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FOSS

February 22, 2008

Mary D. Nichols
Chairman
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Proposition 1B: Guidelines for Implementation of the Goods Movement Emission Reduction Program

Dear Ms. Nichols:

Foss Maritime Company (Foss) is based in Seattle, Washington, and operates a fleet of 70 tugs and 71 barges on the U.S. West Coast. The company offers a complete range of maritime transportation and logistics services to customers on the U.S. West and East coasts, across the Pacific Rim, Europe, South America and around the globe.

For more than a century, Foss has set the standard for marine transportation with leading edge technology, engineering, and shipbuilding. The company employs approximately 1,000 people throughout the United States.

Foss is a part of the Marine Resources Group (MRG), located in Seattle, Washington, a holding company for the tug, barge and ancillary marine service companies of Saltchuk Resources, Inc. MRG has the largest and most capable coastal tug and barge fleet in the United States with over 100 tugs and 100 barges.

The Marine Resources Group current portfolio of companies includes:

- Foss Maritime (Seattle, WA)
- Constellation Maritime Company (Boston, MA)
- America Cargo Transport Corp. (Seattle, WA)
- Hawaiian Tug & Barge (Honolulu, HI)
- Young Brothers, Limited (Honolulu, HI)
- Mercosur Shuttle Group (Buenos Aires, Argentina)
- AMNAV Maritime (Oakland, CA)

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I have included this lengthy description of Foss and its corporate structure to illustrate that the tug and barge industry is continuing to evolve into larger and more geographically diverse companies from the once regionally specific small businesses.

Foss applauds your efforts in developing these comprehensive guidelines for implementation of Proposition 1B. These funds will go a long way towards making a real difference in California air quality and our company would look for opportunities to participate in this funding program.

However, there is one requirement in Appendix E Commercial Harbor Craft which will make it difficult for Foss to avail itself of these funding opportunities. The requirement to which I refer is that the equipment owner shall ***"Commit to 15 years of California home port operation in the trade corridors".*** This commitment seems untenable given the realities of operating in national and international theatres. Under other currently available funding mechanisms such as Carl Moyer funding the commitment has generally been for a period of 5 years and even this has sometimes been a struggle for us in terms of compliance.

As I am sure you are aware, tugboats are found in a variety of horsepower ranges and towing configurations. For safety reasons it is imperative that the capabilities of the tugboat are matched to the requirements of the work. The type of work a tugboat can perform ranges from assisting a ship to the dock, construction support and ocean towing. Understandably this sometimes requires that tugs be shifted from one operating area to another in order to match a tug's capabilities with the work to be performed.

In the past it was not unusual for tug companies to have very small fleets that operate only in one harbor. Although that business model still exists, the tug and barge industry has been consolidating over recent years and is likely to continue to do so. A geographically diverse company such as Foss will continue to have a need to transfer vessel assets between operating areas which equate to your definition of a trade corridor. Tugs are also transferred between the "sister" companies within the MRG holding company structure in order to optimize asset utilization.

Another consideration is that a tug could reach the end of its useful life within 15 years of a re-power since under a re-powering scenario an existing engine would be replaced but the hull and equipment technology would remain the same. It is more common that a tug becomes technically obsolescent before its hull deteriorates past the point of usability. This situation has been exacerbated in recent years due to the ever increasing need for tugs with increased horsepower and bollard pull. This condition exists because the ships the harbor tugs serve are of escalating size.

Foss recognizes that there should be a commitment from the equipment operator to retain an asset in California when funds from the State are used under Proposition 1B. However, I would like to posit that a more reasonable approach would be a commitment to retain the asset in California until such time as the re-power would have been required by regulation. As an example, if funds were received in 2009 to re-power a tug that was not required by regulation to be re-powered until 2013, then the commitment from the operator would cease at the end of 2013.

If you feel this is not a workable solution, I would suggest that alternatively, a five year time span with the opportunity for payback on a sliding scale if necessary would also be a less desirable but acceptable resolution.

I would also seek clarification in this requirement that a vessel would have the ability to change home ports and trade corridors within California without penalty. Another point of clarification which perhaps would be addressed through the contract language is the ability to replace a "funded" boat with another boat with like or better emissions.

In conclusion, Foss supports ARB's efforts in developing guidelines for implementation of the Goods Movement Emission Reduction Program but feel a review of the 15 year commitment language would be appropriate. If you have any questions or would like to discuss this issue in more detail, my contact information is provided.

Sincerely,

Susan Hayman

Susan Hayman
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