased here when it comes to the two ports. Anyway, I said next time we come to this area, it will be at the Port of Los Angeles, and that's, in fact, what we did. With that, let me begin with Gene, and he has some comments. Again, thank you so much for participating, Gene.

MR. SAROKA: Thank you, Chairman, and good morning. While the Port of Los Angeles is America's number one gateway for containerized cargo, we also believe our port is a global gateway to industry innovation and solutions. In our experience, the best ideas are born from collaboration, so we are pleased to welcome Chairman Cordero, the FMC, the Congress members for this forum focused on the impacts of and potential solutions for port congestion. To see the broad base of industry stakeholders today is also very heartening to generate these ideas that will take us to the next level. Today's meeting in subsequent forums will help put the industry stakeholders on a path to solve traffic congestion issues confronting our supply chain. I would like to commend Chairman Cordero for his interest in facilitating this issue with stakeholders as well as the continued leadership of Congress members Hahn and Lowenthal. Thank you all.

Focusing on these issues couldn't be more timely. The nation's in the process of developing a national freight strategic plan. Policies that address the role of ports, maritime terminals, and others within the national freight system need to be informed by people that make up that system. Thank you for convening this forum here at the Port of Los Angeles.

From the context of understanding the issues, those that are faced by stakeholders worldwide fall squarely into the category of nice problems to have, growing pains, and other vernacular as the German commerce recently described them. A number of factors are involved here including the following. Larger vessels: These deliver more cargo than ever in a single call. Discharging these vessels efficiently is the first order of business. Terminal efficiency: We also need to expedite the velocity of assets and the efficiency of cargo movement in and out of our terminals. Improving truck turn times: A goal shared by the trucking community, everyone across the supply chain, and surrounding communities. Likewise, hours of service issues and forecast of driver shortages are factors in this equation that we all must solve. New shipping line alliances also add to the challenge of complexity for moving cargo today. Ports around the globe are adjusting to new vessel-sharing agreements that have carriers calling at different terminals in a way that's new to all parties involved today.

New chassis business models are another factor of our changing landscape. We're playing an active role in working with stakeholders to study these issues, explore solutions such as great chassis pools. There'll be more to come on this matter during the course of the day. Information system technology also plays a key role. We need to leverage current and merging technologies to create more channels of real-time communication. For example, we need a system for our terminal operators to communicate and share information with each other in real-time fashion. Other areas of traffic and gate status will also improve efficiency.

In the category of solutioning, there are very few one-size-fits-all solutions, but there are strategies for arriving at those end games to move our programs forward collectively. Most of all to take a collaborative approach with our partners -- those here in the room today and those that we will go back and work with outside following this forum. Together with our customers, we're exploring a number of solutions. To name a few: Utilizing free-flow cargo for faster delivery, improving truck dispatching, creating a great chassis fleet, greater
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<td>cooperation between vessel owners and terminal operators to avoid operational congestion along with better cargo stowage opportunities moving upstream and into Asia, further-reaching locations, and utilization of technology, potentially appointment systems. In conclusion, fortunately technology is improving. Our port community is engaged in dialogue regarding these issues, and together we will find solutions. International trade is an end-to-end system, and everyone has a role to play keeping the cargo flowing. Congestion challenges affect us all, and we all stand to benefit from working together to find these solutions. Today, through productive dialogue among stakeholders and the FMC, our industry can take steps necessary to tackle these congestion issues. It is important for all stakeholders to focus on the issue, pool our knowledge, experience, and best practices to work together to turn the tide in everyone’s favor. I’d like to offer our continued assistance and support for developing solutions that best serve the nation’s interests and maintaining and growing a national freight system that supports America’s competitiveness both here and abroad. Thank you. CHAIRMAN CORDERO: Thank you, Gene, for your comments. Now I’m going to recognize John Slangerup, and let me just indicate that none of this is going to be possible in terms of the collaboration without the buy-in of both ports. We’ll represent to you that when I talk to John about this concept and these ideas and the ultimate objective. He was very much in on this with regard to the importance of the two ports working together, the two commissions working together. I know President Martinez, Vilma Martinez, and President Doug Drummond are very much on the same page with what you have to do as a port complex. With that, let me now refer to Jon who, again, you’ve already heard Gene’s comments, so he affirms the introduction I gave him about his knowledge, his vision. I can say these big ships; that’s what’s making this a paradigm shift for our industry. These are driving new thinking about how we deal with massive ships coming into port disgorging a massive number of containers and having to deal with that in record velocity times. We’re having to deal with a trucking industry that is struggling to make money doing this. We have some issues here facing our friends within the trucking industry where people don’t want to do that job in the future. There’s going to be a shortage of drivers if we don’t figure out a way to have everybody succeed. Everybody in the entire value chain from the ship operators, from the BCOs, and certainly our terminal operators, and, of course, our truckers that connect all these dots, all of them have been suffering economically through this period of time. We have to figure out a new system for making this whole process economically viable and efficient because we’re going to lose business if we don’t, and I’m not talking just about L.A. Or</td>
<td>the same about Jon. I’m sure you’re going to conclude that after he makes his comments. Jon, thank you again for being here. MR. SLANGERUP: Thank you, Chairman Cordero. This is a really critical gathering. I appreciate so much everybody that’s participating with our key elected officials here have been so instrumental in making things happen for the ports. Gene, thanks for hosting this. Gene and I are already becoming friends, but we’ve agreed that we’re going to be fierce competitors. But with the history of these two ports we collaborate on every level. It’s amazing how much our teams know each other and how well they work together. This bodes well for our ability to tackle problems as a region and deal with the issues facing us. This congestion is no small issue. It’s a complex issue. In my view, it’s brought on by a number of macroeconomic factors, not the least of which is the fact that we’re still recovering from a global economic meltdown. That is what’s driving these alliances; that’s what’s driving</td>
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Long Beach, but the West Coast is going to suffer. There's lots of people popping up to compete with us for the volume that's coming across the Pacific, and we can't let that happen. I'm hoping, Chairman, that this maybe results in more than just words. I hope this meeting results in some concrete ideas, feedback from all you here. I don't care how harsh it is. We need to know truth, we need to deal with truth, and we need to come up with actions. I know that from a port perspective both Gene and I agree on this, we are working together through our teams on a number of key initiatives to make things happen. We will take whatever comes up today, filter it into our system, and make as many changes as we can.

Now, as you know, we don't operate our ports. We are partnered with our operators who do that. It's no excuse though for us. We are in a position to influence. We are in a position to facilitate. We can take Chairman Cordero's initiative here and continue to drive that ball down the field.

I think that we are in an excellent position certainly with the chassis movements. The things that are happening on the chassis front, from a management standpoint, are very close to being resolved, and I think we just need to take that over the goal line. Chassis are a big part of the congestion, and I think we can solve that problem. All the answers are there. The models are defined. They can work. We're getting very close to getting a solution there.

I think that from our perspective at the Port of Long Beach, we are focused very much on capital improvements that will also ease some of this -- now, we're causing a lot of problems because we're building a bridge and we're messing around with the highways and causing a lot of problems and forcing our trucking friends and our operators are corroborating as much as they possibly can because they see the big picture and they see the end game.

But nevertheless, we are causing problems as we go through this massive reinvestment in the Port of Long Beach, but it is going to be good because we are investing heavily in rail. We are focused on all of the pinch points or the points of inefficiency in our rail system to make that a more viable means to relieve some of this on-dock congestion. We are focused on efficiency. Rich Dines, one of our commissioners, is chairing a very, very important committee which has the top-down support on efficiency. He's putting together the kinds of teams we need to look across the entire set of operations. With his experience he's able to speak truth and bring a perception from a really beats-on-the-street kind of perspective about how things really have to operate, so we're working at that. We're looking at tremendous focus on how terminal operations are integrated from an overall supply chain perspective and overall efficiency of logistics movement. These things are the things we can do.

What I hope to hear today is as much feedback as we can about PierPASS: How it works, what PierPASS might look like in the future. When Bruce and I talked about PierPASS, we talked specifically about what is next because it has been a very, very good first step. But there has to be a PierPASS 2.0 in my view. There has to be the next generation of this technology, and it has to include information technology which has not been applied to the process. In my view, that information technology, which really isn't applied very effectively, at least from my perspective and our collective operations, can really go a long ways towards facilitating a very, very efficient flow of trucks, trains, and movement within and out the port.

I'm all for this. I am so excited to be here. I'm very, very pleased that this forum has been put together. So appreciative to the FMC to be willing to do this, and thank you very much.

CHAIRMAN CORDERO: Thank you, Jon, for your comments. As Jon mentioned, these are issues
that this port complex and Gene referenced. The
history of this complex is about collaboration
absolutely between two ports, two commissions,
private sector, and public sector. I think here's
another challenge, as Alan mentioned, that we need
to raise the bar.

I'm very optimistic that with the work
that Congresswoman Hahn is doing and Congressman
Lowenthal in Washington, we have exactly what the
West Coast is in a strong position to have:
Representation here, representation on federal
agencies, and representation in Congress. Again,
the end game is what is best for the nation.

Now, I read three periodicals -- more,
but on my desk every morning or periodically is
the JOC, of course, Journal of Commerce, American
Shipper, and Lloyd's List. You pick up any one of
those three at any time, there is a reference to
congestion. I just want to emphasize this is a
big issue.

Just this morning, American Shipper --
and you may remember Eric Johnson who was with the
Press Telegram and was an awarded journalist in
terms of his work on pollution. This morning I
saw a headline where Eric is spearheading the need
of technology, particularly that of the payment
systems. All this relates to congestion, reducing
cost ultimately for the shipper and the consumer.

With that, I want to also acknowledge
two commissioners who are not new to this industry
who have put a lot of work in terms of what they
think we should move on in terms of making sure
that not only just a city but all stakeholders are
represented and benefited by this industry. Those
two commissioners, again, I'd like to recognize
Rich Dines and also Patricia Castellanos. I think
they're the only two here. Did I miss anybody?
But I have spoken to the others previously, and
they apologize for their nonappearance. Well, I
recognized President Drummond already and Bill
Martinez, but clearly we have two leaders of the
commission who, again, is about collaboration and
working together, which, as the two directors
know, is nothing new.

Last, before we move to the panel, in my
opening comments I'm going to be also clear on
what the FMC hopes to do with all this information
that we're going to accumulate in the four
regions. You know the FMC work with regard to the
diversion cargo, the Harbor Maintenance Tax issue
that we released in 2012? We're going to parallel
that aspect with congestion so that we could be a
resource for Congress and have a case for needs
for the industry and the nation in terms of this
very important question about congestion.

As Jon mentioned, he mentioned
technology is ever more important and the
collaboration and also the issue about the trucks
and truckers. Years ago, we could talk about
trucking and being problematic and these issues
being restricted to short haul. Not anymore.
Long haul has issues. Driver shortage is ever a
crisis right now. Why? The income. The wages.
The sustainability of this particular industry.

It's important to look at these factors at all
levels as Jon mentioned.

With that, we're going to move now to
the panel discussion, and I'm honored to have
people from this area who are very well-respected
with regard to the subject matter that we'll be
addressing. We're going to move along now, and
our first commentator will be none other than Bob
Curry. As you know, he's going to be recognized
next week by the Connie Awards; someone who,
again, is the godfather of the trucking industry,
and by that I mean much experience, very wise, and
has a history of success. Bob, thank you again
for being here.

MR. CURRY: Thank you very much.
Besides representing Cal Cartage, I'd like to
think that I represent some of the small truckers
who don't get an opportunity to speak.
The congestion is really bad, and the
turn times that we're getting are really bad also.
If you think about our industry, we're regulated
on the hours that these drivers can drive during
the day, but they're also regulated on the number
of hours that they can drive in an 8-day period.
Many times we've got to shut down the drivers, sometimes as many as 50 or 60, because they exceed the hours when there are many containers still down at the harbor to pick up. Why is that happening? Because we can't make turn times.

Two, three, four years ago, we probably did double the number of turns that we do today. Some of that, I'm sure, is caused by the number of containers that are coming in from the bigger ships, the amount of space that's there goes up, the efficiency of the harbor is not very good, but also some of it's caused by the lack of chassis.

I have to say that the steamship lines arbitrarily decided last year to get out of the chassis business, so now we have three chassis lessors. We can go into a terminal today, and there can be no chassis for a particular steamship line's cargo, yet there's 200 chassis sitting there that belong to another steamship line and we can't use them. This goes on every single day.

My operating people tell me that what we normally have on a given day is dispatch the driver to go to a particular berth to particularly get a chassis that belongs to that line, and then bring it to another berth because there's no chassis at that other berth. If you think about the number of hours that we're spending doing that when we should be going into a berth, picking up a load of container, and going out to a customer, you can see how you eat up the driver's hours pretty quick.

To give you another thought process for you, there is no more land in Southern California around here. All the big boxes are being build in Riverside, 20 miles beyond Riverside. Drivers, if we're lucky, can make one turn, that's all we can do out there.

I don't know whether in the harbor is an operation that would make any sense because you got to have qualified labor. If you don't have qualified labor, it doesn't make any sense to bring in people who don't know what's going on.

What we really need is the number of hours that you're going to work, make them efficient hours and get the trucks in and out. We talk about turn times. We don't measure turn times from the time that they're inside the terminal. It's from the time he gets in line until the time he drives out that gate. I know it'll be a shock to some of you, but some of the steamship line turn times now are 6 and 7 hours, and that means that that's the only thing that we're going to use that driver for that day.

Nothing else. The drivers don't like it. Even if he's paid standby time for sitting down at the harbor, he's not making any money. This used to be -- and I'm talking about 40 or 50 years ago -- truck driving was a profession. It's not a profession anymore, certainly not in this harbor. It might be a profession for long-haul drivers, but you can't get a driver to work anymore in the harbor, and he doesn't want to work primarily because he can't get the turn times.

You people who are in charge of the harbor maybe have to come up with an incentive program that tells the terminals to move the drivers in and out a little faster, and if they don't maybe there's a penalty program. Penalize the trucking industry. We're supposed to be there at a certain time and we don't make it, we should be penalized too. But we need something that incentivizes the terminals to move the truckers in and to move them out. If we don't do that, I frankly don't know how you're ever going to cure this problem. Thank you.

CHAIRMAN CORDERO: Thank you so much, Bob, for your comments. Next we're going to move over to Alex Cherin. Many of you know Alex as being one who not only used to work for a port authority, Port of Long Beach, but now, in the past few years, has put much effort with regard to the stakeholder trucking community. With that, we would be honored to hear your perspective on this whole issue, Alex. Thank you so much for being here.

MR. CHERIN: Thank you, Chairman Cordero. I appreciate your time and that of the
other panelists. It is very refreshing to see the level and the extent of the interest on a national level in this issue, and it is very, very much appreciated. I think you can see that by the turnout here today.

Again, my name is Alex Cherin. I'm with Englander Knabe & Allen. I also serve as Executive Director of the Harbor Trucking Association. I know we're time constrained, so I'll be very brief. It is of three things.

Number one: Congestion remains our biggest issue. As Mr. Curry just said -- and I think that his words speak volumes in the industry, he knows this industry better than anyone else -- congestion remains the single biggest issue that we, as a drayage community, face. I'm not saying that in a vacuum. I'm saying that with this context.

The HTA represents sixty percent of all the drayage activity and movement in the ports of L.A. And Long Beach. You have sixty percent of all your short-haul truck drivers telling you that wait times and congestion at the terminal gates are the single biggest issue that they face, and that has an operational and a financial impact.

The HTA in January of 2013 wanted to quantify that. Up until that date, it had been anecdotal as to what turn times were. We, with our vendor partner, ETU Manage Tech, launched the TMD study, the Truck Mobility Data study, which for the last year and a half has tracked average wait time and visit times across all terminals at the Port of L.A. And Long Beach all times of day.

I'm not going to bore you with the details of that study. I've been in all of your offices. I've shared that study with all of you individually, but I want to leave you with this one metric. Twenty-two percent of all of the visits, nearly a quarter of all the visits, are taking over 2 hours. That is consistent with another study that was recently alluded to in a Journal of Commerce article last week by Bill Mongelluzzo, and it is corroborated by what Mr. Curry just said.

Imagine our ports and our businesses running on a model where nearly a quarter of all the visits are taking over 2 hours. It is simply not sustainable, but I too want to focus on solutions, and the HTA, as you know, has advocated for a number of different solutions. We've participated in the FreightUS Project, which is a Federal Department of Transportation funded study looking at how to better integrate technology into moving containers in and out of our terminal facilities. We are big advocates of that.

We're also advocates of looking at a 24/7 system. How can we move to a 24/7 system to provide a relief valve for some of the congestion that we're seeing? PierPASS has to be a part of this discussion, and I think Mr. Slangerup summed it up perfectly: What is PierPASS version 2.0, and what does it look like? We've grown as a gateway. We've become more complex as a gateway in a good way. How does our PierPASS look in the future?

I will leave you with this, and again Mr. Curry alluded to it too. We have been advocating for years, and I remember being over at the Port of Long Beach in management when we talked about this. What is the metric? What is the metric that we use, that we publish, that we go out and tell our customer base that we will get trucks in and out of our terminals in? Is it an hour? Is it an hour and a half?

The Port of Vancouver recently established the very program that Mr. Curry was just talking about. They reduced a 90-minute turn time into their tariff structure, and they provide a penalty for terminal operators that do not meet that turn time. South Carolina Port Authority has it in their tariff. You ask them, what's your turn time? It's an hour. You ask Vancouver, what's your turn time? It's 90 minutes. If you don't meet it, there's a penalty.

I absolutely agree with Mr. Curry that if they do meet it let's look at incentive programs to incentivize our terminal operators to take advantage of that, but we need to start with
the metric. The fact that we don't have a metric
on this panel is very telling.

I took some heat for this comment at a
recent conference, but I will say it again and I
will stand by it. If you were to ask anybody in
this room how long it takes Domino's Pizza to
deliver a pizza, they'll tell you 30 minutes.

That's a metric. If a metric is good enough for
the pizza delivery business, why isn't it good
enough for the ports of L.A. and Long Beach?

Thank you. (Applause)

CHAIRMAN CORDERO: Thank you very much,
Alex. I will tell you, as I mentioned in my
opening comments, as I visit ports around the
country, this whole issue, the truck discussion
and issue related to that, is not unique to this
region whatsoever, and that's why I want to
emphasize it's a national issue, a national
discussion.

In addition, as our next speaker will
address, chassis. One of the things that the FMC
does is we monitor these agreements that are filed
with the agency regarding chassis, regarding
PierPASS, and a part of this is our monitoring
that you're seeing here, that we're exhibiting.
These are very, very important issues. With that,
as reference to chassis, I'm excited and
interested to hear Mr. Vaughan's opinion and
commentary on this. Bernie, thank you for being
here, and the floor is yours.

MR. VAUGHAN: Thank you, Your Honor,
Chairman. I appreciate the opportunity. I'm
representing not only Flexi-Van, but I speak on
behalf of the chassis lessors.

The Chairman's absolutely correct.
Flexi-Van does business in every market and
participates in every chassis pool in the United
States. The problems that we encounter here are
elsewhere and everywhere in the United States.
They are probably the worst here, I should tell
you. Flexi-Van, in the LABC pool, Las Angeles
Basin Pool, it's about 38,000 chassis by the end
of this month. We have about 18,000. The other
contributors are TRAC, the largest chassis leasing
company in the United States, and China Shipping.

But the challenges here are, by a large measure,
the greatest we face in America.

Part of the problem, and the Chairman
and I have talked about this many times, the
industry in general went through a state of
transition where the ocean carriers exited first
the ownership of chassis and then secondly the
provisioning of chassis. That process was much
more accelerated than anyone thought. Roughly 80
percent of the chassis are now owned by the three
top leasing companies, and that has presented its
own challenges.

Flexi's a little bit unusual in that
we're not only an owner and an IEP, an Intermodal
Equipment Provider, but we also run service
centers and ten other major ports in the United
States; we have our largest facility in Carson.
We look at it from both sides of the fence, and
maintenance and repair is really the driver of
whether a chassis pool will be successful or not.

The M&R costs here are staggering. Our
M&R budget this year will be north of $40
million, so it's not for want of spending money
that we're running into this huge disconnect here.
In addition, our chairman owns Dole, and we're
part of Dole now, so we see every side of the
equation, and we have been supplying the Dole
chassis fleet since 1984.

In terms of the challenges, and I'll
have maybe a little good news at the end of this,
the first challenge is an absolute lack of
control, meaning we are the intermodal equipment
providers. As the chief legal officer of the
company, I'm very concerned about the liability
concerns. Most of the work is repaired by others,
and we try to have good relationships with them,
but there's a huge disconnect between paying the
bill and having any kind of effective control over
and inspecting the equipment.

To address the particular challenges,
this is number one on my radar in terms of
spending my time. The LABC, I'm the head of
administration for our company also. We've hired
additional staff. We've dealt with the IT piece of it. We have the most staff per capita for chassis of any of the pools we operate in the United States. We put in 3,000 chassis with our partner, TRAC, over the last several months to help deal with the issues. I've hired a number of inspectors to go on terminal. We run into this issue where you want to do a post-repair inspection, and you're not even allowed to touch the chassis. It's absolutely craziness.

The other problem we have is a lack of gate control, meaning there are credit and liability considerations. I don't want someone else's insurance using our chassis going out the gate to make $20, $18, $13 a day. We have a very serious lack of control to weed out the bad apples. It factors into our cost structure, and the good truckers wind up having to pay for that. That's a huge problem, particularly in this port.

Another issue we have: The larger ships. The second largest charge after maintenance repair, which is the driver of -- and this pool is not profitable now, and that's why I'm here for the next 2 weeks. I've sent the director of audit and our top pool people, and they are basically spending 2 weeks here. They're from out-of-state, and I told them they cannot go home until they've solved this problem. We are very much committed to solving this problem.

The larger ships create challenges with respect to repositioning because an alternate terminal -- so, it's this shell gam. Moving a bare chassis is between 4 and 5 days of revenue, so you don't want to be moving 4,000 chassis a week. It'll just eat your profits in a blink of an eye.

Another challenge we have, which is industry-wide, is getting good, qualified mechanics. That is not something that's intrinsic to the Port of L.A. Long Beach. I had a long meeting with Dennis Daggett in New York last week to talk about that. We have mechanics at our service center in the Port of New York. We work closely with them to try to improve the quality of the mechanics. It's a safety issue and an economic issue.

The last major issue that we have are the terminals are now considering storage charges for the pool. Chairman, you're aware there is the amendment pending. That's fine. That's just a different business model. We will have to deal with it. It will become another major cost structure which, over time, will obviously factor into the rate mechanism.

In terms of the good news -- and I talked to a number of people out here. We're trying to be part of the solution, and we're open to any and all ideas. Flexi-Van and the LABP is the larger pool. We got together with our competitor, DCLI, a direct chassis, that's ex-fleet of Maersk Shipping Lines. TRAC is also involved because they're the second largest player in the LABP pool. We want to run two pools that's not a gray pool as you mentioned. The pools will run separately, but it will permit the trucker to -- all the start-stop locations will be common. There are locations now where our customers cannot drop off because it's a DCLI location. That will go away.

Because we're competitors and because I'm an antitrust lawyer by background, we thought it was prudent, although not absolutely necessary, we went to the Department of Justice to get a business review letter. I was told on Friday that we will be getting a favorable letter sometime this week to permit -- and we're ready to go. We've been ready to go for 6 months, and we've hired a third-party vendor to be the scorekeeper and insulate both companies from any commercially-sensitive information. Hopefully we'll get that letter this week. I fully expect the letter, being a business review letter, improving the structure, and we'll go forward and permit the trucker to have some incremental increase in efficiency, that they're not doing an unnecessary backhaul to get a Flexi, LABP chassis out of the DCLI location or -- and that's some
MS. HAHN: Can I ask you one question now?

MR. VAUGHAN: Sure.

MS. HAHN: I was curious about your comment about hiring of mechanics. Is it that they're not qualified when you hire them or we don't have a good pool out there for hiring qualified mechanics?

MR. VAUGHAN: It happens on different levels. The short answer is it's hard for us. I have hundreds of chassis mechanics in Flexi-Van's employee. It's difficult for us to get it. We have union and non-union shops. It's hard for us being off-terminal to get mechanics. I told Dennis Daggett I was going to start charging them tuition because what happens is they come to our facility, and then when a job opens on the pier -- and God bless these guys, everyone wants to better themselves -- they move to the pier jobs.

There are training programs. We have our own training programs. We find that we do most of our training in-house, and most of the people we get are green. They have some mechanical experience, but they're not trained. This is, I think, a national shortage. In terms of reacting to these chassis shortages, we have about 5.5 percent of our LABP fleet out of service now. We have asked, implored our vendors to try to staff up chassis mechanics.

There's a practical issue also that oftentimes the chassis mechanic -- I see this much more on the East Coast -- will get pulled off chassis work to do the more profitable container reefer work. There's some other factors, but there is a shortage. They're very good jobs; they're very good-paying jobs.

MS. HAHN: Thank you. Frankly, that's a whole other issue, Alan, that I've always feel some of these really good jobs, there's a real lack of -- in our community colleges, we've taken vocational classes out of our high schools, and where else -- but particularly in the hardware are -- shouldn't we begin figuring out some funding stream to really ramp up the classes for the next workforce that both ports are really going to benefit from? I think that's a real lack in our educational system in the harbor areas. We're not looking at these jobs as being really good jobs, career jobs, and these kinds of skills aren't being offered anymore in our community colleges, in our high schools, our Harbor OCC, Wilmington Skill Center; a lot of those have gone by the wayside. It's unfortunate.

MR. VAUGHAN: Hard, green mechanics we generally look to have some welding experience, and then we can build on that ourselves.

MR. LOWENTHAL: I'm going to follow up on that question. Another point that you mentioned, and I'm not sure I heard it correctly, is that when you do get mechanics, they tend to want to move towards the pier jobs also, to leave. Is that because they're differential in pay? Tell me why you now have mechanics working, and all of a sudden they see greener pastures around?

MR. VAUGHAN: I'm really speaking on behalf of Flexi-Van though. Let me use Kenilworth as an example, the Port of New York, where my corporate headquarters is and we have a 43-acre repair facility. There is no structured overtime in our regular shop. We can run our business in the ordinary course of business. We're not moving cargo, so we don't need three shifts.

On the terminal, of course, you need -- some have three ships, some have two. I'm sure everyone's aware of this whole jurisdictional fight about hiring mechanics in the port of New York, New Jersey, and they're trying to fill hundreds of jobs. There's a jurisdictional fight between the Waterfront Commission and the ILA on that. So, you have that aspect of it. We have four unions and we have also non-union shops. In other places, once the person is trained, if they can get into a union, God bless them with enhanced benefits and overtime, so that's another way we lose them. A place like
that would be in Charleston; we have an operation in Charleston.

CHAIRMAN CORDERO: We're going to move a long. We're not going to have a break here, and again, in the interest of time, these representatives have to take the first flight back to D.C.; I want to make sure they listen to all the panelists here.

Moving right along, Bob Wysocki of the Sears Holding Company, and again appreciation of your perspective, a very important one, in this chain of goods movement.

MR. WYSOCKI: We're (inaudible) that you guys are providing, and hopefully we'll get to the bottom of this. (Laughter) I meant that in general. I know I was going to call you Ms. Janice because I heard you called yourself that, but you seem like you get things done. I appreciate that.

You mentioned 48 hours to Chicago or something like that. It's taking right now, at this present time, 1 to 2 weeks to get on a train, and then once you're on the train it's 2 weeks from there. If this is our Super Bowl month for Sears Holdings, and this is our fourth quarter right now, we have merchandise not getting to our stores. Mr. Curry states that it costs more money. Well, Mr. Curry sometimes will send a bill to me for the more money that he's spending. I can't keep doing that. That's not going to happen, so together we all have to figure out how to do this better. However you want to do it and get our buy-in, we are ready to help out. Just let me know how we can help you. Thank you.

CHAIRMAN CORDERO: Thank you, Bob. Moving on to Lisa Ferguson, and Lisa's with the OTI Customs Broker, one of my favorite constituencies. Lisa, thank you again for being here. Again, your perspective is one that, again, I became very much aware after being on the FMC, more so than during my days here at Long Beach, so thank you, Lisa.

MS. FERGUSON: Thank you. Good morning.

It's an interesting topic. As I grew up in this port -- I went to Long Beach State, I went to Long Beach Poly. I graduated in the tower when it was first opened, so I have an international business background from high school.

When we start talking about communication, we start talking about the interest of technology and the interest of teaching and learning. Sometimes we tend to forget that piece. It would be really nice to hear where we're going with that. It would be great to be able to send our freight charges in a point and a click without having to cut a live check, send a messenger, wait that 24-hour turnaround for that freight to be released. It's necessary in some environments, but for the most part that's a non-necessity today. Everything should be wireless, paperless as much as possible.

We start talking about where do we go and what we want to do, technology is the only way. That's the only way we see in our community of freight forwarders that would be best served. How do we know where our freight is? How many times do we get that phone call that I can't find our container. It would be nice to know where that location is.

I worked at a steamship line as well. We used to have that. Coming off the wharfage, you would know exactly where it was standing. Whether it was on chassis or not, at least you knew where the freight was. Not perfect, but close to it.

When we started looking at this and I started talking with my teams around the U.S., some of the things that came up is we'd really like to go back to appointment time. We're all for that penalty piece. You give me the time that I need to be in, you give me that half an hour, 45-minute window, my trucker can't get in there, let's talk penalty, fine, but at least they were given a time and a structure. We used to do that a very long time ago, but we've gotten away from that.

Enter why: The larger vessels. It's just getting your hands around what we have and
the growth that we have. We were asked to bring
some pieces to the table, and I think that if we
could get payments to the port faster we could
alleviate some of that. I think that the exam-
piece that we had turned around very quickly.
Again, having to send another check down to the
port to release, if we had that in a technology
piece. If we could get an integration or some
type of feel between the ports altogether, so
whether that being a Descartes system or something
that will push out to our forwarders who want to
live in that environment. We're pulling that into
our technology today for tracking for our clients.
They currently get that information from our piece
of technology pushed out. They get the
information in from the rail telling them where
everything is. As a community, if we could really
have all of that in once place, it's somewhere to
go. That was what I brought today. Thank you.
CHAIRMAN CORDERO: Thank you, Lisa.
Again, as you referenced the importance of not
only technology but the time and cost factor, when
I was in Charleston last week, during the question
and answer period somebody from your community, a
freight forwarding company, asked me the question
about turn time and educated me how delay here
impacts them there. That's why this is not only a
local issue, and it's not an issue of just impacts
of local distribution of goods. It impacts the
chain. Thank you so much for your comments.

Now I'm moving to someone that's new in
this industry, in this region so to speak, Michele
Grubbs. Michele, thank you for your advocacy and
the time you spent in this industry
representing the interests of the terminal
operators and carriers. Again, interested to hear
your comments on this. Thank you so much.
MS. GRUBBS: Thank you, Commissioner
Cordero. We really appreciate you putting
together this forum on the important topic.
Congressman Lowenthal and Congresswoman Hahn, it's
great to see you. Thank you very much for your
leadership. Gene and Jon, we really appreciate
your willingness to work together with the
industry to solve these solutions.

My name is Michele Grubbs. I am the
Vice President of the Pacific Merchant Shipping
Association, and we're very thrilled about this
forum being held today. What we all want is a
truly honest, hard look in the mirror by all
segments of the supply chain. Such an evaluation
process is not an easy one, but it is necessary as
we, the Southern California trade community, move
forward. Solutions need to be found for these
problems with congestion in order for us to remain
the U.S. largest gateway at the Port of Los
Angeles. I think we've all heard right now from
many of the speakers about what is giving rise to
the congestion at the ports: The large vessels
that arrive bringing massive amounts of cargo in a
very short period of time, the changing in the
historic model of chassis, the random nature of
pickup and delivery of cargo, often with little
notice but with the expectation of immediate
service, cargo stowage on vessels, peaks and
valleys of terminal activity at various hours of
the day and night, and implementation of new and
larger vessel-sharing arrangements and new carry
alliances.

It's worth noting that taken alone each
of these factors have evolved in response to
demands for increased efficiency, flexibility in
service, and to cut cost for customers. But each
of these and more have also been cited as leading
to congestion, increased cost, frustration at the
terminals, once again proving that the supply
chain interactions are very complex and don't lend
themselves to simple answers.

As San Pedro Bay ports have grown over
the years from 5 million TEUs to over 14 million
TEUs annually, the traditional manner we have
managed marine terminals will not suffice for the
future. Cargo volumes are projected to grow
toward the 20 million container mark in a few
years. The marine terminals have invested
hundreds of millions of dollars in new gate
systems and technology to improve the delivery of
containers. These systems have improved our
ability to handle the increased cargo flow, but now we are limited by our business model.

Here in San Pedro Bay Ports, we regularly service 10,000, 12,000, and now 14,000 TEU vessels. With such a dramatic volume increase per vessel, the traditional method of handling the containers must change. The future of cargo delivery needs to evolve into a process that is more productive for all parties, more cost effective, and meets the needs of the entire supply chain. One that looks not just to transportation companies for a solution, but requires cargo interests to take more ownership of the landside.

Solutions are not found in simple mandates but in shared responsibility. You've heard a number of possible solution. I'd just like to offer a couple more, and a couple are similar to what we've heard.

The first one though is the utilization of the free-flow method to allow faster delivery of cargo off the marine terminals freeing up much-needed space and providing truckers with quicker turns. For the past 30 years, containers have been delivered by having a trucker arrive at the terminal requesting a specific container. The majority of the time the terminal is unaware that a trucker is coming for that specific container until they arrive at the gate. This requires the trucker to wait for the terminal to locate the container, to get it out of a pile, moving on average three containers to reach it. This method is inefficient, costly, and time consuming for all parties in the supply chain.

The Marine Terminal Operators Group in Southern California, Wickintoa, is proposing a new method called free flow. When a vessel discharges 80 or more containers for a specific shipper or a specific location, the containers will be designated and stacked within a special area and terminal. These containers will be delivered in a peel-off fashion to a participating trucker in the queue.

An important departure from past activities, our trucks will not pick up a designated container and more importantly, the terminals would not need to shift other containers in order to access the container requested by the trucker. Instead, truckers would simply pick up the next one on top of the sort pile designated for a particular shipper and destination.

From a terminal perspective, one RTG, Rubber Tired Gantry crane, usually delivers an average of 8 to 10 containers per hour. Under the free-flow method, it is expected to deliver as many as 20 containers per hour. From a trucker perspective, the free-flow method will provide a trucker with quicker turn times and an ability to move more containers.

Another solution, and as we talked earlier on this panel, is the creation of a gray chassis pool to ensure the availability of an adequate supply of chassis, easing the burden of terminal operators with regard to providing on-dock space for multiple chassis pools and mitigating the cascading effect on truckers with regard to down time. The gray chassis pools should have transparent operating rules.

The Port of Long Beach and Los Angeles has formed a stakeholder group to review and recommend an operating model the industry can use to solve the current chassis problems. We're waiting for the final report to be issued with the group's recommendation.

Lastly, we recommend utilizing appointment systems with meaningful windows to spread the flow of cargo and eliminate the wide fluctuations in terminal gate activity. This is not meant to be a comprehensive list, but it's a start and requires a new attitude and shared responsibility by all segments of the supply chain. PMSA members are prepared to work with everyone to improve the flow of cargo and increase velocity through San Pedro Bay ports.

Thank you.

CHAIRMAN CORDERO: Thank you so much, Michele. Next we're going to move to our Department of Transportation West Coast Regional...
Gateway Director, Keith Lesnick. I will say that at the federal level, as I reference what the objective and the mission of the FMC, the Department of Transportation and Secretary Fox, I know this is a big area of discussion. Two weeks ago, I met with the administrator of MARAD, and we had all-day discussions and meetings with Japanese leaders in the international transport industry. These issues are, again, global.

One of the data that was referenced was very important. You look at the population of the United States, by 2050 it's going to grow by 100 million. This area alone right now in California's 38 million. Think what that's going to be -- our population right now is 350 growing 100 million. The whole aspect of the goods movement, retail, consumer spending is a huge impact on our economy.

This debate, again, is not only right, it's -- like, Bernie, you've raised the bar actually. You won't let your staff go home until they saw the solution. Maybe we should do that. Anyway, now I'm moving to Keith. Again, thank you so much for being here, Keith, and thank you again for all the work you have done in DOT with regards to some of these issues.

MR. LESNIK: Thank you, Chairman. I very much appreciate the opportunity to be here today. I wanted to say first that California, and Southern California in particular, are very fortunate to have two members of Congress who actually understand what goes on inside the gate of a port. To us in Washington, that's particularly valuable.

As someone who began their career on the Hill, I know two things: One, that the PORTS Caucus isn't just another caucus. It's actually what brings all of you to the Transportation and Reauthorization table. In my mind, it takes the place of the old Merchant Marine Committee that used to operate and was so valuable to all in this industry and I wish some day would be returned into Congress. Also as someone that worked on the Hill, I know how important it is to get to the bus or the airport on time, so I'll be very, very fast with what I've got to say.

The main focus of our work at the maritime administration is integration of water into the whole transportation system, in particular the port community and our port infrastructure. The Chairman already referenced the fact that we're going to grow over 100 million people probably by 2050. All those people are going to need to have things. They're going to need to buy things. They're going to have wants, needs, and 95 percent of all of those things will still arrive on a ship, and they'll have to cross a dock, and they'll have to be delivered to someplace else in America. That's where our focus is at the Maritime administration at the Department of Transportation.

We have two programs -- they're small programs, they're new programs, but the Obama Administration has given us basically the tools to be able to work on those. One of them is called the Marine Highway Program, which is relevant in the sense that in terms of when we talk about congestion today it's relevant because it can be used on the margins and on the sides to help you deal with your congestion issues, experience inside the goat. I've talked to folks from both port facilities here about just that, and there are things that we can do to help improve those things.

The other one is a program called Strong Ports, and we got the authorization to do that just at the start of the Obama Administration. It's not funded, but it is a program to set up a system: One of education, but two to assist the port community and through partnerships. I heard a lot about partnerships today to talk about planning processes.

Now, talking about port planning, master planning here in Southern California seems a little silly because you actually all do it very, very well, and you understand how you interact, interface with your local government and with your state and with the federal government. But most
of 300-some operating ports in the United States don't do that.

As you travel around the country with your hearings, Mr. Chairman, yeah, I think you're going to hear more of that. You're up here and some of the other people are here, but most of the other people are just way down there. That's what Strong Ports is about. What we're trying to do is we're trying to drive people to think about the long-term impacts of how their ports operate, what they're going to have to be doing in the future, how they're going to have to be moving that freight, and how they're going to have to get it out of there efficiently. That's what we've done.

The last thing that I'll talk about, because I know that time is of an essence, is one thing that's always ongoing: The TIGER Program. It came up again, yes, as part of the Recovery Act, but it's been ongoing, and we hope that it will be continued.

I will take a little bit of personal credit for this -- one of the things that our agency has been able to do is to aggressively represent the port community in gaining access to those grants. Since the inception of the program, we've given almost $500 million out to port facilities in terms of development infrastructure grants for the things that they're going to have to do. Because if you look at the civil engineer's report, our port infrastructure can use a little bit of work, as my mother used to say. That's a big thing, and $500 million just doesn't cut it. It's going to be much more.

Finally, that's the whole process of this whole thing. There's a shrinking federal pie. It's not going to get any bigger anytime soon. How the ports use their abilities and your sophistication to obtain greater access to that pie so that you can grow your facility and grow the economy. Thank you.

CHAIRMAN CORDERO: Thank you so much, Keith. We're going to take a break, but before we take a break here for 10 minutes, I want to really thank both Congresswoman Hahn and Lowenthal for being here and impacting their very busy schedule.

By the way, we have, I understand, representation from other ports in California: Oakland, Hueneme, San Diego. Last, I am told in the Bay Area that they're doing another study -- it's just been announced this morning -- a congestion study.

This one's being done by the San Francisco Giants, congestion on the bases. Too many Dodgers. Thank you.

We'll reconvene at 11:20 for the second panel. Again, at 11:20 for the second panel.

(Recess)

CHAIRMAN CORDERO: Moving forward. I've been told that we have not only started here in this room, but apparently there's a second room now that was convened because of the number of people we have here, so it's great to see Southern California out and trying to have a dialogue and look for solutions in a collaborative way on these very important port, maritime questions. Thank you so much again.

We're going to move forward our second panel. Now, after the second panel concludes they're comments, then we're going to move forward, time permitting, with the public forum. That is, those of you who want to come up to the podium and make comments, we do have a lunch hour, but we'll take a break for an hour, and then after that we will continue from the session in the afternoon to make sure that we have the opportunity for further commentary with regard to the issues before us.

Moving right along, we're going to now move to Fran Inman of Majestic Realty. Again, no introduction needed for Fran not only in terms of involvement in the industry but at the state level, transportation commission, and those of you who know Fran, she's a hard worker, and her heart and passion is in the goods movement. Frank, thank you so much for being here this morning. The floor is yours.

MS. INMAN: Thank you, Chairman Cordero. It's a pleasure and an honor to be here. I'm representing in my day job, Majestic Realty, but I...
will add a little perspective from the other hats that I wear because it's difficult for me to separate all of those.

As I like to say, every day is freight day, and I think for all of us here today that's why we're here. I was just chatting with Gene briefly, and I said, God bless us one and all -- if I could take a line from Tim Cratchit -- in terms of it's amazing that we do as well as we do given all of the pieces and how complex these puzzles really are, and they're multidimensional.

Most of us operate in a system of systems, and I think that that's the important discussion that we have to say.

First and foremost, I just want to echo the words that have been mentioned about collaboration because I think it is important for all of us to sit down and continue sitting down. Most of us have lots of hours and passion invested in this topic, so I would encourage all of us. I know change can be difficult, but it is important, I think, to always raise the bar. I was thinking about over the years we've always said we're America's gateways, and I think being on the top sometimes could be the Sports Illustrated preseason cover you don't want to be on and the curse of the SI preseason cover image. I think it is important for us to all stay the top of our game.

With that, representing Majestic Realty, as most of you know, we're a long-term Southern California base developer, privately held. We have more than 70 million square feet in our portfolio. That said, I can tell you today that most of our new development, about ninety-five percent of it, is outside this State of California. Still in the U.S., we've stayed U.S. based, but our charge as asset owners were develop and hold, so we've got to skate where the pucks going, as Gretzky said.

I think it's important for all of us to make sure that we continue -- clearly we have a wonderful, deep love of ports, and our proximity to our trading partners is so very, very important, but we also have some challenges. From our perspective, bigger seems to be the mode in terms of the warehouse distribution facilities. We have migrated over time. When our company started some 60 years ago, it was primarily manufacturing, light industrial, and today it's dominated by warehouse distribution centers.

Probably the sweet spot for us is 500,000, 750,000 on up, and today we have two buildings that are over 1 million square feet that are under construction. But like I said, those are in different states.

For the most part, cross-dock is what we're doing. I was thinking earlier too about our evolution, and historically we have been along rail lines. Our founder and CEO, Ed Roski Sr. always believed that we were part of a supply chain. Most of those around here we take out our rail spurs and put in truck parking because as the models have changed, we've had to change as well. I haven't seen our rail partners here very much today, so I think in the future when we do these make sure that we do have -- our Class 1s are so much a part of what we all do together in the supply chain because it's important.

E-commerce is probably the biggest game changer in the disability side, and it is a rapidly changing market for all of us. The newest innovation seems to be the fulfillment centers. All of us have changed our shopping patterns to a certain extent; some of us more than others. We're having things delivered, and we want it now. I think that that changes the dynamics for all of us, and it's certainly a challenge for our planners who -- most of them -- when they were trained, they didn't even know what e-commerce stood for.

I think it is important for all of us to retool and reconfigure because our business is really based on derived demand, so freight for us for the most part unless it's a manufacturing tenet for us. It is pretty much who else needs what moved, and how can we provide a facility that will meet that need?
You heard Bob Curry talk earlier about the challenges with the bigger boxes being built further and further out. Ours is pretty much a formula business. We can figure it out what we can afford to pay for the land and the economics. We also have become students of logistics economics just because we understand that rent is only a portion of our tenant's decision on where they're going to locate. At the end of the day, for all of us, it's that end-to-end move that is so very important. We've heard earlier today about some of the hiccups along the way.

I think we haven't talked today about energy and the role of energy in all of our collective future, and I've been working with our port partners here and our energy commission. We hosted the chair of the energy commission earlier this year who was on a speaking tour to talk about grid reliability. We tried to move more and more shore power. For sure, our partners in the supply chain need to make sure that as we migrate we're going to have a reliable power. I think as we look at the world of energy, clearly with our partners who also are -- the laws are built on derived demand; the role of energy is a key factor there. I think we need to include those in our discussions as well.

I also think that timing is so very, very important. As you mentioned earlier, I do have the honor and privilege of serving on the California Transportation Commission. We are in the midst of developing the California Freight Action Plan, which is really, hopefully, building on the work that many of us did collectively for the goods movement action plan in 2006. But when I first joined the commission, I was absolutely astonished to think that we didn't have a freight plan. And then with my work on the National Freight Advisory Committee, it's amazing to me that we haven't had a vision and a plan for our nation as we accept the fact that we do live in a global world and the trading partners and the mobility that we all have and the economics that are derived from that are so very, very important.

I just want to encourage you to have these discussions. I'm learning with the rest of you. We are landlords just like the ports, so we are not hiring the various partners directly, but clearly what we hear from our tenants and our journey into all of this really came from hearing from our tenants when they couldn't make their turns form the port, and that was probably a dozen years ago.

I think we have to really continue to raise the bar, as was mentioned earlier, and really figure out and to find success, and figure out what those performance metrics, and hopefully we can all agree on what success looks like and how to get there. Thank you.

CHAIRMAN CORDERO: Thank you so much, Fran. Thank you for your involvement with the National Freight Advisory Committee. I know you've travel to Washington with regard to that role. Southern California was very well-represented also on that committee. Bonnie Lowenthal did a lot of great work with regard to the ultimate objective, a national freight policy. I think, thanks to D.O.T. -- where did Keith go? Oh, I'm sorry.

Thank you so much again, because again, one of the questions that you hear people say, well, we're not doing that bad. We're doing some good things. As a nation, we still don't have a national freight policy. When you think about what Southern California has done through the leadership of people like yourselves and Fran and the others, we can raise the bar like the Congressman said, and that's exactly what we're going to do.

Moving forward now, we're going to hear now from Bruce Wargo who has spent many years with regard to the inception of the PierPASS program to what it is today. Again, I'm interested to hear Bruce's commentary because, again, that's one job I would not want to have given all the trials and tribulations in terms of trying to solve issues and deal with stakeholders. But with all that, I think he's doing a great job. Bruce, thank you so
much for being here, and I welcome your comments.

MR. WARGO: Thank you, Commissioner, for having me and inviting me to attend today's session. If some of this is repetitive for some of you I apologize in advance, but I think it's important to mention. Anyway, good morning. I'm Bruce Wargo. I'm president and CEO of PierPASS. I'm really happy to contribute to today's discussion on national port congestion using our San Pedro Bay experience as background. I encourage all the parties to be constructive. I believe everybody in this room would like to see improvement of some kind.

As you know, the ports of Los Angeles and Long Beach comprise the largest port complex in America, and according to the Journal of Commerce, the ninth largest in the world. With this level of container volume come complexities that are not present in less-busy ports, and in some ways are unique to our infrastructure and business practices.

In 2004, San Pedro Bay experienced severe congestion due to larger ship volumes, rail car and engine availability, labor shortages, freeway congestion -- sounds familiar. As a result of this perfect storm and with the encouragement from elected officials like then State Assemblyman Alan Lowenthal and now Congressman Alan Lowenthal, San Pedro Bay marine terminal operators with the FMC authority developed an unprecedented night gate program to mitigate the traffic in and around the port complex. Self-funded and in place for over 9 years, the PierPASS off-peak program has more than 30 million truck transactions monitored by RFID tags, we were able to accurately and comprehensively track in-terminal truck turn time and record this data. Over the last several years, the off-peak program has consistently diverted fifty-five percent of truck transactions to less-congested off-peak hours.

PierPASS and its marine terminal operators have also played an instrumental role in enforcement of the port's Clean Truck Program using its computer infrastructure and leveraging the terminal operator requirements for each truck to have an RFID tag to validate against the port's Clean Truck Database.

Today we face new challenges. Several of these challenges are beyond the control of the marine terminal operator, but nonetheless contribute to the topic being discussed today.

Port congestion is a global phenomenon. This subject is getting a lot of attention in the trade papers, and the common denominator points to larger ships, the supporting infrastructure, and business processes. Servicing these larger ships puts a strain in the support elements such as chassis, truck power, yard space, rail cars, available labor, and yard equipment.

Additionally, one less tangible contributor is the delivery process that we have built America's largest port operation around. More specifically, let's talk about chassis. Today the chassis model is in a state of transition from one that has been essentially the same for 50 years to something very different. Whether it's small pools, contributory pools, collaborative pools, or gray pools, it's different than it was and now presents new complexities.

The model is evolving, but whatever stage it is at present, issues like shortages at location A, oversupply at location B, damaged inventory,
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billing disputes, utilization factors, billing rates, etc., contribute to congestion and inefficiency.

With chassis providers acquiring the previously owned units from steamship lines and then renting them on a daily basis, we see an unprecedented chassis shortage at most terminals. This has a cascading effect on all the other stakeholders. Trucks get tired of waiting for a chassis to arrive and leave. Containers sit and lose velocity. It increases demurrage costs. It increases terminal cost to manage larger and larger piles of containers, and ultimately ships are going to have to wait to berth all because of a chassis shortage.

This is causing significant disruptions now and does not look to get better in the near term. We understand that the Department of Justice is looking at the IEP's proposal to work together, and we encourage the FMC to do what they can to ensure that the chassis providers don't bring this port to a standstill. We need to resolve this issue now.

On the matter of truck turn time, today import containers are delivered in much the same way at all terminals using Rubber Tire Gantry cranes to dig out a specific container by a specific number in a pile of thousands of containers for mounting to a truck and a chassis. This process of complete and total random access by a specific container number at all times of the day and night moves a predictable 8 to 10 container deliveries per hour.

Terminal operators have been tracking these trucks with RFID tags now for years to monitor truck turn times for many, many years. PierPASS started publishing these average turn times each month. Unlike some who track limited numbers of trucks and include the time spent in the street waiting to open up, trouble tickets are discounted and multiple transactions aren't counted as single transactions. Terminal operators in San Pedro Bay look at the net transaction turn time that was achievable in the nineties may not be so easy today. Expectations may need to be adjusted to a new model, and certainly so when hundreds of trucks show up at the same time and expect 45-minute service.

One could almost say that in San Pedro Bay, with over 1000 truck companies and 11,000 registered trucks, much of the time trucks are waiting, they're waiting on the trucks in front of them to get into the terminal. It's not necessarily how fast the machines are working. I also feel that truck turn time reflects an existing delivery process, steamship line practices, and current terminal congestions and operations. If we want to change the truck turn time outcome, we need to consider changing the process. Doing the same things incrementally faster will not solve the periodic periods of congestion.

One area that we're exploring is the process we call free flow, which attempts to identify and deliver en masse large numbers of containers for a shipper or a logistics company and let the shippers sort out the specific container numbers they want. This approach changes the container yard from a storage location for container cargo owners to a more productive link in the logistics chain. A recent PierPASS study has shown that drivers can triple their moves if a terminal and trucking company coordinates this type of delivery. We are currently conducting tests at several terminals and will be working on expanding the process in the future. We encourage truck
companies to collaborate on consolidating their
volumes, to take advantage of this process, and
improve the driver outcomes.

Next, there's been several comments
about 24/7 operations. Several stakeholders have
brought this issue up of working more hours in the
ports of L.A. And Long Beach to address truck
congestion. Under today's PierPASS off-peak
program, terminals provide 35 extra gate hours per
week in addition to the 40 hours at each terminal,
and that is more than any modern container
terminal complex in this or most countries.

Within these hours, we do see peaks and valleys in
truck activity with some hours having little or no
truck activity at all.

Extending operation hours of the port
will not necessarily increase the number of
containers available to be processed, but it will
dramatically increase the cost of operating a
marine terminal. Today the PierPASS off-peak gate
costs approximately $180 million a year. It is
estimated that working around the clock, 7 days a
week, would add another $167 million.

At present, there are no major blocks of
time during the current gate operations which
there is minimal truck activity. Given periods of
underutilization, there does not currently appear
to be operational or commercial reasons to
increase the cost to shippers and the supply chain
at a time when stakeholders are looking to reduce
costs.

Are there shippers present that would
like to pay more for 24/7 operations? They should
come forward. If there's been some analysis done
on 24/7 operations by either local or federal
authorities, it'd probably be a good time to see
it and see what the benefits and the costs are.

We heard earlier about appointment
systems. Right now, of the 13 terminals making
17,000 truck transactions per shift or 35,000
truck transactions per day, we have only five of
those terminals with some type of appointment
system for import containers. Reviewing those
in-terminal truck turn times reveal that they are
both above and below the average and median turn
times for all terminals. This would lead us to
believe that the current appointment system needs
improving to see meaningful improvements to truck
turn times.

It's also important to note that
thirty-five percent of the trucks routinely failed
to make their appointments. If we were to have
meaningful appointments, they need to have smaller
windows of times and trucks must make their
appointments.

I know we've heard before about trouble
tickets, and this is an interesting subject.
National studies have shown, and local
investigations have confirmed, that we see five to
seven percent of truck transactions experience
trouble tickets. These trouble tickets are caused
by a lack of information from the truck driver or
misinformation, which in both cases takes the
driver out of the process until the issue is
resolved. Additionally, that truck will have to
be handled a second time and possibly delaying a
truck behind them.

Many trouble tickets can be avoided by
checking information prior to arrival at the
terminal. Additionally, in the near future, we
hope to see web-based programs to pre-arrive cargo
into the terminal and expedite the truck
transaction. This would also eliminate these
trouble ticket issues.

In this discussion, it's important to
recognize that this is a very complex and
comprehensive business. Most solutions are not
free, simple, or obvious. We need to spend more
time on the root causes of these issues to improve
the cargo flow.

In closing, the items that I feel that
had the greatest impact on port congestion today
are big ships and their schedules, chassis
availability, trucker productivity across all
hours, the delivery process itself, and trouble
ticket resolution. Thank you very much, and I'll
be happy to take any questions.

CHAIRMAN CORDERO: Thank you, Bruce.
With regard to my opening comments referencing the role of the FMC, and I mentioned we're holding four forums throughout the nation, one thing unique about this particular region, L.A. Long Beach, is that this is the one area that, as Bruce mentioned, we have PierPASS, an agreement that's filed with the FMC, and one that we monitor. This is rather unique as opposed to the other three areas that we're going to be holding these forums. Of course, part of that monitoring responsibility that we have is to make sure these objectives are made.

As Bruce mentioned, there are challenging issues, but one the things, again, that has already been said not only by the people up here at the front but those of you out there, let's accelerate this discussion with the arrival of the big vessels. Not only is it very good in terms of economies of scale, but it is a model that creates some serious issues that we, as an industry, have to address, and ultimately get to a point where everybody's comfortable regarding the coming of the economies of scale concept.

Last, I will say -- as Bruce and others mentioned -- this is not unique to this region, that is the issue of truck times and the issue of truckers. The scenario that is required for us to succeed is a scenario where all stakeholders buy in in terms of not only what we need to do, but what the results are. Again, those of you in the trucking community, I know you have some issues and concerns, and hopefully, again, the objective is to make sure stakeholders are satisfied here because it is only then that, again, I think we could walk away and certainly have some comfort that the ultimate objectives are being met.

As Bruce mentioned, the challenges are problematic and it's a high bar, but that has never stopped this particular complex from undertaking those type of challenges. With that, let me move forward now and recognize the next panel person, Commissioner Dines, with the Port of Long Beach, and as you know, vast experience on the waterfront. Commissioner Dines, thank you and thank you for your time and making your comments and having your input here.

MR. DINES: Thank you, Mr. Chairman, and I also want to thank the FMC staff for hosting this forum today. First, let me state for the record that my comments are those of an individual commissioner, and they do not represent the views of the Port of Long Beach Board of Harbor Commissioners or any other port stakeholder group. I've worked in this port complex since 1997 as a longshoreman and in my current role as a marine clerk. It is from these experiences that I have developed my views and opinions on the crisis we currently face and the solutions we must work on together.

I just wanted to bring up a couple of things from the earlier panel, and when Mr. Curry spoke -- and others did -- possibly looking at what they're doing in Vancouver with a penalty system. The ports have the right to use or tariff. I support working with the stakeholders and offering them a carrot instead of breaking out the stick. That being said, we definitely need to raise the bar and work on solutions.

With the idea of free flow, free flow cargo is nothing that's new to our ports. This idea's been around for many years. I've been supporting this idea for quite a long time. In fact, the practice of free flow is something that we've been using and what we have our land bridge where we will shift containers from one dock to another docks-on-dock rail yard. It is off the top. It is very efficient. It allows for a block stow of cargo, and we can use hop handlers Rubber Tire Gantry cranes. I think that it's a part of the solution, but it isn't going to correct all of our problems.

I hope not to be too repetitive over at Mr. Wargo's comments, especially on the history, but I would like to say -- and I know President Drummond is the historian of the Port of Long Beach -- a little bit of history. From the mid-1990s and until 2006, this port complex experienced annual double-digit growth in
As container volumes kept coming, and it kept coming ten percent or more every year. In 2004, we did find ourselves facing some very serious challenges. We had congestion in our ports, on our freeways, and in our neighborhoods. Truck queues outside of terminal gates grew longer and longer, and we found ourselves unable to move cargo effectively and efficiently.

Our ports were also considered gross polluters. Many people said we couldn't do anything about port pollution, but leadership in our ports listened to our community and to leaders in Sacramento like now-Congressman Alan Lowenthal, and we embraced changed. The ports adopted the Clean Air Action Plan, and we created a path towards zero emissions. It is a part of our DNA, and ports from around the globe continue to seek our advice for their own environmental programs. Those same naysayers claiming our ports couldn't go green said we couldn't replace the entire 3 to 16,000 diesel trucks that drove containers to and from our port everyday. Both ports adopted clean truck programs and partnership with a private industry who in turn invested nearly $1 billion in very difficult economic times to replace all dirty trucks with clean new ones. This successful program has drastically reduced the amount of harmful diesel particulate matter in our community, and every major port in the country has followed the L.A., Long Beach lead on clean trucks.

Now, as we face a crisis that will require renewed cooperation and collaboration to find solutions, we cannot afford to listen to the naysayers of a decade ago. Our ports have a proven record of accomplishing great things by bringing the ports and industry together. To address our congestion in 2004, legislation by Congressman Lowenthal was introduced to require marine terminals to be up a minimum of 72 hours a week, and this equates to nine 8-hour shifts. The marine terminal operators recognized a need for change, and they formed PierPASS. PierPASS provides for off-peak delivery of containers helping to relieve congestion. A terminal has options on how many shifts they can work and how they spread it out, but usually they worked five day shifts and four night shifts. PierPASS charges a traffic mitigation fee for import and export containers during peak hours, which is considered the day shift. Currently, a beneficial cargo owner is charged a $133 traffic mitigation fee for a 40-foot container. At a time when our ports faced stiff competition from other U.S. West Coast ports, from Canada and Mexico, you need to focus on reducing costs to port customers and not increasing them. Today, our $133 PierPASS fee forces many shippers to bypass our ports and explore more cost-effective options. In my opinion, we are chasing cargo away, and this fee is no longer sustainable. The success of the PierPASS program has come from the shifting of over fifty-five percent of container movement by trucks to off-peak hours. Unfortunately, we regularly see trucks begin to queue outside of marine terminals started at 3:00 p.m. These trucks and their drivers will wait outside the terminals until 6:00 p.m. when the PierPASS fee is no longer charged. Truckers do not earn money waiting outside terminal gates. Just as important, trucks don't generate revenue sitting idle. Truckers can only work a total of 11 hours a day with a 1-hour lunch. Terminals that offer both shifts can be open from 8:00 a.m. until 3:00 A.M. and one may close three 1-hour periods during the day for longshore lunch breaks and for a shift change. Ten PierPASS shifts do not align with one trucker shifts. However, if we open our gates 24 hours a day, we can get two full truck shifts in that period. This is a much more efficient use of driver time and truck utilization. We can no longer deny port truck drivers the opportunity to earn a living wage.
When PierPASS started, large container ships averaged about 5,000 TEU. Those were the APL ships that Jane's former company used to run. Today, 19,000 TEU ships are being built, and 14,000 TEU ships regularly call at our ports. The demand for 24/7 gates is coming from these next-generation mega-sized ships. These ships are here to stay with even bigger ones on the way.

These ships can have more than 10,000 total moves to unload and load. They need to be turned around quickly, so terminals work these vessels 24 hours a day, around the clock. These megaships are causing terminal capacity issues as they have outgrown the current PierPASS model. In my opinion, it does not make sense to have vessel operations 24 hours a day while restricting delivery and receiving operations for truckers to only 8 or 16 hours. We can and we must do better. Our two ports need to work closely together in partnership with our terminal operators, labor, truckers, and our beneficial cargo owners to build a sustainable program to improve terminal productivity and increase capacity while reducing cost to efficient operations.

I support the creation of a Joint Powers Authority similar to the Alameda Corridor model. The Alameda Corridor is truly a great success story having been built on time and under budget. The ports run ACTA, and we can create a similar JPA that the ports could govern, and we would hire an executive director and professional staff to manage.

Now, of course, our terminal operators need to be compensated for the additional costs that will occur. A sustainable fee structure needs to be put in place to ensure this. We should consider discarding the traffic mitigation fee altogether and move to a simple transaction fee. Each transaction may cost between $10 and $20, which is a small fraction of the current $133 charged by PierPASS. If we have 35,000 truck moves a day, that's well over $10 million a year or $10 million a year. Get $10 a transaction, that's $100 million.

As a starting point, we should target the current level of revenue collected by PierPASS for reimbursement to terminal operators on a per-transaction basis. Again, I'm not trying to take money away from terminal operators with this idea. It would be a starting point. They need to be compensated for their additional costs. This would create an incentive for terminal operators to operate more efficiently while shippers should and could expect fees to be reduced by eighty to ninety percent.

The Joint Powers Authority would develop intelligent software to run a real-time appointment system. This technology exists today, and it is time to implement it across the San Pedro Bay ports. Terminal operators will be able to more accurately predict their labor demand needs to provide consistent good service while reducing costs and turn times. It is simply unfair to claim that there will be an increase in annual costs for a port-administered program that will have an entirely different fee structure than the PierPASS program.

In my opinion, it is time for the ports to take the lead. The ports have a vested interest in the efficient operations of our terminals. PierPASS has had some success, and it has served its original purpose, but it is time to move forward. The ports are well positioned to create a new, sustainable program that will benefit all port users while continuing to guarantee terminal operators a revenue stream to help offset additional costs.

I was thinking of a name. Perhaps we could call it GATES. It could stand for Gate Appointment and Terminal Efficiency System or whatever we come up with. One thing is certain: The ports have visionary leaders in Jon Slangerup and Gene Saroka, and I would not bet against our success on anything we do.

The FMC has the responsibility to review discussion agreements pursuant to the shipping act, and the FMC has a history of encouraging
agreements for ports to facilitate discussions on operations and matters of common interest. Mr. Chairman, special interests may claim the cost is too high to move the ports to 24/7 gate operations. I conclude my comments by raising the question to everyone here: What is the cost of doing nothing? Thank you for your time and the opportunity to speak today.

CHAIRMAN CORDERO: Thank you, Commissioner, for your comments. Moving along, we are now going to recognize Michael Johnson with the Harbor Transportation Association. Michael's been very involved in the trucking community, including the California of Transportation Association, and suffice to say you've been here quite a while to make the appropriate observations in terms of taking this to the next level or taking you to the next level. Thank you so much, Michael, for being here. Okay, Logistics Technology.

MR. JOHNSON: Good morning, Chairman Cordero, Congressman Lowenthal, and to you, Janice Hahn -- oh, she's gone -- and the executive directors of both ports and my esteemed colleagues on this panel. I'd like to thank Chairman Cordero for bringing this public forum together. This is a giant step forward. I wonder why the stakeholder leadership has not considered this approach in the past.

I started my transportation career 34 years ago as a driver picking up break bulk, loose cargo, and containers from the ports of L.A. and Long Beach. The landscape has changed dramatically over those 34 years, but one thing remains constant, and that is truck congestion.

Today, I am speaking to you as president of the Harbor Trucking Association. As you've already heard, the HTA is a coalition of Los Angeles and Long Beach intermodal carriers whose purpose is to advocate, educate, and promote strategies with all goods movement stakeholders and policymakers that will sustain emission reductions, provide a dialogue for intermodal truck efficiency, and keep cargo and jobs in Southern California ports.

And I'm speaking to you as the manager of the L.A. and Long Beach Transportation Division Port Logistics Group. Just to give you a little background, Port Logistics Group operates over 3 million square feet in City of Industry facilities -- thank you, Fran Inman -- a 26 acre facility in Long Beach or Rancho Dominguez, as well as similar-sized facilities in Clifton, Secaucus, Newark, New Jersey, and Sumner, Washington, or Seattle.

Congestion affects our entire supply team network and the customers that we service. PLG operates approximately 250 drayage trucks and moves 70,000 containers annually. We've gathered here today to talk about congestion and the negative impact it has on the competitiveness of all the stakeholders in the San Pedro Bay port complex. We have all been witness to the congestion that (inaudible) ports and the consequences. It is time that the industry, ocean carriers, marine terminal operators, beneficial cargo owners, trucking, and the port authority take a proactive approach to this problem.

The solutions to congestion are complex, and they are obtainable if all of the stakeholders come to the table, leave their egos at home, and agree to solutions. It is not just a trucking problem, and it will require an industry solution. If I can borrow a phrase from my colleague, Alex Cherin, there are four topics I want you to remember about my conversation with you this morning: Technology, labor, interchange agreements, and the gray chassis pool management.

To technology, while the entire world has taken advantage of the emerging technology, especially the benefits of handheld devices, port authorities throughout the nation, labor, and the marine terminal operators have virtually ignored the fundamental benefits of this technology. The HTA, Harbor Trucking Association, Truck Mobility Data or TMD or turn time study, has brought a valuable 1-hour metric to this industry that can be argued as the standard that every marine
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| 1. terminal should be expected to achieve.  
   As I have stated in numerous presentations, marine terminal operators have very little information why the truck is in line until it reaches the pedestal and the truck driver communicates with the ILWU clerk. This lack of communications prior to the arrival of the truck creates many problems and does not give the marine terminal adequate time or information to efficiently service the thousands of trucks that visit each day.  
   I’m fortunate to be involved in a possible solution to this problem through my work with the Gateway Cities Council of Governments, the ITS Working Group, the U.S. Department of Transportation and Highway Administration. The Flate Advanced Travel Information System, or FLATIS, is showing a great deal of promise as being tested in this port. FLATIS and similar technology has the potential to resolve many of the port-related congestion issues we are facing by providing a preplanning mechanism.  
   This technology allows communication and planning through computer systems and does not rely solely on human intervention to make it work. It allows the drayage trucker and the marine terminal to preplan. This type of planning is virtually nonexistent today. If implemented port-wide, it could revolutionize the industry.  
   Number two: Labor. ILWU labor must adapt and embrace the changes in technology. Every ILWU employee, including casuals, must have the knowledge of building and training necessary to operate systems at each marine terminal. They must focus their mindset on productivity and safety. ILWU has built a legacy that is not necessarily perceived as productive or performance. This must change.  
   Port drivers, the men and women driving the port drayage trucks, must be given the same opportunities and chances to build better lives of independent contractors or employees. As ILWU has been treated with dignity and respect, the truck drivers depend on ILWU labor to move the trucks in and out of the marine terminals in a safe and efficient and timely manner.  
   The next point is the UIIA or Uniform Intermodal Interchange and Facilities Access Agreement, better known as the UIIA. First of all, I believe that this agreement is necessary. However, because of inefficiencies, gate closures, and congestion of marine terminals, it is unfairly slanted towards the benefit of the equipment providers. The LMC must sign and agree to the terms in its entirety in order to conduct business with the ocean-carrier-owned equipment, which used to cover containers and chassis.  
   This has all changed since the privatization of the chassis. We understand that the equipment agreements are necessary to protect the assets in use, however, the efficiency of the marine terminals, daily gate operations, and closures directly impact the motor carrier. By virtual disagreement, the providers can charge any amount they sit for per diem.  
   There is no correlation in the agreement that ties hours of operation, productivity, and accountability of that marine terminal to the per diem cost the ocean carriers are charging. Per diem costs are strangleing the license motor carriers with no oversight tied to the productivity of the marine terminal. This one-sided agreement must hold the relationship between the equipment providers and the marine terminals that are hired to perform these transactions accountable for nonproductivity and relief from the charges.  
   To chassis, the shift in ownership of the most vital component of port drayage, the chassis has shifted from ocean carriers to leasing companies. The result of this shift has placed the initial cost of the chassis directly on the shoulders of the individual trucking companies who have no control over how the assets are managed, deployed, or used. Vessel sharing agreements have led to an unproductive model as it pertains to the return of empty containers and the chassis that they are riding on.  
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Look at the port today. Chassis are simply not available in the numbers needed to keep the cargo flowing. The cost of repositioning the badly needed equipment has largely been placed on the motor carrier, and the management of the numerous pools that are operated on the pool and rail complexes must be able to accommodate the changes in port volumes and be available where needed.

Solutions. First, the port must set minimum standards associated with the movement of trucks in and out of the marine terminal. I'm highly critical of the continued lack of leadership from both ports in this area. If the marine terminal's management and labor can continually and efficiently discharge and reload vessels within a forecasted time frame, why has it taken so long to begin to focus on truck turn times?

The reason is simple. The vessel operation has a price that must be paid by the vessel operator to the marine terminal. There is no financial incentive or penalty that motivates the marine terminal operator to focus on truck visit times. Once we tie the productivity and cost this places on the motor carrier. This must change to a 24/7 operation paid for by a restructured fee concept. The fee restructuring pays for the extended gates and labor, produces an efficient, economic powerhouse of a port complex not seen on the entire planet. The gray chassis pool must be implemented and efficiently managed, providing benefits to the motor carrier and marine terminal operator. We must have adequate numbers and types of equipment available when needed. I see the day coming when trucks will be more likely to hold onto the chassis and move them from terminal to terminal without the incumences and delays we see today. Trained, productive labor and labor management that is willing to accept the challenges that new technology brings and the foresight to embrace it. Lastly, all stakeholders must be at the table in a continued effort to remain relevant to the challenges this port faces each day. All of us: The port authority, the beneficial cargo owner, the marine terminal management, ILWU labor, and trucking must come together and continually work on these solutions to make this the most dynamic and efficient port in the world.

I thank you for the time that you’ve allotted me.

CHAIRMAN CORDERO: Thank you, Michael, for your comments on these challenging issues.

Next we're going to go Michael Mayor of Mayor Logistics. Mr. Mayor, thank you for being here this morning, and again, interested to hear commentary given your segment of the industry.
MR. MAYOR: Thank you, Commissioner. If it's not broke, don't fix it. It was far too long the mentality of the goods movement in our industry. Over the years, capital investments for improvement in our infrastructure have been substantial but not enough to keep pace with the growth of our U.S. economy.

There is an intricate web of dependencies within our supply chain, and port congestion is one of those. It cascades into failures outside the transportation model and far reaches across the United States. Its consequences are direct upon our U.S. economy, directly to the California southern ports in terms of the warehouses that we service. We no longer have a threat of losing our competitive edge in the ports because many of our customers have shifted a lot of their cargo to the east, reducing congestion in the west. But as cargo moves east, so will the congestion.

A continuous dialogue regarding information about the current issues needs to be strongly emphasized. As Commissioner Dine stated, the task force to represent these parties needs to be involved directly.

Technology is what PierPASS is. They started out as a technology company, and they must evolve like all other good technologies. Currently, PierPASS has placed fifty-five percent of their moves to the night time. We have aggregate data over the history of PierPASS, and we believe that using this data we should be able to create a task force and be able to not fragment the industry as much as the appointment systems and terminals have created currently.

Smart phones, onboard truck units, tablets, and social media is connecting the world at a revolutionary speed. The world is a much smarter place, and we believe that the communication that happens between the terminal, the shipper, the consignee, and the trucker is too fragmented. That being said, in the history of mankind, those who learn to collaborate and improve most efficiently have prevailed. Thank you.

CHAIRMAN CORDERO: Thank you very much, Mr. Mayor. We're going to move forward with Rich Nazzaro, and after Mr. Nazzaro's commentary we will commence the open forum. It is now 11:20. We're going to take a break at 11:30 for lunch and reconvene at 2:00 o'clock. Mr. Nazzaro, the floor is yours.

MR. NAZZARO: Thank you, Commissioner, Chairman. I'll be brief. We're running a small trucking fleet; only 50 trucks. We have about 80 drivers. Every day they're facing the challenge of this congestion, and the problem seems to be not that there's congestion -- that the communication is horrible.

What I mean by that is that between the steamship lines and the ports, no one ever tells the truth. No one does. Everyone there tells you life is grand. There are no lines. But you can ride up and down that bridge, and there are trucks waiting 2 and 3 hours to get in.

We're running multiple shifts at multiple times, so we're working within the hours of this port, and we're doing everything we can to be part of a solution, not a problem. But the only problem that I'm seeing is that the trucking community has to always be the solution, that we have to deal with all the problems. No one else is becoming the solution.

You stop PierPASS, we don't complain. It's part of what it is. We run day and night. Do you know how many people pay PierPASS in my business? Everybody. Even though the numbers don't reflect that, they pay it so that they have the opportunity to pick up day and night. You might say, well, only 55 or 27, whatever your number is, to go in during the day, but that's only because to balance it we go at night. The people pay for day and night because they know of all the congestion here.

We have to really, really look at what we got going here. What's really going on? You have a labor issue on a constant basis. Terminals are just shutting down because they're either
protesting, striking; they're doing something every day. There's no consistent shifts. You come in Monday morning, this terminal closed for a reason. You come in on Thursday, there's another closure. No, we're going to open up on Saturday because we're not going to have a Friday night gate. Meanwhile, half the terminals are closed because they say they don't have the volume.

What do we do? Do we just keep on spending money, be a part of this? If you're going to run a system that says Monday through Friday during the day and then Saturday's an extra day, everybody needs to be open. It can't be at their leisure because then me, as a trucker, what do I do? I pay per diem, $85 for one day, and it just keeps on increasing. Nobody cares. Nobody wants to hear about the problem.

We're trying to be a solution. We can't be a solution without the help of everyone in the industry. But how do we continue to fight this battle when it just never ends? It's not easy to just sit here and say, oh, we've got a problem, we've got a problem, we've got a problem. I don't believe we have a problem every day, but I will tell you this: There used to be congestion sporadic during the year, a couple weeks. Now it's become the norm. That's the problem. It's the norm. It's not a norm the way you have a problem for a couple weeks, something happened. No, this has become the norm of the industry, and it's become acceptable.

My customers don't want to hear about it. I think I speak for a lot of people in the room, nobody wants to hear about it. We're here today, that's great. But the question is what's going to happen tomorrow? We can't even figure out what to do on a day-to-day basis, never mind the long term. I don't think we're going to resolve this long term because I don't think there's enough land down here at the port to take in all these containers.

Now what do we do? There's no land, no chassis available. You say, hey, let the trucker get the chassis. Where am I putting it? I don't have a piece of property. So, I go from a 3-acre yard to a 10-acre yard? Where is that yard going to be? Out in the Inland Empire? That doesn't help me any.

We're not going anywhere right now, and it's really, really a sad situation. The people that work for me and work for our company, I feel bad for them every day because they fight so hard. I have tell you, that's what this is about -- the day-to-day life of all the people, whether it's a dispatcher or driver. Everybody deserves to earn some money. I have no problem with the drivers making money. I think they deserve it. It's 2015 practically. To pay a guy $20 an hour or better, why not? He needs to make a living.

It's an industry that wants to go backwards, and we need to go forward. That's what I'm scared of. I'm scared that we're going to go backwards and not forward, and then everyone in this whole country's going to be saying, what happened? What happened is there are no resources to get the job done.

CHAIRMAN CORDERO: Mr. Nazzaro, again, I appreciate your commentary. In the interest of time, with the correct time is we're about to approach 12:30 for our lunch break. Let me just conclude with a commentary.

I think as you referenced and as I referenced earlier as you heard the speakers, this is a national issue. It is not restricted to a regional problem. Again, one of the things you said that is very interesting is the question is what are we going to do tomorrow? That's an appropriate question because if we do nothing and the status quo continues, whether it's in this region or any other region in the country, we will have a crisis.

But again, on a sense of optimism here -- and I think earlier you heard people say -- this particular port complex has a prior history of taking on challenges and having the leadership to succeed. Again, I myself, when I came out of the Port of Long Beach in 2003, and you all remember the issues before us, whether it's with
Port of L.A. or Port of Long Beach, and the Clean Truck Plan, the Clean Air Action Plan, and a lot of people recognized challenges as you have, Rich, and perhaps the impossibility.

But on a sense of optimism, if you use that as a parallel, the sense of optimism really, out of this room, should be real, flowing, and growing because you have undertaken challenges in the past, and you will again not only for the betterment of this region, these ports, this city, this State of California with a 38 million population of consumers, but for the nation. With that I will close, and we will reconvene at 2:00 to have the public forum with regard to the comments from those of you who have been patiently waiting. Thank you so much.

(Recess)

CHAIRMAN CORDERO: In the interest of time, we’re going to move forward. I know there are people coming up on the elevator from downstairs.

Thank you so much those of you who are here this morning and are returning here for the afternoon session. It’s evident of the fact how important this issue is to have a dialogue and to further stimulate collaboration. As you heard this morning, basically what I’m hearing this morning is the interest to collaborate and the interest to address an issue that’s so important not only to this region, but throughout our gateways and the nation.

We heard commentary with regard to setting standards, objectives, using metrics, that is so important, and technology. I think there’s a lot to be said in terms of this particular region, this particular port complex, and the leadership that has exemplified it in the past. I feel very good about the commentary I heard this morning.

I also again want to thank and sincerely appreciate on behalf of the Federal Maritime Commission the participation of these two great executive directors. Obviously you could see it by the fact that they have dedicated most of their day to be here how important it is to them. They want to make sure that we listen to the stakeholders, and it’s an issue that I know, in discussing with this issue with them personally, they take it very much at heart. I’m looking for good things to happen despite the tough challenges.

The afternoon session will be a commentary session. I look forward to hearing from some of the stakeholders. I know that part of this question also involves shippers and railroads. Now, I will tell you this: In my position, I’ve the opportunity to meet with many stakeholders, including those from the shipping industry and railroad industry, and I think it’s fair to say that though sometimes you may not be visible at public forums like this one, I think it’s very fair to say and emphasize how important they believe this issue is.

With that, we’re going to move forward. Who I have first to address the forum is someone who, again, needs no introduction with regard to this industry, more particular in the marine terminal operations -- Ed DeNike. Ed, thank you so much for accommodating your schedule and actually flying in to be here. Without any further ado, I’d like to welcome Ed DeNike.

After Ed makes his comments, then again we’ll go down to hear your comments, your suggestions, your resolutions, and solutions because what we’re trying to get here is not so much just complaints about it. Let’s get to the real discussion about how we solve this as a maritime community.

In the interest of time, preliminarily, I think I’m going to give -- with the exception of Ed -- Ed, you could talk all you want; there’s no time limitation. I say that because here’s a gentleman who has poured his lifetime, his career, into the industry and has been a part of containerization as we know it today.

But thereafter, we’re going to allocate 3 minutes per speaker because, again, I know there’s probably a number of you that want to
share your input and your views. Thank you so much. Welcome, Ed DeNike.

MR. DENIKE: Thank you, Chairman Cordero, Gene, Jon. It's good to see both of you. I came down this morning because I feel that what we're doing here today is crucial to our industry. SSA has seven large container terminals on the West Coast. We have about twenty to twenty-five percent of the man hours. We are the largest employer on the West Coast, and we also operate in most every other port in the United States.

I wanted to talk about turn time. First of all, I wanted to make sure that everybody understands it's a misconception for people to feel that terminal operators don't care about truckers. We also own a large truck company in that report. We also see what it takes and how hard these guys work, and it's difficult for them to make a decent living.

On the other hand, we're not sure what to do about it. When you operate a terminal as we do, you're talking about a very large expense.

Each shift is between one hundred and one hundred thirty thousand dollars a day. We try to do a good job. When I say 'we' I believe I'm talking about all the terminal operators.

One of the most important reasons that I'm here is because I understood that there was a concern about whether or not PierPASS should be in operation. I can tell you that we handle, sometimes, four or five hundred trucks an hour at several of our terminals. This port, L.A. And Long Beach, is the only port in the country -- I'm calling it a joint port -- that we really have a night operation, and it's saved us. Without having a night operation, we couldn't survive. PierPASS has done a great job for us, and I think they've done a great job for the other terminal operators in that when we started this years ago, when the state was looking at mandating night operations, the concern that we had as terminal operators is how are we going to get reimbursed for this?

Our contracts with the steamship lines are clear. We get paid for Monday through Friday, 8 to 5. Anything other than that we don't get paid for. It's difficult to determine or to imagine us trying to be open hours other than 8 through 5, Monday through Friday. A cost for a longshoreman today is anywhere between $900 and $1300 a day. One person. Again, a well-running terminal hires 100 to 130 guys a day.

The thing that we're experiencing right now is that truckers aren't getting in and out of the terminal in the time that they need to get in and out of the terminal, and all they can see is it's the terminal operator that's not doing the job. The fact of the matter is is there are things that we can't control.

To date, we have two major problems. The one, I understand, people have already talked about is the chassis shortage. I, just this morning, told one of our biggest accounts we could not handle their ships any longer at one of our larger terminals here because they can't supply chassis. We're working two gangs on ships today when we should be working six and seven gangs because we have nowhere to discharge containers.

We have containers that are what we call stockpile. I can remember if a terminal operator had 10 containers stockpiled out of an area where they can't deliver, it was an absolute catastrophe. Today we have thousands that are outside the transfaner delivery rows because we don't have chassis to deliver them.

This isn't our fault. In some of our terminals we have guards that have to remain in what we call a chassis pit because the truckers wait for chassis that are coming in. Then when a chassis comes in for a certain line, they'll fight for that chassis because they've been waiting there, sometimes hours, for that chassis to come in. A guard has to determine who was there first.

The truckers looking at this, I'm not sure that they understand that this isn't us. We don't own these chassis. These chassis belongs to our customers or our customers had leased them from somebody who's supposed to be supplying them.
I can tell you that in Southern California specifically, if there was the required amount of chassis much of this problem would go away.

Another part of it is when we started this day and night operation, the same truckers in a lot of cases drive day and drive night. There was not a dedicated day shift and a dedicated night shift for truckers. We have to pay people 8 to 10 hours a day when they come to work. If you look at the terminals from 8:00 to 10:00 in the morning, it's empty. No trucks there. Years ago before PierPASS or any other port, if you go at 6:00 in the morning, sometimes they line up the night before. There's a huge amount of trucks waiting to come in when the terminal opens.

Today there's not very many at all because they worked at night. Then they come in at 10, 11 o'clock, and they work for the rest of the day, and in most cases after lunch at 10, 11 o'clock, they go home.

In the meantime, we're paying full shifts. At 8 to 10 hours a day, $1,000 to $1,200 a person, 100 to 130 people, 8 hours, not 6 hours and not 5 hours. We need the trucking community to have a more even flow of when these trucks are going to come in.

Now, that being said, the problem is much better today than what it was when we started a couple years ago, but it's still a problem. If you come to our terminals at 11 o'clock tonight, you won't see many trucks there. If you come to our terminals tomorrow at 8:00 in the morning, you won't see very many trucks there. If you come to the terminals at 10:00 or 11:00, you're going to see a line of trucks there. You come at 3:30, 4 o'clock, you're going to see a line of trucks.

We can't man up labor for spurts during the day. We have to have even flows throughout the day to make any sense financially to be able to service these truckers.

Now, as I said, I can go on about other things too, but these are the two major items. It's items like that that we need to discuss. I'd like to suggest that we have these kinds of meetings between people like us and truckers.

Truckers need to know we're not against them. Believe it or not, we're trying to make money like everybody else. The system today in this industry is difficult to make money. We're all in the same boat here. We're not making a boat of money and not trying to do the job. We're trying to survive like everybody else, and I think terminal operators are trying to survive; all of them.

I just felt the two things, number one, again, PierPASS has done a wonderful job as far as we're concerned because we get reimbursed. We were worried about from day one how we were going to get reimbursed. PierPASS has been very fair and reasonable and accurate on how they reimburse terminals for the night work.

You hear the 24 hour, 7 days. We can't operate two full shifts, as I said. How are we going to operate three shifts? It's good to say we want to be open 24 hours, 7 days, but we have to figure out how that's going to happen. Today, we're open two shifts; we're maybe working a shift and a quarter.

I think that's about it, and I appreciate you listening. Thank you.

CHAIRMAN CORDERO: Ed, thank you so much for your comments and your views, and I think in the spirit of what we have today is, again, this interest of all working together and collaborating and studying the very important issues. The common objective is that we move towards efficiency and address cost issues and so forth.

Thank you again for particularly taking the time to fly in.

Now, as we move forward, I would like to invite you, the public, to make the commentary. Having taught at the community colleges for many years, it's always interesting when you open it up because, by our nature, no one wants to be the first one. Oh, well, there you go. We have one.

Let's start. I'm going to put a 3-minute cap. I'm going to be real tough on that because I foresee we probably have a number of commentators. Moving forward, I just want to make
sure everybody has the opportunity to speak. The only thing I would ask is state your name for the record and the company or association that you're speaking on behalf.

MR. NEVAREX: My name is Ernest Nevarex. I will speak for myself only, but I have a lot of my friends who are truck drivers for decades, and some who are organizing.

I'm going to put most of my detailed comments in writing. You will get it. First I'm just going to blip out statements.

First, the trains. Very little has been said about trains, except you did mention it in your opening remarks. After 40 years, we're doing oil export; one million barrels a day. The trains are moving oil. They're no longer moving containers, especially in the northwest.

You have all this grain that's starting to rot, so it's going to start moving through the harbor here. We might need elevators or they're going to have to put in containers. Please do not underestimate what is happening with oil. Oil is moving by rail. Containers are going to pile up.

As for trains also, I heard that one of the lawsuits got dropped in the federal court in Pasadena recently. It'd be nice if the port across the harbor dropped their lawsuits too so Skig could be built.

Some things that have been happening is the talk about quartz. I stood here 26 years ago and talked before Ira Distenfield. These workers are employees that are misclassified. People laughed 26 years ago.

The Ninth Circuit Court of Appeals last week decided in a published case that FedEx drivers are employees making deliveries. That applies to the L.A. Harbor. In fact, at the rails you heard about HUB. About 400 truck so-called owner-operators -- they're now employees. What's going to happen in the harbor? Now drivers are employees, and then you have preemption.

Interstate commerce doesn't have to follow state law? Uh-uh. Pack Incur State Supreme Court last month: No preemption on labor code. Drivers are employees. The lawsuits. Gosh, the lawsuits. People here got sued by six drivers last week. Other people have their dispatchers dispatching trucks even though they have labor contracts. It's all going to stop.

We need efficiency. It's going to be tough at first financially. It's going to be a hit. It's going to be chaos. When there's chaos, workers organize. You will go through economic chaos unless you are ready. It's going to apply to California. You, as a commissioner, have to make sure it's all even across the nation.

It's going to hit California hard. Workers are excited. In fact, even labor unions have to recognize truck drivers have a right. My colleague, Mr. Cleary, says that up to 6 hours in the harbor there's no contract for the work. The ILWU has to recognize port drivers doing staging on port property need to be included in talks.

Finally, trucking companies have no written contract with the terminals on how the work is supposed to be done. The UIIA is only a contract for leasing of equipment on a daily basis. There is no contract on how to do the work by the trucking companies. That's what's missing. There's no contract for the workers.

Once they leave the control of the trucking companies, they're under the control of the terminals. They do 6 hours a day under the control and direction of terminal staff --

CHAIRMAN CORDERO: Ernesto, your time is up.

MR. NEVAREX: Okay.

CHAIRMAN CORDERO: I do apologize.

MR. NEVAREX: Drivers need to be included in the contract talks between ILWU and PMA. Thank you.

CHAIRMAN CORDERO: Thank you very much for your comment. One of the things I referenced this morning was the fact that this is a national issue involving many stakeholders, which includes the railroads. The issue of congestion in our nation, our potential crisis with regard to that, also, as I mentioned this morning, involves long-
haul trucking and what's going on in the intermodal yards throughout the country. It's not unique to this region, and it's not something that we're restricting in our analysis.

Last, just to correct for the record, with regard to the Skig litigation, just for the record so we're clear, the court's not involved on that. I think you referenced the port; they're not a party to that. I know what you were referring to, but again it's evermore important to make sure that as the port PA move forward and we recognize the urgency of infrastructure, including intermodal and railroad projects.

Next speaker, please. Yes. Again, state your name for the record and your association that you represent.

MR. CORONA: Yes, sir. My name is Juan Corona. I've been a truck driver for more than 20 years. I'm 53 years old, and I don't know where I am going to end up with this kind of job. I've been misclassified all this time because I didn't know. I'm ignorant of the laws of the U.S.A. I just want to let you know that I worked last week 3 days, and I got paid $16 for those 3 days because I'm fighting for this. I worked 3 days, and I end up with $16. Also, a lot of my coworkers got fired. I don't know if you remember. We were here in (inaudible), but he's not going to have retaliation against us, and 32 of my coworkers got fired a week or 2 weeks ago. I've been misclassified all this time because I didn't know. I'm ignorant of the laws.

The lady got married with a veteran, and he gets a monthly check, he's got medical, he's got everything. He's been (inaudible) for 2 or 3 months, and I've been working here for more than 20 years, and I can't afford anything. That's all I can tell you. Thank you for --

CHAIRMAN CORDERO: All right. Thank you so much for your comments. As you heard this morning, I think stakeholders are very much key to the fact that turn times is an important issue. Hopefully as we move forward, a collaboration of some of these questions -- I think the truck turn times are very important. This then translates to the opportunity for truck drivers, be it an employee or independent contractor, to be more of a beneficiary on that.

MR. CORONA: Thank you.

CHAIRMAN CORDERO: Next speaker, please. Here we go. Thank you. Then we have the gentleman back there. You'll be right after the young lady. Thank you so much. Your name and your association?

MS. LANGFORD-COTY: Sandy Coty. I'm representing Los Angeles Customs Brokers & Freight Forwarders. Just wanted to point out we're seeing 9, 10-day delays on VACIS exams at the ports. We think it's related to the chassis issue.

One of the questions we had for the ports is if you know a container's targeted for an exam, it's targeted prior to the vessel arriving. Therefore, is it not important to put a container that's targeted to be a potential risk directly onto wheels because it can't go through the radiation portal if it's not on wheels, right? We had containers of fresh fruit that have spoiled because we can't get them through the VACIS, and most of them have agriculture holds, etc.

The other issue we have is one of our ports, part of their tariff does not charge demurrage on exams for certain holds. The other port does not have this as part of their tariff. We do work with the other port to get the demurrage waived, but that takes a lot of time, a
lot of effort, and delays.

Just something to point out whether the
FMC would consider not allowing ports or carriers
to assess demurrage on containers that are
targeted for exams across the whole country, not
just here.

We are also big proponents that the FMC
should work with the carriers or the trade
community with the supply and the quality of
chassis. That, as we've heard, is a huge issue.

The appointment for the port truckers
that are delayed 5 hours. They make their
appointment, they show up, and they get turned away
because they didn't get there in time because they
were in line. They can't get there if they're in
line. We have an experience of a trucker, three
turns it took him to get in and get a container
out. That's 15 hours to get one container out.

We have the misfortune of then having to make the
phone call to our customer to tell them the
container didn't come out. Obviously it affects
them. They didn't meet their delivery. They may
not make their cutoff for their deliveries, and
they get deductions from their customers, etc.

It's been a huge cost to us to
facilitate, make the appointments, pay the
demurrage, pay it again, pay it again, call our
customer to tell them it didn't happen even though
we were promised the container was going to be
staged the next day. It reflects poorly on us as
a brokerage or forwarding community that we can't
deliver for something that we have no control
over.

Just real quick, in addition to the cost
you were speaking of to us, being part of the
middle man between us and the trucking companies
was a source of revenue for us. We could get
involved with the drey and help the customers that
didn't have a drey company. Now it's become to
difficult, we get additional bills down the line
because of chassis pulls and -- that we weren't
expecting. It's become an administrative
difficulty for us, and it adds a lot of cost to
our transactions. I just wanted to point out that
all these things affect our bottom line as well.

Thank you.

CHAIRMAN CORDERO: Thank you so much.

Sandy, you touched on the issue to merge, and not
an issue that's restricted to the local area here.

When we talk about congestion and factors that
lead to congestion, one of the effects of that and
impacts of that is costs like demurrage. The
National Custom Brokers & Freight Forwarders
Association of America, as you are fully aware who
they are, they have raised that issue in terms of
demurrage. It's something that is a discussion on
the eczema and the West Coast.

Next speaker.

MR. WRIGHT: I'm Joe Wright from Mazda,
North American Operations. Just wanted to make a
quick comment. First, I appreciate this forum,
and I'm glad that all the stakeholders are
together to try and resolve this.

I just wanted to give a shipper's
perspective, and many of my peers in the car
industry or other industries, shippers as well,
commentary on behalf of Mazda. The perspective of
the shipper is very, very important, and I think
clearly at the end of the day the concern is to
get the product to the market and the whole chain
and movements in terms of what’s involved with
that including cost. I appreciate your
perspective on that. Like the railroads, it’s an
very important part of the dynamic and the
dialogue that should occur.

Next speaker.

MR. CAMACHO: Good afternoon. My name
is Pablo Camacho. I'm with the Teamsters union.
You guys are talking about turn times. That's
great, but in no way is that going to help the
driver. When the companies are misclassifying
their employees and paying them by the load, the
company determines how much money they're going to
make whether they do 20 turns a day to 5 turns a
day.

You have companies like Toll. Toll is a
company that's legally classifying their
employees. They're paying them an hourly rate,
which is what it should be, and you've got
companies that are not. How is it a company like
Toll can be profitable when you have other
companies violating the laws and the port is
allowing them to do that? Because they have to
abide by all federal and state laws, which they're
not. The mayor called for cooling-off period for
the recent strike. The cooling off period was
violated.

You, sir, were in charge of
investigating it. As of now, the company's
getting more aggressive. They fired 33 workers.
Why? Because they're standing up for their
rights. Yet, they're still allowed to come in and
out of the port. I just don’t understand. You
guys have to really look at that.

We want good companies like Toll to
survive. They all need to be on the same level
because these companies are not paying 8 to 10
hours a day to these drivers except for Toll.
Toll's doing the right thing. Toll's profitable.
Toll's surviving. Why aren't the other companies?

Why aren't they doing the right thing? (inaudible)
just got hit with -- they owe $900,000 to 14 other
drivers. They've got another 30 pending. Where
is this going? You guys need to look into this.

CHAIRMAN CORDERO: Thank you very much,
Pablo, for your input. Let me say again, so that
we don't lose perspective of the reasons why we're
here and what the FMC can or cannot do, the FMC
does not investigate labor-related issues. Just
to correct that for the record, that’s not what we
do at the FMC. We’re concerned about congestion
inefficiency at port authorities.

Part of that discussion, as we've heard
this morning, does include the sensitivity with
regard to the ultimate result of a driver, whether
you’re an employee or an independent contractor.
Much specific to the discussion has been PierPASS.
We have not been lost sight of the fact
that we have driver issues. A large part of that,
whether it's long-haul or short-haul, is the fact
of addressing the issue. But that's not what the
FMC does, and certainly the purpose of this forum
is not to address that issue in specificity. I
just want to make sure we keep our eye in terms of
what the objective is.

Next speaker, please.

MS. AGUIRRE: Good afternoon. My name
is Jacqueline Aguirre. I am 46 years old.
CHAIRMAN CORDERO: Who are you
representing? Who are you with?

MS. AGUIRRE: I'm a driver from TTSI,
and I'm here to let you know what's going on right
now with this company. This company is making a
lot of bad things to everybody. In this case, I
feel very sad today and very angry, and I have a
lot of things in my heart I don't know how to
explain. But the company took the truck on Friday
from the parking, and we made a deal with them.
I'm going to bring the truck on Monday, I told
them, but they took it from Friday. They took out
from the parking. Then 2, 3 hours ago, I went
there, and I said to them, please, can I have my
checks, and I get the keys from the truck? The
owner, Victor Larosa, say, I'm not going to give
CHAIRMAN CORDERO: Jacqueline, let me interrupt, if I may. Let me first of all say, thank you for your concerning issue and your input, but again I just want to make clear, and what I don't want this to turn into is a labor discussion in terms of what you just said. I don't want to get into a discussion talking about any particular company or individuals on the negativity side. Bear with me, it's not that I'm dismissing the importance of the issue that you're presenting, but this is not the forum to do it.

You heard this morning that we're here to collaborate within the industry. This port complex is known to exercise their leadership. We're here on the issue of congestion and as it effects the nation. I want to keep our focus on that. Again, I don't mean to be dismissive or rude on this issue, but if we start going off-track, then my job is to keep us focused. Then we're not doing a service in terms of the issue, in terms of why we're here. Having said all that, thank you so much for being here.

Next speaker, and hopefully we can chime in more with what the subject matter was this morning, and that is how you as a stakeholder see your view and solutions to the issue at hand, which is efficiency, congestion, and improving connectivity. That's what the FMC's concerned about, ensuring that we have an efficient, reliable transportation system whether bottlenecks within the port or outside the port. That's the issue, and that's the focus here.

Next speaker, yes.

MR. VALENTINA: My name is Hector Valentina from Tom Green. I heard your main concern, and we all have the same concern. Moving to a 24/7 operation, I'm not sure that's going to 100 percent fix the problem. Becoming like us, we had to put more people onboard, hire more trucks, more fuel, then it becomes an expense to us.

This problem went back starting from June. From June to today, we've been spending almost 300,000 in initial labor costs that we're going to never recover. We will never recover the loss. Unless at the end of this meeting decides what are we going to do, tomorrow we'll be back in the same problem, waiting in line, paying more overtime. There's only so many hours a driver can work, and going 24/7 might not fix the problem.

As Edward said, there are only working 8 hours and a quarter. Where are the other 6 hours going? (inaudible) lunch time they (inaudible) 6:00 a.m. to 4:00 a.m. in the morning. It's nonstop. Then there might be additional hours and us drivers -- I don't mean the drivers -- (inaudible) and do no work. But I don't think 24/7 is going to be the key because I don't know (inaudible) that (inaudible) shortage of drivers. I mean, years ago, (inaudible) hire a driver. He goes to another driver, and he learns how to go into the terminals. Today terminals don't allow that anymore. You have to be educated and know how to get in and out of the terminal. (inaudible) 15 drivers that we've been trying to get for a year. Because the terminal will not let us take a driver and be trained. Now, when you talk about mechanics and training.

We need to have someone to do these things. (inaudible) to get more drivers trained. We can hire 10 drivers, but they had no experience in a port. (inaudible) going nowhere. (inaudible) extend the day longer. I mean, just had 10:00 p.m. or went on lunch at one time, I can (inaudible) I told you, for 3 hours waiting for them to finish their lunch. They can't leave because when they leave the terminal they have to start their cycle all over again. (inaudible) we're not looking at how many hours (inaudible) terminal's operating.

CHAIRMAN CORDERO: Thank you for your comments. We appreciate it. Next speaker.

MR. SMITH: My name is Burke Smith from Dependable Highway Express. I wanted to react a little bit to the comments from the gentleman from SSA. I apologize; I forget his name. But I think what we see here very often is finger pointing, and we all know that. Terminal operators are...
pointing their fingers at the truckers. Truckers are pointing them back at the terminal operators, the steamship lines, everybody. I think if you look back to what happened with the Clean Truck Program, you see the power of a standard and setting a benchmark and putting it in the future and letting folks work towards that in the marketplace. I would suggest that’s what we need here. We need someone, whether it's the ports or the federal government, to provide that standard.

Everybody who comes up here shares one thing: We're all claiming poverty. The companies, the terminal operators, the steamship lines; no one's making money -- maybe only the ports. Nobody has a giant pot of money, but over time, if we all know what the standard is -- and I would suggest that standard needs to be a turn time standard from queue to out gate -- if we could set that standard, perhaps 4 or 5 years down the line.

Contracts can be adjusted. I hear SSA say, we don't know who's going to pay for it. Those contracts aren't set in stone with the steamship lines. If they know that they have to service the freight at a certain level, the contracts can be adjusted over a period of years. The steamship lines should bear some of that cost. Obviously they're going to pass it through to their customers. Perhaps the terminal operators should bear some of that cost. The truckers maybe bear some of that cost.

All I can tell you for sure is truckers were mandated to buy new trucks, and I don't really know anybody in our industry who's making money. The drivers, the companies, nobody. They're going out of business. They're losing companies every day, every week, every year because we can't survive in this environment.

The port's still here. Terminal operators are still making money. Steamship lines are doing much better. The truckers are going out of business. Our drivers can't make a living. That's very clear, very real, and it happens every day. I know a lot of folks around the harbor who've gone out of business, who are going out of business. Something needs to be done. We can't talk and talk and talk. Something needs to be done or freight won't move.

I get 400 emails a day. Probably 50 of them are folks looking for a trucker to move their freight who can't find one because there aren't enough trucks. There aren't enough truckers willing to do it. They're all too busy.

Back to the commentary from the terminal's side, one of things the terminals tend to say is everybody shows up all at once. Why have 60 trucks in my fleet? We do have two shifts on our trucks, so they're operating 23 hours a day.

What would you have me do with my truck between 5:00 p.m. and 9:00 p.m. or 5:00 p.m. and 11:00 p.m. when the terminal is too busy to serve those trucks? Am I supposed to have that truck sit? That seems to be the implication from the terminal operators is that you all should have

...
could absolutely confirm this -- the more you could absolutely confirm this -- the more you debate and point fingers, other people are getting debate and point fingers, other people are getting ahead of you. International communities ahead of you. International communities specifically. That's why I recommended this book, specifically. That's why I recommended this book, Sea and Civilization, and other books that point Sea and Civilization, and other books that point to the fact that this is about the globalized to the fact that this is about the globalized world as we know it today. world as we know it today.

Hopefully we get to the point -- as Hopefully we get to the point -- as Congressman Lowenthal referenced, we need to raise Congressman Lowenthal referenced, we need to raise the bar. I think with that, all these issues of the bar. I think with that, all these issues of congestion deal with all the stakeholders. The congestion deal with all the stakeholders. The more we get involved and collaborate, I believe more we get involved and collaborate, I believe that we're going to get things done in the nation that we're going to get things done in the nation here in the interest of everybody. But it's not here in the interest of everybody. But it's not utopic. That's the goal. Not the pointing utopic. That's the goal. Not the pointing fingers and getting into these debates that aren't fingers and getting into these debates that aren't going to go anywhere. Thank you very much for going to go anywhere. Thank you very much for your perspective.

Next speaker.

MR. GOLDSHIED: My name is Emanuell from MR. GOLDSHIED: My name is Emanuell from Amazon Trucking Distribution. I'm the owner of Amazon Trucking Distribution. I'm the owner of the company. If I had half an hour I would the company. If I had half an hour I would explain what is the problem, what is the consequence, and what is the solution. But I explain what is the problem, what is the consequence, and what is the solution. But I don't have half an hour, so I'll try and briefly don't have half an hour, so I'll try and briefly explain what is going on.

Because of the long line, we cannot Because of the long line, we cannot return empty containers. I myself, I wrote return empty containers. I myself, I wrote checks, over $80,000 per diem, and that's not checks, over $80,000 per diem, and that's not including the chassis fee. I estimate that out of including the chassis fee. I estimate that out of my pocket, I wrote checks for over $110,000 or my pocket, I wrote checks for over $110,000 or more for paying the chassis fee.

Because there are so many containers Because there are so many containers outside the port and not enough inside the port, outside the port and not enough inside the port, it's affecting the real estate. The load for it's affecting the real estate. The load for weight 1 or 2 years ago, you can find parking for weight 1 or 2 years ago, you can find parking for -- I'm sorry -- (the square feet. Now it's 18 -- I'm sorry -- (the square feet. Now it's 18 cents.

Warehouses 2, 3 years ago, their Warehouses 2, 3 years ago, their warehouse's rates was 50 cents per square feet. warehouse's rates was 50 cents per square feet. Right now I give Enofil 75 cents per square foot, Right now I give Enofil 75 cents per square foot, and they came back to me 85 cents per square foot. and they came back to me 85 cents per square foot. They can see rates around the port right now. They can see rates around the port right now. It's less than 2 percent basically because the big It's less than 2 percent basically because the big line because we cannot return empties.

I don't understand how many countries in I don't understand how many countries in the world got automated terminal. In Germany, the the world got automated terminal. In Germany, the terminal is automated. There's no people. You go terminal is automated. There's no people. You go to the speaker. You punch your container. The to the speaker. You punch your container. The time you go under the crane, the container is time you go under the crane, the container is loaded. You're often in and out. In this regard, loaded. You're often in and out. In this regard, we are a third world country.

CHAIRMAN CORDERO: Sir, thank you so much for inputting your comments. Next speaker. We talk about it. We all know if we have a bucket and we're pouring water in it, eventually that bucket's going to fill up, and we're going to need a bigger bucket. I apologize if I offend anyone, but everyone has different points of view. We've talked about widening freeways. We've talked about different things to help us deal with the congestion. I understand volumes increasing, and I'll assume with the two of you gentlemen here you're not telling anyone to take their freight to other ports. I'm sure you want to retain the business.

I just wanted to make the comment people have had different views of having the ports open 24 hours. With the volume and the structure we have and all the folks we have that live in the Los Angeles area, how can we not look at that? I think that's one that we have to consider because we're busting at the seams right now. The only thing that could possibly open up is to open up that window. I'm not the expert. You guys know more about this than I do, but I think the path of least resistance -- I think we have to consider the 24 hour, 7 days a week.

CHAIRMAN CORDERO: Thank you again, Joe, for your comments. Yes, the gentleman here in the front.

MR. CURRY: Thank you, Chairman. My name is Rick Curry. I'm with Gateways International in Seattle, Washington. We're owned by the Paisa Group who is a steamship vessel operator, port operations, and have offices
throughout the world. But I'm representing the International Association of Movers today; household good business based in Alexandria, Virginia. We have 2000 members in probably 170 countries throughout the world.

The issue that's been brought to our attention is that the Port of Los Angeles and Long Beach, its examinations -- I've been in the business 42 years -- having inbound examinations has always been there and not an issue. But we're having export examinations now, and several of our members contacted me last week, being on the Board of Directors of the Association, and they asked me to bring it up to you that these examinations are costing up to $30,000 for each one of these members.

Obviously that's a concern, and that cost is that the shipment has to be examined, it has to be taken out. If it's household goods, it's professionally packed when it goes into wooden crates or into a steamship container. When it's brought out, then it's put back by nonprofessional people. Damages occur, delays, and the cost of all that is not -- the freight forwarder has to bear that cost. They try to pass it on to the shipper and they say, why? There's no reason.

I can understand if it was going to some third world countries like the Department of State handles, but several of them have been Costa Rica and some other areas that certainly aren't a concern. So, I would like to involved. I live locally even though my operation's in Seattle. I'd be very happy to work with the ports to look into it. Thank you for your time.

CHAIRMAN CORDERO: Thank you, Rick, for your comments. Next speaker. Gentleman in the back.

MR. LAXMANA: Thank you, Mr. Chairman. Good day. My name is Sri Laxmana. I'm with C.H. Robinson. We are registered NBOCC.

There's a lot of good comments being passed on today, so I'm not really going to pile on that too much. Being an NBO, small to mid-sized customers are who we primarily represent, and the one issue that has been raised, as my colleague, Sandy, mentioned earlier, is the issue on demurrage.

I think it's worth saying as well what if our contracts with the steamship line, if they are CY to CY that's filed within the contracts, if a container is not made available for pickup, I fail to see how that demurrage charges are being passed on down to us, ultimately down to their customers. I think that's certainly something that needs to be addressed, and we are definitely passing on a lot of these charges, but that seems to be the main complaint. If a container is not made available, why are they getting charged?

I know for a fact that if it's a steamship that (inaudible) a lot of these charges are not being passed on. That's the main thing I just wanted to highlight and perhaps something worth looking at.

CHAIRMAN CORDERO: Thank you. I know your company is a big player in the industry, so what you say really comes from not only valuable experience, but on-the-ground experience with regard to the movement of these issues.

I will say that when you talk about congestion the results are costs like surcharges, and I think again, ultimately the goal is to find a way of getting there. Demurrage is not an issue isolated to the West Coast. It's an issue that is impacting our gateways.

You may have to subdivide that with two types of demurrage, so to speak: The customs hold, which is another issue altogether, and then demurrage that comes from other factors. Either way, it's an issue that needs to be addressed as part of this congestion question and the ramifications and consequences of bottlenecks.
number of meetings like this. I've been in some working groups that came out of meetings like this, and basically afterwards nothing has happened. There has been no progress, been no change.

My request is that the two executive directors get together with the Federal Maritime Commission, come up with some type of working group that has your sanction that has a mandate, some juice, and accountability. Put that together and get us started on the path we need to go.

Thank you.

CHAIRMAN CORDERO: To the point. Let me add to the fact that ultimately -- for example New York, New Jersey. The issues that we're discussing now are very much issues that they have discussed. To Howard's point, they recently put forward a Port Task Force Performance study addressing these issues and the roll-up-our-sleeves approach, now here's what we need to do. This port has done that largely in some of the cases that you heard this morning in other areas.

Now, to put this in perspective, let us not forget what has been stated this morning: These ports are seen as the leaders. As you know, the Journal of Commerce the last couple years kept track of port productivity and with their studies have found that the Port of Long Beach is the number one productive port in the Americas; Port of Los Angeles, right up there. I want to make sure we don't lose the perspective here that you have ports, you have the wherewithal, as you've mentioned, to get things done.

Let us not forget, without being redundant, the Clean Truck Plan. You remember back 2003 and '04 and how problematic that was, and the rest is history. I think in much the same view and a parallel view, hopefully we get this group energized enough that I am sure that all our efforts will bring these issues to light in the best interest of the nation. Next speaker.

MR. BROWER: That's me. Ryan Brower with Weber Logistics. Let me first say that I'll agree with all the cooks in the kitchen it's amazing that there aren't more grease fires in our industry. It's a testament to everybody that's involved. It's a very good operation; I have to say that. But we're here to address certain issues, so here goes. I have three for your.

One, and I don't know if you could answer it, but how we can be charged demurrage when the ports aren't open. I'd like to know how that's justifiable.

Number two, it's the 21st century. On Friday I had seven containers at SSA Port that were Maersk containers, and I was told that in order to get them cleared I'd have to either issue a wire or a hard check or money order, cashier's check, but not to the port in Long Beach -- to SSA in Salt Lake City. I had to actually guarantee today's demurrage as well because of the one-day transit in the U.S. Postal. That one blows my mind away in the 21st century.

A little bit more general, what we'd like to see from the steamship lines. We have to stop granting the big box guys 30 days of detention-free time off-dock. They're holding onto chassis for weeks and weeks. These guys have 500 to 1,000 containers a week, and they're holding chassis for multiple weeks. You want to address a major issue right away? That's one place to start. Thank you very much.

CHAIRMAN CORDERO: Thank you, Ryan, for your comments. Next speaker. There's a lot of people in this room.

As we move forward, I think you all have heard a very interesting discussion and commentary. Being part of the government in my position, I recognize the commentary by some who feel that -- are we just talking or is there going to be any action? I will tell you this: There's a lot of people like the Congressional representatives you had this morning in Congress who do care about this. But in a Congressional arena, the federal agencies I reference my discussions with MARAD and the DOT. We have some of our staff here, key people from the Federal
Maritime Commission. There are people who earnestly want to be part of the solution, and that's why we're here; to hear potential solutions.

More importantly, many of you know that I do have a port authority background having been a commissioner for 8 years. I know that you know how important the port authority needs to be a part of this discussion. Whether it's the West Coast, the Gulf, the Southeast, or the Northeast, which is why we're doing the forums at major gateways.

I just want to put it in the proper context. As the last gentleman referenced and the speaker before, let's not lose sight of the fact that we've done, as an industry, a lot of great things. I've had the opportunity to go to other parts of the world to have discussions with regard to port-related operations. Everybody looks to this country in terms of a model in many areas and more particularly in terms of ports. Sustainable development now is a discussion that -- its policies very much relates to this about what we can do.

I'm just trying to put out a sense of optimism here that I really, passionately believe that this can be done. The FMC is not going to do it alone. You are a major part of it, but it's a Federal Maritime Commission -- emphasis on the word maritime -- we would be remiss not to go out and have this dialogue.

I am confident that we have two executive directors who are here. As I referenced before, they have set aside the whole day to address this issue. I say that only because, believe me, I think everybody, including the people who took the time to testify this morning, these panels, are very serious about addressing this issue.

I'm going to give the opportunity to whoever else wants to make comments. I know that the nature of some of these public forums people are rather hesitant. Frankly, as I mentioned, the railroads and the shipping industry, I know what their opinion is on this. I've received emails from entities who wish that they could be here and are very supportive of what we need to address. I know what their views are.

The fact that I'm here in front of this podium should not represent that anybody in this industry is dismissive of what we're talking about. But it gives you the opportunity, the public, to chime in and put pressure either on the FMC, on our Congressional representatives, on our port authorities, and our stakeholders overall to really realize how important this issue is. From my perspective, it's a prime issue that I believe there's a significant national interest to address on behalf of international ocean transportation system.

Any other people who wish to address the topic? Yes. Technology, right? Very apropos. Thank you for taking the time and coming up. I hope I motivate you to come up.

MR. NORONHA: Good afternoon. My name is Val Noronha with the Digital Geographic in Santa Barbara. I have a very nice job. I have GPS on a couple hundred trucks in L.A., and I play video games all day. I see them moving on my screen, I see the congestion points, and I see the times. From time to time I get inspired to write about it, and I wrote about it recently, and, Chairman, I have sent an email to the Secretary of the FMC. I'm sure you'll get that with a link to my article, and it was covered in the Journal of Commerce a couple of weeks ago as well.

The reason I'm here is I'm enjoying the opportunity to speak to both of the executive directors of the ports as well as you, Mr. Chairman. Many speakers today have expressed the joy that we are here talking together with all the stakeholders in the room, and there have been relatively few occasions, but many enough in the past. Occasions on which this has occurred in the past, and one of those was the Turn Time Stakeholders Group that was constituted about 4 years ago consisting of both ports, the LMCS, the MTOs, and the BCOs. They were all together.
They made a tremendous amount of progress. They came to agreement around the report that I wrote -- little plug -- but they came together. They saw the commonality in this. They saw the signs, and they said, all right, this makes sense. Let's go to the next step.

For various political reasons, that effort got torpedoed. It never recovered from that torpedo hit, and Chris Lytle, Sean Strawbridge got together and tried to make something happen maybe 2 years ago. Again, the ports did not come together to make that happen again because of the big torpedo that hit.

I think we have learned from that experience, and I think we can -- we must reconstitute that group. I'm with Howard on this. Howard had just suggested that there needs to be a dual port for community organization of some sort. I'm not sure what you call it, a stakeholders group, that can see the ports working together on common issues.

There are numerous issues to be addressed: Turn time, understanding and what to do about it; the technology, integrating the technology, making sure that the technology has a strategic plan, and that we don't have one terminal doing this, another terminal doing that, all with very good intentions, but on their own corporate silos without any integration so that the truckers are following different rules depending on which terminal they're calling at.

I could go on for a long time. I'm going to keep this short. We need a good, strong leader. We need a czar. Jim and I would have recommended you except that you have a day job, but there are men like Gill Hicks, the father of the Alameda Corridor, people who have had great success, people who are respected in this community, who, I think could lead us again. Gill also has a day job with Cambridge Systematics now.

I think that's about it. That's all I want to say for now. I completely agree with Howard and I want to second that there needs to be a coming together, a place of authority with a strong leader and a set of ground rules. I think a lot could be accomplished that way, and I think that would be a model for other ports in the country as well. Thank you.

CHAIRMAN CORDERO: Thank you so much, Val, for your comments. Now, we have allocated to be here until 4 o'clock. It is now 3:15. Unless there's any other people who desire to come to the podium as I see that we may have concluded now the commentary, unless I see anybody raise their hand.

I'm going to move forward to my closing comments, but before I do that -- I know this is not part of the script and the agenda, but I will say I'm going to allow both Gene and Jon to just make some closing comments because, again, despite what the obstacles are -- I'm preaching to the choir. You know the history of this port complex and what they've been able to achieve going back to the early 20th century. There's nothing that cannot be accomplished if the political will of the stakeholders could collaborate and come together and move in that direction.

Simply said, all I could tell you from this position would be in Washington, others are. That's something you need to really think about, but I'm sure you are aware that I'm addressing this issue about, well, we're going to be debating this forever and ever here.

With that, let me give, again, much appreciation and thanks to Gene Saroka for being not only visionary in terms of what he thinks we could do about this, but also hosting this at his port, and then give it to Jon for a couple comments to give him the ability of these executive directors to give some closing commentary in terms of what's been heard today.

With that, Gene?

MR. SAROKA: Chairman, thank you, and thank for the organizing not only by yourself but by your staff to make sure that as we put the program together today it was also uniquely visible that staff followed up with everyone who stepped up to the podium for further content,
follow up, and dialogue. I know that folks here and those observing greatly appreciate that. Thank you.

CHAIRMAN CORDERO: Thank you so much, Gene. Again, just for those of you who were not here this morning, the staff being Mary Hoang, the Chief of Staff of the FMC; Tyler Wood, Deputy City Counsel, Rebecca Fenneman, who is a director of CATERS, and Roy Pearson, one of our economists in the Bureau of Trade.

I could tell you without a doubt or hesitation those individuals have put a lot of time and years into this maritime discussion. As Chairman, the success of the FMC has been dependent on people like these individuals who come here and they do the work. These aren't government employees who are just skating, and I'm being facetious because of time's perceptions of government. I will tell you without any hesitation that nothing happens unless the staff does it and puts in the work. You could say the same about these two great ports. With that little editorial now, let me give it to Jon.

MR. SLANGERUP: Thank you, Mr. Chairman. Thank you to everyone here for your candid feedback. That's what I was hoping for; there was an abundance of that. I've taken a lot of notes. I don't know if you've noticed, but I have pages of notes. We do intend to follow up.

I mentioned in the beginning that the ports collaborate very, very well. There's a history of that collaboration. There's a history of results. That only gets enhanced when you've got two new guys with a mission to take our organizations to the next level. Gene and I have had very, very meaningful discussions about this, and we do intend to find solutions to these complex issues.

But when you really look at it, it may be complex, but it really boils down to a core issue, and the core issue is getting things moving through the ports. We are doing, and we will continue to do, everything we can to make that happen. You've got our commitment. I certainly think that Gene would agree with that. We are absolutely committed, and we have the resources and the ability to facilitate outcomes.

There's no excuses for either port to view themselves as merely a landlord port. Because we are a landlord because we do have partners that we work very closely with, we are in an excellent position to help facilitate positive outcomes, and we will not rest until this is solved. Thank you.

CHAIRMAN CORDERO: Thank you, Jon. Again, as I mentioned, we're having four different forums throughout the nation, this being the first one. For those of you who want to keep track of what's being said or what will be said at these other forums by people like yourselves in other regions, keep track of our website.

There's going to be one in Baltimore on October 1st, Charleston, and New Orleans. That way, if some of you are, I'm sure realize but see what's being discussed in other parts of the country. This is not unique to this region, and there are people rolling up their sleeves and our important gateways to make sure that this nation remains competitive at all levels.

With that, I'll read my closing remarks, and we'll conclude this meeting. Thank you again. I will now close the Federal Maritimes Public Forum. Thanks to all for your participation today and for your written comments submitted prior to the meeting.

Contributions for maritime intermodal transportation stakeholders are important to this commission and to our legislators as we contemplate how to improve the efficiency of international ocean commerce. The Commission welcomes further feedback in the form of written submissions to the office of the Secretary. Additionally, please note that the Commission will hold, as I've stated, similar public forums this fall to discuss the ever-important issue of port congestion both on the East and the West as we did today and the Gulf Coast.

Thank you so much, and I look forward to
working with you as we move forward in the interest of common interests to further the maritime needs of this country. Thank you again.

(Whereupon, at 3:19 p.m., the PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

DISTRICT OF COLUMBIA

I, Carleton J. Anderson, III, notary public in and for the District of Columbia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

(Signature and Seal on File)

Notary Public, in and for the District of Columbia

My Commission Expires: March 31, 2017