TRANSCRIPT OF
MEETING
of
STATE LANDS COMMISSION

Los Angeles, California
March 23, 1967
MEETING OF
STATE LANDS COMMISSION

Los Angeles, California
March 23, 1967

*****

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Houston I. Flournoy, Controller, Chairman
Hon. Gordon P. Smith, Director of Finance
(Hon. Robert H. Finch, Lieutenant Governor, absent)

Mr. F. J. Hortig, Executive Officer

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Assistant Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. Edward Farrell, Assistant Attorney for
the City of Los Angeles, Harbor Department

Mr. Leslie E. Still, Deputy City Attorney
for the City of Long Beach

*****
**INDEX**
(In accordance with Calendar Summary)

<table>
<thead>
<tr>
<th>ITEM CLASSIFICATION</th>
<th>ITEM ON PAGE OF</th>
<th>PAGE OF</th>
<th>PAGE OF</th>
<th>TRANSRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Call to order</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2 Confirmation of minutes of meeting of February 23, 1967</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 PERMITS, EASEMENTS, RIGHTS-OF-WAY, NO FEE:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Los Angeles County Flood Control District</td>
<td>18</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(b) Los Angeles County Flood Control District</td>
<td>22</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(c) Dept of Public Works, Div. of Bay Toll Crossings</td>
<td>31</td>
<td>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(d) San Diego Unified Port District</td>
<td>11</td>
<td>6</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(e) George Speckman</td>
<td>25</td>
<td>8</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4 ROAD EASEMENTS (Sec.2004(d)):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) U. S. Department of Agriculture, Forest Serv.</td>
<td>29</td>
<td>9</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>5 PERMITS, EASEMENTS, LEASES, RIGHTS-OF-WAY, FEE:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) American Cement Corp. Catalina Rock Divn.</td>
<td>27</td>
<td>12</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>(b) Connolly-Pacific Company</td>
<td>23</td>
<td>13</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>(c) Josephine L. Rochelle</td>
<td>24</td>
<td>14</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>(d) Ebbie H. Davis and D. L. Dawson</td>
<td>3</td>
<td>15</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>(e) George W. Ladd</td>
<td>1</td>
<td>16</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>(f) Leroy Roche</td>
<td>21</td>
<td>17</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>(g) Standard Oil Co. of Calif.</td>
<td>26</td>
<td>19</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>continued</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### ITEM CLASSIFICATION

**6 OIL-AND-GAS AND MINERAL LEASES AND PERMITS:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Page of Calendar</th>
<th>Page of Transcript</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Union Oil Co. of Calif.</td>
<td>10</td>
<td>20, 2, 3</td>
</tr>
<tr>
<td>(b) Cities Service Oil Co.</td>
<td>7</td>
<td>21, 2</td>
</tr>
<tr>
<td>(c) Pauley Petroleum Inc.</td>
<td>5</td>
<td>22, 2</td>
</tr>
<tr>
<td>(d) Phillips Petroleum Co.</td>
<td>4</td>
<td>23, 2</td>
</tr>
<tr>
<td>(e) Texaco Inc.</td>
<td>6</td>
<td>24, 2</td>
</tr>
<tr>
<td>(f) Atlantic Richfield Co. et al</td>
<td>8</td>
<td>25, 2</td>
</tr>
<tr>
<td>(g) Atlantic Richfield Co.</td>
<td>20</td>
<td>26, 2</td>
</tr>
<tr>
<td>(h) Humble Oil &amp; Ref. Co.</td>
<td>19</td>
<td>27, 2</td>
</tr>
<tr>
<td>(i) Mobil Oil Corp.</td>
<td>9</td>
<td>28, 2, 3</td>
</tr>
<tr>
<td>(j) Mary Jane Pierce, et al</td>
<td>28</td>
<td>29, 2</td>
</tr>
<tr>
<td>(k) Authorization to publish notice of intention to offer 2530 acres T&amp;S land underlying Suisun Bay</td>
<td>12</td>
<td>30, 2</td>
</tr>
</tbody>
</table>

### 7 CITY OF LONG BEACH:

<table>
<thead>
<tr>
<th>Item</th>
<th>Page of Calendar</th>
<th>Page of Transcript</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Exp. of $198,660 for Beach Lots 4 and 5 of Block 50, Alamitos Bay Townsite</td>
<td>2</td>
<td>31, 3</td>
</tr>
<tr>
<td>(b) Exp. $1,092,000 for reconstruction 4 bridges Naples area</td>
<td>15</td>
<td>33, 3</td>
</tr>
<tr>
<td>(c) Exp. $810,000 for lots 54 through 74, Tract 17597</td>
<td>32</td>
<td>36, 3</td>
</tr>
</tbody>
</table>
### INDEX
(In accordance with Calendar Summary)

**ITEM CLASSIFICATION**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CITY OF LONG BEACH: continued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Third Modification 1967 Plan of Development, Long Beach Unit</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>(e) Approval $30,000 for General Subsidence Maintenance</td>
<td>14</td>
<td>38</td>
</tr>
<tr>
<td>LAND ACQUISITIONS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) State Exchange Application No. 68, San Luis Obispo Cy.</td>
<td>16</td>
<td>41</td>
</tr>
<tr>
<td>(b) Exchange No. 63, San Bernardino County</td>
<td>17</td>
<td>44</td>
</tr>
<tr>
<td>MAJOR LITIGATION:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Informative</td>
<td>34</td>
<td>47</td>
</tr>
<tr>
<td>(b) Case of City of L.A. vs. City of Long Beach, et al</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>NEXT MEETING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPLEMENTAL CALENDAR:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agreements settling litigation between County of San Luis Obispo and City of Morro Bay</td>
<td>33</td>
<td>52</td>
</tr>
</tbody>
</table>

********
## INDEX
(In accordance with calendar items)

<table>
<thead>
<tr>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
<th>ITEM ON CALENDAR</th>
<th>PAGE OF CALENDAR</th>
<th>PAGE OF TRANSCRIPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>16</td>
<td>2</td>
<td>22</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>31</td>
<td>3</td>
<td>23</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
<td>2</td>
<td>24</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>23</td>
<td>2</td>
<td>25</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>22</td>
<td>2</td>
<td>26</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>24</td>
<td>2</td>
<td>27</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>21</td>
<td>2</td>
<td>28</td>
<td>29</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>25</td>
<td>2</td>
<td>29</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>28</td>
<td>2, 3</td>
<td>30</td>
<td>50</td>
<td>11</td>
</tr>
<tr>
<td>10</td>
<td>20</td>
<td>2, 3</td>
<td>31</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>6</td>
<td>1</td>
<td>32</td>
<td>36</td>
<td>3</td>
</tr>
<tr>
<td>12</td>
<td>30</td>
<td>2</td>
<td>33*</td>
<td>52</td>
<td>27</td>
</tr>
<tr>
<td>13</td>
<td>37</td>
<td>3</td>
<td>34</td>
<td>47</td>
<td>10</td>
</tr>
<tr>
<td>14</td>
<td>38</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>33</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>41</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>44</td>
<td>4, 7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>27</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>26</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>17</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>NEXT MEETING 31</td>
</tr>
</tbody>
</table>

*Supplemental calendar
MR. FLOURNOY: The meeting of the State Lands Commission will come to order and we will proceed along with the agenda.

It is the understanding at this point that the only item on which individuals have indicated an interest to express themselves is 9(b). Unless that is a mistaken impression, we will proceed on that assumption.

The first item is to confirm the minutes of the meeting of February 23, 1967. If there is no objection, those minutes of that meeting will stand confirmed.

Item Number 3 on the agenda deals with permits, easements, and rights-of-way to be granted to public and other agencies at no fee, pursuant to the statutes if the consideration is the public benefit. We have under that item some five specific applications, and unless there is objection we will proceed to authorize those permits, easements and rights-of-way as outlined in the calendar summary.

Is there an objection on any of those items? (No response) Without objection, they will be approved.

Item 4 pertains to two road easements with regard to the application of the U. S. Department of Agriculture, Forest Service; easements to last forty-nine years or further, so long as they are used for road purposes, which requires our authorization. Is there any objection to the issuance of these road...
easements? (No response) Without objection, they will be approved.

Item Number 5 relates to permits, easements, leases, and rights-of-way issued pursuant to statutes and established rental policies of the Commission -- involving some seven applications for particular types of permits, easements, leases and rights-of-way. Is there any objection on those items? (No response) As there is no objection or discussion on any of them, they will be approved and issued as indicated.

Item Number 6 involves oil-and-gas and mineral leases and permits issued pursuant to statutes and established policies of the Commission, with regard to some ten different applications -- four involving extensions of terms; one, an issuance of a permit; five involving deferments of drilling operations in different cases; and there is an authorization to publish notice of intention to offer for oil-and-gas lease 2,530 acres of tide and submerged land underlying the bed of the Sacramento River, Solano and Contra Costa counties.

Is there any discussion or objection to the approval of those actions under Item Number 6?

MR. HORTIG: Mr. Chairman, item 6(k) in other drafts of the agenda before you has been corrected to read authorization to offer these lands underlying Suisun Bay, rather than the Sacramento River -- the same lands, but an incorrect designation. There has been confusion as to whether the area is properly underlying the Sacramento River or Suisun Bay. The
U. S. Board of Geographic Names has determined it is Suisun Bay.

With respect to item 6(a), may I report that the Boards of Supervisors of all the counties from San Diego to Mendocino were notified of the intent to issue a new geophysical exploration permit. Only the counties of San Mateo, Santa Barbara and Marin responded, acknowledging receipt of the notification, and all three stated no objection.

MR. FLOURNOY: I notice also on the later agenda item 6(j) is a deferment of operating requirements, not of drilling.

MR. HORTIG: That is correct.

MR. FLOURNOY: With those corrections as indicated, and clarifications, is there any further objection or discussion on these items? (No response) Without objection, then, the authorizations will be undertaken for those permits, deferments and extensions.

Item Number 7 deals with the approval of certain expenditures by the City of Long Beach from tidelands revenues as well as some modifications in the 1967 Plan of Development to increase from $170,000 to $240,000 the cost of general storage and transfer facilities; and an additional item of changing the estimated expenditure on the project authorization for subsidence maintenance due to high tides, dike fills, sandbagging, water pumping and utility costs.

I'd like to point out at this time that in approving
these expenditures by the City of Long Beach we are acting
within the authority of the State Lands Commission to deter-
mine and approve that the projects are authorized by law.
In conjunction with that, we have an Attorney General's find-
ing and opinion that each of the particular projects as re-
quested by the City of Long Beach are, in fact, authorized by
the statutes and are actually a determination that these ex-
penses are in accordance with those provisions.

With that clarification, is there any objection or
discussion on these items relating to the Long Beach operation?
(No response) Without objection, we shall so find and approve
the five items on the calendar.

Item Number 8: Land acquisitions -- some two items,
both involving exchanges of lands with the Federal Government;
one in San Luis Obispo County, as well as other lands.

I wonder if you would just briefly, Mr. Hortig,
clarify the situation with regard to that eighty acres in San
Luis Obispo County and the County's position that has been
voiced to the Commission with regard to their objection to the
sale of such lands, if and when the State Lands Commission
does go through with this exchange and acquires title.

MR. HORTIG: Yes, Mr. Chairman. Based upon applica-
tions filed many years ago, wherein private parties requested
the State to consider exchanging certain State lands for other
Federal lands which the private parties desired to acquire and
purchase from the State -- a procedure fully authorized by law,
but on which operations have been suspended as to further applications for at least the last five to eight years by a State Lands Commission directive -- this action before you today is the result of the completion and allowance by the Federal Government and approval of such a proposed exchange.

In the interim, these many years having elapsed, San Luis Obispo County in evaluating future public recreation projects in San Luis Obispo County now feels, and has so notified the State Lands Commission to consider, that even though the State is accepting these lands in exchange to acquire title from the Federal Government, further consideration should be given to the retention of these lands in public ownership.

San Luis Obispo County has no preference as to whether title is vested in the Federal Government or the State, so long as the lands are retained in public ownership, in anticipation of their development or retention for public recreation, rather than having them sold into private ownership.

So the problem presented by San Luis Obispo County will come before the Commission at a later date, after consummation of this exchange with the Federal Government, and a determination made at that time whether the lands should be retained in State ownership or sold into private ownership. That question is not before the Commission today -- only the approval of the completion of the exchange to receive title.
from the Federal Government as to the listed lands.

MR. FLOURNOY: Can you give us any indication as to when this exchange might be consummated if we authorize you to go ahead on this basis?

MR. HORTIG: Immediately.

MR. FLOURNOY: Immediately?

MR. HORTIG: Yes, sir.

MR. FLOURNOY: When would the consideration, then, of the sale or retention of this property come before the Commission?

MR. HORTIG: Probably by the May meeting.

MR. FLOURNOY: Is it not true that the County would have a preferential right with regard to the purchase of this property if they saw fit to undertake that?

MR. HORTIG: This is also correct. However, the County has not suggested that they are interested in purchasing -- but merely that it be held in public ownership and be withheld from private ownership; so that total program will have to be discussed with the County.

MR. FLOURNOY: I am trying to anticipate what would be involved; but they indicated they have no interest in purchasing the property?

MR. HORTIG: No. They have not stated any interest in purchasing; they haven't declined an invitation.

MR. FLOURNOY: I see. I wanted to clarify that status.
MR. SMITH: Mr. Chairman, I would like to have a further explanation on item 8(b) regarding the exchange of property in San Bernardino County.

MR. HORTIG: Yes, sir. This is really basically at the request and for the benefit of the Joshua Tree, a National Monument, in that there are certain State Lands which were acquired by the State under the original vacant State School Land Grant that are within the exterior boundaries or close to the Joshua Tree National Monument; and also other lands which are situated within the Twenty-Nine Palms Marine Corps Base, which was established subsequent to the time the State acquired title to the land.

The Federal Government is, of course, interested in obtaining any holdings within national monuments; and as to those lands within the Marine Corps Base, these are on the books of the State as an asset of the State but totally unavailable to the State of California for development, leasing, or any other consideration because they have a fence around them, with a Marine guard that keeps everybody from getting in. So these lands have been offered in exchange to the Federal Government for other Federal lands which are in areas where it is felt that either by management, leasing, or other type of development, the lands that can be acquired from the Federal Government can be administered by the State to the advantage of the State of California -- an advantage from which we are foreclosed completely with respect to the lands which
are being offered to the United States.

MR. SMITH: Now, the 3,332 acres which would be acquired from the Federal Government -- you are requesting an appraisal of this land if it is approved. Where are these 3,000 acres and what are the potential uses of the lands?

MR. HORTIG: Starting on page 44 of your agenda copy, Mr. Smith, are the details -- including maps reflecting that.

MR. SMITH: If you would summarize it?

MR. HORTIG: Yes, sir. The very last map following the series, indicating "Apple Valley, California," indicating three areas of Federal land -- this Apple Valley is not to be confused; these lands are not in Apple Valley but are in North Lucerne Valley, and they have a potential for development and sale at the present time. These are the Federal lands that would be acquired by the State.

The balance of the lands individually listed consist of the parcel to be surrendered, and which are predominantly, as I stated, within the Twenty-Nine Palms Marine Corps Base, where they are unavailable for administration by the State of California.

MR. SMITH: What would be their potential use upon sale?

MR. HORTIG: Recreational, residential, subdivision development, desert home sites. The Commission is still in a position to require the sale, and would under the rules and
regulations require the sale, at not less than the appraised value; and the sale is not mandatory, but could still be rejected by the Commission on insufficiency of consideration for these lands.

MR. FLOURNOY: I might direct attention to the fact that the procedure and initiating and development of this exchange is not the same as the prior one. This was not initiated by the request of a private party?

MR. HORTIG: Yes. "... to proceed with sale of said lands under the application of three private individuals..." on a competitive bidding basis. These three private individuals many years ago filed an application.

MR. FLOURNOY: Are they in three parts?

MR. HORTIG: Scattered.

MR. FLOURNOY: It would be at the appraised value?

MR. HORTIG: Appraised value as a minimum.

MR. FLOURNOY: The lands' equivalent value is on the basis of appraisal?

MR. HORTIG: The exchanged lands are exchanged on an equal value basis, not on an equal acreage basis; and, again, there is the matter of approval. In other words, by action on this item today the Commission does not authorize anything beyond completing the exchange with the Federal Government. The further transaction -- the approval of whether these lands are sold, in fact, and so forth -- is subject to subsequent approval or rejection by the State Lands Commission.
MR. SMITH: The 3,000 acres which we are receiving from the Federal Government under this exchange -- would we consider these more developable than the 10,000 acres we are giving up?

MR. HORTIG: Well, they are of equal value as appraised to those lands being surrendered. In addition to that fact, the lands being surrendered are mostly in the Twenty-Nine Palms Marine Corps Base and are totally unavailable for development by the State of California, although title record is in the State of California. As I say, the Marine Corps has a fence around them and the State can't get to its own lands to look at them without permission of the Marine Corps; so this puts them in a difficult category for any effective administration to the State's advantage.

MR. FLOURNOY: Is it also true that the Federal Government had issued condemnation proceedings with regard to some of that land?

MR. HORTIG: This is also correct and, therefore, it is advantageous to eliminate the need for condemnation litigation and eliminate the need for any litigation with the Federal Government under these circumstances.

MR. FLOURNOY: Any further discussion with regard to these two items of land exchanges with the Federal Government? (No response) Without objection, we will authorize the Executive Officer to proceed with this exchange.

Now we come to Number 9 -- major litigation.
Mr. Hortig?

MR. HORTIG: Other than the record for the Commission on the status of the major litigatory items in which the Commission is a party, for your files and your reference, there is no need for further comment.

The item requiring discussion -- in view of the request that the parties thereto be permitted, at least one of the parties be permitted to comment to the Commission -- is item 9(b), involving an action which has been brought by the City of Los Angeles versus the City of Long Beach, et al; the "et al" including, among others, the State Lands Commission.

The Office of the Attorney General has reviewed this and you have a report from the Attorney General in your agenda, suggesting that while the State Lands Commission might consider demurring and not being involved in this action even though it involves operations on granted tide and submerged lands, that it appears preferable and desirable that the State Lands Commission waive any objections and remain a party to the action; but that, in order that the Attorney General may be fully informed and the Commission may direct that its interest be properly protected, information will be required which can only be obtained through the services of an expert economic analyst and consultant, particularly versed in rate structure applications, in connection with four operations -- which is the principal bone of contention, if I may phrase it that way,
in this litigation.

MR. FLOURNOY: Perhaps we had best proceed to that item then and hear from whoever wishes to appear.

MR. STILL: I am not sure whether Los Angeles, as the plaintiff, would like to be heard first. We would be happy to answer to Los Angeles.

MR. FARRELL: Gentlemen, my name is Edward Farrell. I am an Assistant Attorney for the City of Los Angeles and I am assigned to the Harbor Department as attorney for the Harbor Commission. I suppose, as much as anyone else, I am responsible for the litigation before you today.

I cannot emphasize too much how important this litigation is to the City of Los Angeles. I am sure the report you have before you sets forth the background and history on the phases that bring this matter before you.

What we have done, simply, is to bring an action for declaratory relief and to strip the matter back to its barest essentials. We just want to get down to the essentials and this is why we petitioned the court.

The first question is a simple question of law and fact -- whether or not these lease agreements that have been entered into by Oakland and by Long Beach with Sea-Land and Matson -- whether those agreements are lawful or whether they constitute a breach of contract with the Los Angeles Port Authority.

Now, your board is not a party to that agreement,
but the State Board of Harbor Commissioners in San Francisco is.

The second question involved in the litigation also is a question of law and fact and that is what you are most interested in -- whether or not the lease-type agreements that have been entered into in the past constitute violations of the tideland grant.

These two matters are vitally important to the City of Los Angeles.

If it is finally determined that these agreements are lawful, then the City of Los Angeles intends to go out and enter the same type of agreements that Oakland and Long Beach have entered into before. One reason for that is that we feel that we are the leading port in the State.

Now, the second thing is -- we want this declaration so we will know whether or not these things are lawful before we get into them. Long Beach and Oakland have entered into these agreements. Five years ago they walked down the path that has no return. The only position they can take now is that these agreements are lawful.

I might point out to the members of this Commission (it is probably in your file) that the City of Los Angeles and your State Board of Commissioners both tested these agreements before the Federal Maritime Commission; and the Federal Maritime Commission has limited jurisdiction in this connection -- and that is whether or not the agreements constitute violations
of the Shipping Act of 1916.

Now, in the Federal proceedings, two other ports before the F.M.C. took the position they had no jurisdiction over those matters, but the Federal Maritime Commission followed the position urged by Los Angeles and by your State Board, and found that the parties to those agreements were subject to the Shipping Act and the agreements called for approval by that board.

The third issue is whether these agreements fall under the Shipping Act. This question we filed in the Superior Court. Again, Long Beach and Oakland have taken the position that a determination is not necessary. We definitely feel that it is. These matters are very important to us.

Now, a third question is presented by this litigation. The first two questions are mixed questions of law and fact. The third question is a question of law, fact, and political science; and that is, if these lease-type agreements are lawful, will you, the State of California, tolerate cut-throat and open competition among your public trustees on the basis of who can offer the best deal? That is the question you will have to answer.

It is for these reasons these matters have gone on for five years. We have yet to have a day in any court. We filed our action in August, served the State of California in November, and are still not in issue yet; and are anxious to get going.
MR. FLOURNOY: This third question you are raising is not a question you are asking the courts to decide -- whether or not the State will tolerate cut-throat competition?

MR. FARRELL: We are not asking the question, but it is there.

MR. FLOURNOY: It presumes a determination on the other two might be adverse to you.

MR. FARRELL: That is so. I don't know -- the court might look at that and decide it is a matter of policy.

MR. SMITH: Mr. Chairman, I'd like to ask Mr. Farrell to briefly describe why he considers the possibility of these agreements being a problem to the City of Los Angeles and lease agreements being illegal; and, two, what is his information as to how these lease agreements affect the Port of Los Angeles. In other words, what is the effect on the Port of Los Angeles and the City of Los Angeles?

MR. FARRELL: I'll answer your first question first, as to why we think there is a problem here. As far as you are concerned, your only legitimate interest today is the question of the provision in the tideland grant. I assume the Attorney General has set forth this in his letter to you.

Just recently, there was brought down an initial decision by a hearing examiner of the Federal Maritime Commission, in Docket 66-A, which involved the matter of the agreement between Sea-Land and Long Beach. That decision is now pending before the Federal Maritime Commission. That body
will either adopt the opinion of the hearing examiner or reject it or modify it. But, basically, the hearing examiner said this with regard to the discriminatory aspects, which is what you are concerned with, on page 8 of the hearing examiner's proposed decision:

"This brings us unavoidably to the question of the contract." (By contract, he means the minimum-maximum arrangement Long Beach entered with Sea-Land.)

"To the extent it provides that one carrier or shipper shall pay nothing for service, while other carriers or shippers pay something for service, this is certainly unfair. Certainly, it is discrimination per se. No evidence other than the agreed fact that all other carriers directly or indirectly will pay for services is necessary to support that finding."

That, as I say, has not become final, but that is certainly a very strong indication that there is a discriminatory factor in these agreements. Basically, you are putting everyone on two different tariffs. Basically, some are not under tariff; some are under minimum and maximum agreements.

On your second question, how it affects us -- we are public trustees. We don't want to do anything unlawful. We strongly suspect these agreements are unlawful. We are petitioning the court to know if they are unlawful. As I say, if they are lawful, we will engage in this business to our elbows.

MR. SMITH: How does this affect the Port of Los Angeles economically in your operation -- this agreement between
Sea-Land and Long Beach?

MR. FARRELL: Well, its immediate effect is this:

As you know, for a hundred years or more the ports in the State operated under a tariff, wherein certain tariffs were assessed for passing over a public facility under the basis of the charges set forth in that tariff. With the Oakland and Long Beach agreements, the tariff agreement has at least been cracked.

Right now, Los Angeles is engaging in negotiations with Japanese shippers. The first thing we have encountered, and it is still going on, is an indication from the Japanese: "Wait, we don't want to do business all on the basis of a tariff. We want something like Long Beach gives Sea-Land."

We want something under tariff rates. We don't know whether these agreements are lawful or not. We don't want to attempt anything that is not lawful.

Does that answer your question?

MR. SMITH: Is there in effect now a ruling on this special agreement between Oakland and Long Beach and Sea-Land; and what is the impact to Los Angeles? Have you lost some trade in the Los Angeles Port Authority?

MR. FARRELL: I can't answer that definitively.

You asked as to the status of these things. The Oakland-Sea-Land case has been concluded by the Federal Maritime Commission. That is on appeal to the U. S. Court of Appeals in Washington, D.C. The Long Beach-SeaLand case was just recently argued and
it now stands submitted before the Federal Maritime Commission, so they have not started operations under that yet. On the third arrangement, the Oakland-Matson arrangement, the hearing on that was completed last week. That has been submitted and we don't expect to hear the final result from the Federal Maritime Commission until perhaps the fall.

As to an actual dollar loss, whether or not we can show it now, I don't think we can; but the problem being raised is that people come to us to negotiate. We feel we can only negotiate on the basis of a tariff. So when another port holds its facility out under a different basis, certainly some of those people are going to go elsewhere. That's why we are in a hurry.

MR. SMITH: What is the distinction in your opinion between cut-throat competition, which you mentioned, and healthy competition?

MR. FARRELL: Well, first let me say I think a little healthy competition between public bodies is a good thing. It shakes off some of the lethargy that seems to seep into our systems. When you have someone across the bay working a little harder, you have to do the same. Up to now, it was on that basis. The tariffs were in many cases identical. They were substantially the same. We had an objective basis on which to sit down and deal with people and an objective basis to assess charges.

To get into the cut-throat end of it, that is to me
where there is no guidelines to determine what is fair, what is unfair, what is lawful, what is unlawful -- a catch-as-can deal as to who can get most business into the port. I don't think public bodies ought to deal with one another in that fashion.

MR. FLOURNOY: These agreements -- Have they been stayed by the Federal Maritime Commission?

MR. FARRELL: Yes, as to the latter two agreements they have.

MR. FLOURNOY: The one with the Port of Oakland is the only one in effect?

MR. FARRELL: It has been approved by the Federal Maritime Commission. I don't know if the parties in fact have started to operate under that agreement. I think Mr. Rooney from the Port of Oakland can answer that.

MR. FLOURNOY: The other two are being stayed?

MR. FARRELL: Yes.

MR. STILL: My name is Leslie E. Still, Deputy City Attorney for the City of Long Beach. We didn't anticipate we would have to argue and re-argue the Sea-Land cases here. I have been involved in this series of litigation for about five years and it is running into the second team now. The men are actually retiring from the service in the Los Angeles City Attorney's office and they are bringing their bright young attorneys in.

MR. FLOURNOY: We are not suggesting that the case is
going to be re-argued, but we are trying to clarify the information and some of the questions that are raised in the litigation, and our relationship to it.

MR. STILL: I have a remark or two to make. We feel it is entirely proper and helpful for the State to take part in this action. The tidelands are involved and the lands in trust are involved.

Of course we feel the rulings of the Federal Maritime Commission are proper -- they have the expertise in this.

Mini-max agreements -- agreements with a minimum and maximum -- are those where after he pays the tariff all the way to the ceiling, then the compensation is cut off. I would like to say these are not wild and wooly agreements. They are very sound agreements. They are not cut-throat agreements. We have found them to be entirely compensatory by the Federal Maritime Commission -- which, as I say, has the expertise in that.

We urge that the State should keep certain factors in mind when you are considering your actions, not only now but as to the future, as to the precise position to take, and we would urge the State take a position in our favor. We think Oakland and Long Beach have administered very well. We think Los Angeles is wrong -- their approach is wrong. They place too much sacredness on the west coast on the tariff. We don't think this is particularly controlling.

These agreements are in effect on the east coast of
the United States and on the Gulf coast; and there is nothing wrong with them. The Port of New York Authority, a recognized authority in the terminal industry, feels that agreements of this type are satisfactory. We think they should be complimented for their progressive thinking.

One more fact I would like to mention, also. It has been concluded here that the agreements with Sea-Land are mini-max agreements. Sea-Land has flat agreements with Long Beach and Oakland, as well as similar agreements with the Ports of Seattle and Sea-Land, and agreements between Sea-Land and Alaska, which have been held to be lawful under the Shipping Act.

One of the main issues that the Maritime Commission has to consider is whether or not such agreements are unjustly discriminatory. From our point of view we feel that the tidelands trust requirement -- that they be administered as to the marine terminal site without discrimination -- that that particular mandate has been met; that the Federal Maritime Commission with its expertise will find that such agreements are not unjustly discriminatory.

We obviously can't be operating in a vacuum. There are certainly certain areas of discretion. These are contained in the Los Angeles tariffs and it would seem to me that they have taken an anomalous position when they are maintaining you have to have absolute lack of discrimination.

All cargo is not handled the same way. You have
cargo handled in containers that will be handled five or six times faster than other cargo and it is paying the same rate for the facilities as wharf cargo. A ship could be two or three days in a container berth and a ship could be five or six days in a wharf cargo berth. There is no difference in the charge.

We like a progressive method of moving goods via containers. If you have been reading the trade journals or the financial papers, you will note that almost every steamship company is now going into the container trade. Matson's attorney is here; he may wish to make a comment or two. Matson is one of the pioneers on the west coast. I might add Matson is a non-subsidized operator.

Sea-Land epitomizes the best in non-subsidized operators. We are down to two lines -- the Calmar Line eastbound from the west coast and we, of course, have Sea-Land; and if Los Angeles continues to insist that we do things by this old sacred cow approach, we could lose this movement.

We think there is a lack of progressive thinking. I have mentioned before there are agreements of the type that Los Angeles is complaining about that are now in effect throughout the rest of the country, and we feel this would be depriving your State's tideland trustees of the right to engage in the type of constructive competition that we have engaged in for years. Unless we can meet agreements that are being offered elsewhere in the United States, we are going to lose
some of this business, particularly the container business.

Mr. Foster (sic) has referred to the Japanese negotiations. The Japanese are moving into the container business in a big way and the government, I think, is shaping this up pretty well, from last reports, by shaping up into two massive container operations. They will have two fleets coming to the west coast and other fleets to the rest of the world.

They, of course, because of the economic aspect of their operation are very keen about this and when Los Angeles says they cannot enter into this type of agreements, we ask you why is it -- if our information is correct, and we have no reason to doubt it -- why has Los Angeles offered the Japanese at the present time a mini-max type arrangement? They have offered these and we really doubt the sincerity of the Port of Los Angeles in making the statements they have over the years and then turning around and offering the Japanese this type of agreement. I think the Lands Commission is entitled to know as to the City of Los Angeles's position in this.

I might also add, to get it right out on the table -- we are always accused in our agreements of giving the tidelands assets away by not charging enough. What better example of how economically fair these agreements are than in the various decisions of the Federal Maritime Commission -- and we have had a number of cases as you know -- all the agreements
between Sea-Land and Long Beach have been found to be compensatory. They return better than -- I think the last one was a gross rate of return of about $3\%$; and that includes, when you take away all your costs, and so forth, you will get a capital recovery of about $6\%$ to $7\%$. There is no give-away in that kind of agreement.

To get back to the point -- we understand Los Angeles is operating mini-max arrangements with the Japanese at a less favorable return and, as a tideland trustee, we are seriously concerned. We can't compete with such "wild and wooly" deals they are offering. They not only say they are going to offer them; we think they have.

We note in the second item here that it is recommended that the Executive Officer retain the services of an expert economic analyst and consultant. I would like to make a comment or two about that.

Los Angeles has always operated under a tariff system; we operate under the tariff system now, also. The Sea-Land agreement is not being carried out because it has not received final approval of the Federal Maritime Commission. We feel that the operation under the tariff is appropriate. You can have the so-called special arrangements here and you can have operations under the tariff right next to it; and in order to provide facilities for all users, you have to operate in that fashion with the tariff.

One of the strong advocates of the tariff system and
the so-called freeze formula is a consultant in San Francisco who has been retained by Los Angeles and San Francisco to testify in this last proceeding involving the Sea-Land - Long Beach agreement. We urge that the State Lands Commission not retain that particular consultant because of his self-serving interest. You can get the best consultants in the business who will not be restricted by the traditional outlook on the marine industry.

If the steamship companies are willing to go the container route, I think the ports must meet the challenge; and Long Beach certainly has met that challenge.

I think that concludes my comments. I would like to say that we don't feel this is cut-throat competition. We feel -- if I might go into the history of it -- we wanted to go the tariff route, whether we used wharfage rates or containers, and there was a very unhealthy atmosphere that prevailed at that time. Mr. Rooney of the Oakland Port Authority is here and he may wish to make comments.

We feel goods moving in containers should have special consideration. They move much faster. They wanted to go the tariff way and we wanted to put in a container rate. It was completely justified in a court proceeding and this was protested by San Francisco and Los Angeles, and particularly Encino Terminal. The reason they fought this was a self-serving interest in Matson navigation. Matson was paying Encino terminals last year three-quarters of a million dollars. They
could see the handwriting on the wall. If they couldn't con-
tinue with the tariff their economic position would not be
very good.

So they were literally forced by this antiquated,
non-economic approach to either build their own terminal or
some other method; and they have negotiated a flat-rate lease
arrangement with the Port of Oakland and, of course, this has
caused all kinds of consternation on the waterfront. But it
is the economic fact of life in this country -- the guy that
can give the service for the cheapest rate is going to get the
business.

Thank you.

MR. FLOURNOY: I think you have pretty well sketched
the details here and the problems. I think I would like to
make a brief statement at this point, lest there be any mis-
understanding as to what the position of the State Lands Com-
mision may be.

We have been posed with some interesting choices
here between wild and wooly cut-throat competition and healthy
competition; progressive and antiquated thinking; clean dis-
rimination on one hand or unreasonable discrimination on
another; Long Beach on one hand, Los Angeles on the other.

I think we shall in all likelihood avoid all these
elements at this time and point out that the State Lands Com-
mission, by virtue of its responsibility in the tidelands
under the law, has a statewide interest -- and that is somewhat
different than the interests of either of the contesting parties in the particular various issues in the litigation. I think it is in this context that the recommendation has been made that the State Lands Commission retain a position in the law suit; that we do not attempt to avoid becoming a party in the law suit; that we move ahead with our own investigation, in order to determine what the statewide interest is in this litigation and what the appropriate position of the State would possibly be.

Unless there is further discussion or objection with regard to the recommendation, we will so authorize the Executive Officer to proceed in accordance with the recommendation made in the calendar summary; and let me say we do appreciate the representations from the attorneys for the City of Los Angeles, as well as Long Beach, and the others who were here on this matter, so we can get a better picture of just what the situation is.

Is there any objection? (No response) Without objection, it will be so ordered.

Now, I understand that we have a supplemental calendar item with regard to the agreements pending and involving litigation between the County of San Luis Obispo and the City of Morro Bay -- with a recommendation that the Commission approve the "Stipulation and Agreement" and the "Final Settlement Agreement" on file in the office of the State Lands Commission, which are made a part hereof by reference, and which dispose
of all the outstanding litigation between the County of San Luis Obispo and the City of Morro Bay; and (2) authorize the Executive Officer to sign said agreements on behalf of the Commission.

I gather that we become a part of these agreements. How did we become a party to these agreements?

MR. HORTIG: Mr. Chairman, if I may summarize -- In view of the litigation that was pending and the potential expanded litigation that might have become incorporated between the City of Morro Bay and County of San Luis Obispo with respect to questions arising out of the administration of the tideland grant by the Legislature to the County of San Luis Obispo, to which the City of Morro Bay succeeded by virtue of incorporation into that City, the Joint Legislative Committee on Tidelands conducted a series of conferences with the County of San Luis Obispo and the City of Morro Bay, looking toward a basis for agreement, obviating the necessity for any litigation.

The Committee was successful in this respect in developing a basic form of agreement between the County and the City, eliminating the need for continuing to litigation; and in the process of these conferences, the Chairman of the Joint Legislative Committee had requested participation for staff expertise on behalf of the Attorney General with respect to the legal questions relating to the tidelands grant and by the State Lands Division as to any questions involving the...
remaining jurisdiction that the State Lands Commission has. Whatever jurisdiction remains under tideland grants in the State is under the jurisdiction of the State Lands Commission, and also questions with respect to boundaries.

In the process of developing the agreement, it was felt because of the participation by the Office of the Attorney General and the State Lands Division, while neither really was a party to the agreement, that it would be desirable -- in view of an additional operating agreement which the Committee felt was advisable to clearly reflect what we considered assets of the tideland trust -- that the Office of the Attorney General and State Lands Division be invited to approve the agreements, in order that there be no remaining question that the chief legal officer of the State of California, the Attorney General, or the Lands Commission with respect to some residuary authority under the tidelands grant, had not been informed and might raise questions subsequently, with the initial hope that the agreement that is before you here today would resolve this very knotty problem that has been under discussion for a number of years.

In that connection I can report that the participation by the Office of the Attorney General was under the direction of Assistant Attorney General Jay Shavelson, who participated personally; and I participated personally with staff of the State Lands Division.

Also, if the Commission has any further questions as
to the viewpoint of the position of the City of Morro Bay, Mayor Surfluh and the City Administrator of Morro Bay, Mr. Ted White, are present here today.

MR. FLOURNOY: As I understand our position, basically we are being called upon to determine whether or not we have any objection to this agreement, and not being a party to the actual agreement. It is a question of whether we approve or disapprove of it, basically.

Has the Attorney General taken a position on it?

MR. SHAVELSON: Yes -- although we are formally a party to the litigation by the City of Morro Bay against the County that there has been certain maladministration of the trust. When such maladministration is alleged, the State Lands Commission -- with its residuary jurisdiction under 5301 of the Public Resources Code -- does, in our opinion, have the responsibility of investigating the allegations; and if there is any substance to them, that it has authority to take action.

The State Lands Commission would be a party to the agreement. We believe it is entirely proper that they be a party because they would have a power to step in between the two controverting parties. This way, the full controversy could be wound up by making the State a party to the agreement.

MR. FLOURNOY: Has the Attorney General's Office approved the agreement?

MR. SHAVELSON: Yes, we have.

MR. FLOURNOY: Is there any objection or discussion
You say there are representatives here from both the City and County?

MR. HORTIG: No, sir -- just the City.

MR. FLOURNOY: The one who initiated it was the City.

MR. SMITH: Has the County of San Luis Obispo recognized the results of this?

MR. HORTIG: Yes, sir. There are two agreements. One is between the County and City. That has been formally approved by the Board of Supervisors, by the County. The other is a supplemental agreement, in which the County is not involved -- although they did have knowledge of it; and that is an agreement between the City and the State as to certain land that will be administered as part of the tidelands trust.

MR. SMITH: Then the contentions have been resolved?

MR. HORTIG: It requires only approval by the State Lands Commission.

MR. FLOURNOY: Well, then, without objection, on the part of the State Lands Commission we will approve the recommendations here to approve the "Stipulation and Agreement" and the "Final Settlement Agreement" and authorize the Executive Officer to sign the agreements on behalf of the Commission.

Is there any further business to come before the State Lands Commission at this time? (No response)

We will then reconfirm the date, time and place of
the next State Lands Commission meeting -- Thursday, April 27, 1967, ten a.m., Sacramento.

No further business being before us, we will adjourn.

ADJOURNED 11:05 A.M.

**********
CERTIFICATE OF REPORTER

I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing thirty-two pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION OF THE STATE OF CALIFORNIA held at Los Angeles, California, on March 23, 1967.

Dated: Los Angeles, California, April 4, 1967.

[Signature]

LOUISE H. LILLICO