

Voting Conference, September 15, 2005

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Government of the Territory of Guam v. Sea-Land Service, Inc. American President
Lines, Ltd., and Matson Navigation Company, Inc.
STB Docket No. WCC-101

Good morning Chairman Nober, Vice Chairman Buttrey, and Commissioner
Mulvey.

The Government of the Territory of Guam filed a complaint on September 10, 1998, challenging the reasonableness of rates, rules, classifications and practices for all transportation by water provided by Sea -Land Service, Inc (now known as Horizon Lines), American President Lines, Ltd., and Matson Navigation Company, Inc., in the noncontiguous domestic trade to and from Guam.

The Board adopted a three-step process for resolving this matter. In Phase I, the Board dismissed Guam's discrimination claim and dismissed American President Lines as a defendant. In Phase II, the Board is scheduled to address an appropriate methodology for assessing rate reasonableness. In Phase III, the Board will consider the merits of the complaint. This proceeding is currently in Phase II and evidence has been submitted.

The Board scheduled an oral argument in Phase II for November 2004. Guam asked for a 6-month postponement of that argument. The Board initially postponed the argument for 3 months until February 2005, subsequently canceled that argument when it was not clear that Guam was ready to proceed, and then later directed Guam to show cause why this proceeding should not be dismissed. Guam responded that the delays were due to political and budgetary considerations that have since been cured and urged the Board not to dismiss the proceeding. Matson and Horizon argue that the Board should dismiss the proceeding. The draft decision before you finds that Guam has made a sufficient showing to allow the case to go forward. Accordingly, the draft decision would not dismiss this proceeding, but provides that the Board will set a date for oral argument on the matters before it in Phase II of the proceeding in a subsequent decision.

If you have any questions, we would be happy to answer them.