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Governmental Control of Ports

E. O. Jewell

Three factors must be considered vital in the transportation of goods by water: the vessel lines; the rail and truck systems which assemble cargoes from the interior; and the port. Of these three factors, the port can frustrate the efforts of the other two. A mismanaged port can destroy the effectiveness of the most efficiently managed systems of truck, rail, and water transportation.

Here, in brief, is a raison d'être for governmental supervision of a port. One of the most important facets of port administration is that of coordination between the federal and local agencies which serve an active harbor. This article will discuss the supervisory and regulatory agencies involved, and the various methods of port control which have evolved.

Federal Agencies

A vessel entering any United States port will be affected by the activities of the following Federal agencies, although not necessarily in the order listed.

1. United States Coast Guard of the Department of the Treasury:

The Coast Guard is responsible for the enforcement of all federal laws on the high seas and waters within the jurisdiction of the United States. It is charged with the enforcement and promotion of the safety of life and property at sea, the operation of aids to navigation, and the provision of rescue facilities on the high seas and waters of the United States. Specifically, the duties of the Coast Guard include the inspection of vessels, the certificating and licensing of crews and officers of merchant vessels, the regulation of maritime traffic and vessel operation, the marking and lighting of channels and harbors, the issuance of permits to load or unload at ports, and the operation of lighthouses and other warning device systems.¹

2. **Public Health Service of the Department of Health, Education, and Welfare:**

The Public Health Service, through the local Port Quarantine Officer, is responsible for the inspection of each vessel which has not cleared quarantine at some other United States port. When the ship, crew, and passengers have been examined for evidence of communicable disease, clearance of quarantine is certified to the Immigration Officer.²

3. **Customs Service of the United States Treasury Department:**

Among its many duties, the Customs Service is charged with the administration of the entry and clearance of vessels, the supervision of discharge and loading of passengers and cargo, the ascertaining of quantities of imported merchandise, the review of protests against assessments of duties, the prevention of smuggling of contraband and the release of prohibited articles, the enforcement of the Antidumping Act,³ and the performance of duties under the Foreign Trade Zones Act.⁴ The Customs Service's control of entry and clearance of vessels and the loading and discharge of their cargoes are a vital part of port administration.⁵

4. **Immigration and Naturalization Service of the Department of Justice:**

The Immigration and Naturalization Service is charged with the responsibility of examining each person seeking admission to the United States to determine whether he is legally entitled to enter, and of preventing unauthorized entry. Because physical and mental deficiencies and ailments are among those that disqualify aliens from admission, the inspection of immigrants is carried on in close cooperation with the Public Health Service.⁶

5. **Food and Drug Administration of the United States Department of Health, Education, and Welfare:**

This agency exercises supervision over the importing and exporting of foods, drugs, and cosmetics in order to prevent the distribution of goods which are adulterated, misbranded, or composed of unsanitary materials.⁷

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² Id. at 331.
⁶ Id. at 208.
⁷ Id. at 348.
6. **Agricultural Research Service of the Department of Agriculture:**

This agency has important functions in regard to the inspection and certification of plants and plant materials in both import and export trade to prevent the transmission of insect pests and plant diseases, together with enforcement of the quarantine provisions for live animals and the inspection of animal products.\(^8\)

7. **Corps of Engineers of the Department of the Army.**\(^9\)

The functions of the Corps of Engineers are both regulatory and developmental. The Corps is charged with maintaining the navigability of harbors, channels, streams, bays, and other navigable waterways; the establishment and regulation of use of anchorage grounds; the prescribing of regulations relating to oil pollution; the improvement of the channels and harbor that form the approach to a port; and the prescribing of regulations for the navigation, administration, and use of the navigable waters, this power covering all matters not specifically delegated by law to some other department.

An important organization within the Corps is the Board of Engineers for Rivers and Harbors.\(^10\) The Board, composed of officers of the Corps of Engineers stationed in key river and harbor divisions and districts throughout the country, renders reports and conducts surveys which form the technical basis for appropriation of funds for river and harbor improvements. Also, the Board passes upon all projects prior to their submission to Congress.

8. **Federal Maritime Board,**\(^11\) and

9. **Federal Maritime Administration of the Department of Commerce.**\(^12\)

These agencies have important functions with respect to the rates charged by waterfront terminals which are not owned and operated by railroads subject to the Interstate Commerce Commission. Also, they cooperate with the local port administration in the development of port facilities.

**STATE AND MUNICIPAL AGENCIES**

At the state level, aside from state-wide port commissions or port authorities, few agencies have functions related to port administra-

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8. *Id.* at 249-50.
9. *Id.* at 144.
10. *Id.* at 153.
11. *Id.* at 289-90.
12. *Id.* at 290.
tion except for those involving registration of pilots, and control of water pollution.

In Ohio, the Fleming Act\(^\text{13}\) asserts the right of the state to the waters of Lake Erie, together with the soil beneath and its contents. The Ohio Department of Public Works is designated to serve in all matters pertaining to the protection and enforcement of the state’s rights.\(^\text{14}\)

At the local level, municipal agencies affecting the administration of a port authority may include a harbor master; police, fire, park and recreation, and health departments; a planning commission; and a highway department.

Without going into detail, the foregoing is sufficient to indicate that the federal government has assumed the primary responsibility for the development of channels and harbors, the establishment of aids to navigation, and the control of export and import traffic through the ports. In the United States the federal government has left the responsibility for port control and development to local groups. But the fact that there is a multiplicity of federal agencies adds to the task of coordinating operations necessary to expedite the flow of traffic through the port.

The goal of good administration is easily understandable, but it is a goal which may be reached by various methods. In the following sections of this article, some of these methods will be discussed.

**THE PORT AUTHORITY**

One effective method is that popular one called the “port authority.” An authority has been defined as a governmental business corporation.\(^\text{15}\) In port administration this term is used to apply to any quasi-autonomous agency which has the necessary power and freedom to act to provide effectively strong port management.

**FUNCTIONS OF A PORT AUTHORITY**

A port authority is generally planned to function in one or more of four areas of activity. First, it may serve as a navigation agency; that is, it establishes the rules and regulations for pilotage into the harbor, and the licensing and selecting of pilots, both for harbor operation and channel navigation.

Second, a port authority may serve as a traffic and trade promotion agency with a two-fold objective of protecting the port in any adjustment of rates in relation to competing ports, and of soliciting and promoting trade through the port. This is one of the major functions of a port authority.

\[^{13}\text{Ohio Rev. Code } \S\text{ 123.03.}\]
\[^{14}\text{Ibid.}\]
\[^{15}\text{Gulick, "Authorities" and How to Use Them, 8 Tax Rev. 47-52 (1947).}\]
Third, a port authority may serve as a waterfront administrative agency. As such, its functions may include the power to raise capital for improvements; the responsibility to prepare plans for development; the right of eminent domain in acquiring land and facilities for port development; the right to purchase land and facilities; the duty to construct and maintain harbor facilities; the duty to dredge slips, etc., outside the federally-maintained channel; the right to assign berths to vessels; the power to lease facilities; the right to establish and collect charges at the publicly-owned installations; the duty to promote traffic and trade; the responsibility to develop a public relations program; the duty to publish port statistics; and the right to purchase, develop, and lease industrial sites. A majority of the port authorities of the United States exercise some, or all, of these powers.

In addition, some ports exercise the following functions: licensing and regulation of pilots; control of harbor masters; regulation of harbor traffic; establishment and control of harbor police; ownership and operation of such harbor craft as tugs, barges, scows and lighters, dredges, fire boats, and patrol and inspection boats; operation of bridges, ferries, and tunnels; ownership and operation of belt line harbor railroads; regulation of rates and maintenance of privately-owned terminals in the harbor; regulation of stevedores; car loading and unloading service; and general cargo terminal operation. Relatively few ports perform a complete terminal operation or regulate stevedores.

Fourth, a port authority may exercise power over such surface transportation agencies as bridges, tunnels, highways, and ferries. By extension, in some instances the authority also controls and administers the local airport. In such cases, it is evident that the port authority has become a transportation authority; the outstanding example of this type is the Port of New York Authority.

Port authorities in the United States are a rather late development. Only four of the existing port authorities were formed in the 19th century; the majority of authorities were formed in the last thirty or forty years.

Prior to this time port communities generally relied on the federal government and on private industry for the development of harbors. Railroads and steamship lines, private dock companies, waterfront industries, and companies tapping the resources of the hinterlands all played significant parts. Many ports developed through the handling of one particular commodity, such as coal, lumber, petroleum, or cotton.

During the last half of the 19th century, railroads were dominant factors in the growth of the commercial waterfront at most of the important seaports and at some of the ports of the Great Lakes. For example, about fifty-four per cent of the waterfront of the Toledo harbor is controlled by railroads at the present time.
GOVERNMENTAL CONTROL OF PORTS

REASONS FOR DEVELOPMENT

The reasons for establishing a public port authority include the desire for orderly development of the harbor with planned facilities and non-discriminatory access for shipping, as well as the necessity of protecting the area in rate cases, in national legislation, and in obtaining adequate harbor and channel appropriations. Another primary reason for the establishment of port authorities is that they function in an area not attractive to private capital. For instance, private industry cannot obtain long-term financing at the interest rates available to public bodies, cannot afford the long wait inevitable for the return of its investment, and cannot acquire land by eminent domain. 16

For example, fifty-nine recent bond issues floated for the development of United States ports totaled over $200 million. The bond issues consisted of general obligation bonds in which the full faith and credit of a local government was pledged, or of revenue bonds in which revenue of facilities to be built was pledged as security for the bond issue. The average interest rate on all of these issues was just over three per cent. 17

Still another reason for establishing a public port authority is the direct benefits bestowed upon industry in that facilities constructed by public funds are usually leased to private firms on terms profitable to the operator. Few public port bodies operate the facilities they own. In addition, the public port agency in its promotional efforts and in its solicitation of cargo serves as a sales force for the private operators in the port.

THE OHIO PORT AUTHORITY ACT

Because the development of ports in the Great Lakes region was predominantly on a private basis, it is not surprising that the Ohio Port Authority Act 18 was adopted only four years ago. The act was declared an emergency measure, "effective immediately in order to permit the prompt organization of port authorities to take advantage of the St. Lawrence Seaway project authorized by the National Congress, thereby advancing the interests and the welfare of the State of Ohio and its citizens." 19

Powers granted to port authorities by the act include the right to:

(A) Purchase, construct, sell, lease, and operate docks, wharves, warehouses, piers, and other port, terminal, or transportation facilities within its jurisdiction, consistent with the purposes of the port authority,
and to make charges for the use thereof, which shall be not less than the charges established for the same services furnished by a public utility or common carrier in the particular port authority area.

(B) Straighten, deepen, and improve any canal, channel, river, stream, or other water course or way which may be necessary or proper in the development of the facilities of such port.

(C) Acquire, own, hold, sell, lease, or operate real or personal property for the authorized purposes of the port authority.

(D) Issue bonds or notes for the acquisition or construction of any permanent improvement which a port authority is authorized to acquire or construct, ... except that such bonds or notes may only be issued pursuant to a vote of the electors residing within the territory of the port authority. . . .

(E) Issue revenue bonds beyond the limit of bonded indebtedness provided by law, for the purpose of acquiring or constructing any facility or permanent improvement which a port authority is authorized to acquire or construct. . . . Said revenue bonds shall have all the qualities of negotiable instruments, and shall be secured only by a pledge of and a lien on the [net] revenues of the port authority . . . [and] by the covenant of the port authority to maintain such rates or charges as will produce revenues sufficient to meet costs of operating, maintaining, and repairing such improvements and facilities and to meet the interest and principal requirements of such bonds. . . .

(F) Apply to the proper authorities of the United States pursuant to appropriate law for the right to establish, operate, and maintain foreign trade zones within the limits of the port authority and to establish, operate, and maintain such foreign trade zones.

(G) Exercise the right of eminent domain to appropriate any land, rights, rights-of-way, franchises, easements, or other property, necessary or proper for the construction or the efficient operation of any facility of the port authority and included in its official plan. . . .

(H) Enjoy and possess the same rights, privileges, and powers granted municipal corporations under sections 721.04 to 721.11, inclusive, of the Revised Code. . . .

(I) Maintain such funds as it deems necessary.

(J) Direct its agents or employees, when properly identified in writing, and after at least five days written notice, to enter upon lands within the confines of its jurisdiction in order to make surveys and examinations preliminary to location and construction of works for the purposes of the port authority. . . .

(K) Sell or lease real and personal property not needed for the operation of the port authority and grant easements or rights-of-way over property of the port authority.

(L) Promote, advertise, and publicize the port and its facilities; provide traffic information and rate information to shippers and shipping interests; appear before rate making authorities to represent and promote the interests of the port. 20

The Port Authority so created is a public corporation able to sue and be sued, plead and be impleaded, and able to issue securities in its own name. It is in these powers that the public corporation type of port administration (most popular in the United States) differs from the independent commission, the type next in popularity. And, while independent of the political unit or units which created it, the port authority is not autonomous since it is still subordinate to the state.

**THE TOLEDO-LUCAS COUNTY AUTHORITY**

As a consequence of the enactment of the Ohio Port Authority Act, the Toledo-Lucas County Port Authority was created in July 1955. Four directors were appointed by the Mayor of Toledo with the consent of City Council, four were appointed by the Lucas County Commissioners, and the ninth director was appointed jointly by the appointing authorities.

At the general election held in November 1955, the voters of Lucas County adopted a five-year tax levy granting the Port Authority .544 mills on the tax duplicate of Lucas County.

The Toledo-Lucas County Port Authority office was opened in January 1956. Following the establishment of the office and staff, surveys were undertaken in the fields of bulk cargo, grain, and general cargo. An official plan was adopted in accordance with Ohio Revised Code § 4582.07. As a consequence of the surveys, the Board of Directors of the Port Authority determined to go ahead with plans for increasing grain facilities in the Toledo harbor and to increase facilities for general and liquid cargo.

A sixty-five-acre site was purchased from current revenue, of which twenty-eight acres were developed for use. Four and one-half acres of this area have been leased for twenty-five years to the Industrial Molasses Corporation, which has constructed tanks of 6½ million gallons capacity. This facility is to receive fish oils from northern Europe and blackstrap molasses from Cuba for the use of manufacturers of stock feed in the Midwest. Another five-acre parcel of the site has been leased to Toledo Overseas Terminals, Incorporated, which is constructing a transit shed and other facilities for handling general and bulk cargo. Under the provisions of both leases, the title to the facilities constructed vests in the Port Authority.

Another site, upstream, has been acquired for the construction of grain elevators. An elevator of three million bushels capacity will be constructed on a seven-acre parcel for Continental Grain Company, the term of their lease being forty years.

In 1959, the Ohio Supreme Court rendered a decision21 on a writ of quo warranto obtained by the Attorney General of Ohio to oust the

nine members of the Board of Directors of the Toledo-Lucas County Port Authority on the grounds that the corporation was created illegally and that the named individuals were without authority to serve as directors. The court held that

Chapter 4582, Ohio Revised Code, does not involve an illegal delegation of legislative power; does not authorize (1) the levy of a tax for a private purpose, (2) the use of public funds and property for a private purpose, or (3) the appropriation of private property for a private use; nor does it permit the raising of public money for or the lending of public credit to or in aid of private companies, corporations or associations contrary to the provisions of the Constitution of Ohio.\(^2\)

**TYPES OF PORT AGENCIES**

The types of port agencies, in terms of organization, vary according to the form of the agency, and the extent of its legal power as set forth in the enabling statutes. In the United States all public port authorities obtain their legal authorization by action of the sovereign state, or states, in which they are located. This may be by specific act of the legislative body, under a general legislative or constitutional provision of the state, or under the powers delegated by the state to the county or municipality.

There are basically five major types of port agencies under which an individual port can effectively operate: the government departmental agency, either state or local; the independent commission, state or local; the advisory commission; the public corporation, state, local, or multi-state; and the private corporation.

The two principal factors of governmental organizations, whether state or local, are the political unit which selects the members of the port authority *i.e.*, the board of commissioners, and the political unit which financially provides for the port authority. In most instances these two units will be the same, inasmuch as it has been found that the most effective type of authority identifies appointive power with financial support.

**Government Operated**

*Local*

The port in Milwaukee, Wisconsin is typical of those operating under the control of a local government agency. The port itself exists entirely within the city limits, and the five member Board of Commissioners is appointed by the mayor, subject to confirmation by the city council. The board appoints its own staff, all of whom come under the municipal civil service.

The commissioners initiate the plans for all physical improvements in the harbors, docks, warehouses, railroads, airports, and all

\(^2\) Id. at 439, 160 N.E.2d at 11 (syllabus 5).
other facilities necessary for improved commerce and shipping. The board, moreover, has exclusive control over all harbor facilities and has the power to fix and regulate the charges and rentals for all public facilities involved in the port operation.

The city itself may authorize funds for the construction of harbor and airport improvements deemed necessary, out of any taxes or bonds. For general maintenance, operation, and administration of the harbor and airport facilities, however, the board may use any funds provided by the city. An additional financial source derives from the board’s authority to issue mortgage certificates, which are to be retired by the earnings of the facility.

State

Operating as a local agency the Milwaukee Board handles the entire terminal operation. Contrasted with this is the port in Boston, Massachusetts, which is operated by a department of the state. While the Port of Boston Authority serves as a planning, advisory, and administrative agency, the primary policy determination and financial control remain in the hands of the governor, the state treasurer, and the state legislature.

Independent Commission

Another of the more commonly employed methods of port control is the independent commission. If such a commission is under the auspices of the state, such as the Board of Harbor Commissioners of Hawaii, the Alabama State Docks Board, and the Board of Harbor Commissioners of San Francisco, the members are usually appointed by the governor. Similarly, a municipal commission is generally appointed by the mayor or city manager, with the consent of the city council, while a county commission would be appointed by the Board of County Commissioners. In a few instances the members of such a commission may even be elected by the voters of the district. It should be noted, however, that such a procedure is rarely followed.

Unlike a public corporation, such as the Toledo-Lucas County Port Authority, the independent commission lacks the right to sue and be sued, and cannot issue securities in its own name. Apart from these aspects, however, the independent commission usually has extensive powers, including the right of eminent domain, the right to plan physical development, to construct facilities, and to operate and regulate, in some cases, private terminal operations.

Public Corporation

It is in the area of the public corporation, referred to briefly above, that the greatest variations in structural control are found,
encompassing such forms of organization as the state authority, the multi-state authority, the city or county authority, and a combination of counties.

**State**

As an agency of the State of Louisiana, the Port of New Orleans is one of the leading state-appointed port authorities. It is administered by a board of five business leaders, each serving a staggered five-year term. Although this is a state agency, it is the city of New Orleans which actually determines the yearly composition of the board. The principal business organizations of the city submit yearly to the governor a list of suitable candidates for the board, and from these men the vacancy arising each year is filled. That these organizations fully represent the business interests primarily affected by the port's operation, can readily be discerned by their calling: the New Orleans Steamship Association; the New Orleans Board of Trade; the Chamber of Commerce of the New Orleans area; the Banking and Clearing House Association; the New Orleans Cotton Exchange; the International House; and the West Bank Council of the Chamber.

While New Orleans' selection of board members from nominees by commercial organizations is highly unusual in the United States, the practice is closely akin to the type of port trust found in the great ports of Europe, such as London, Liverpool, Bordeaux, and Genoa. These autonomous international ports are under the control of independent bodies, representing the shipping, trading, and governmental interests concerned with each port's administration.

**Multi-State**

The creation of a multi-state authority requires additional measures. Of primary significance are the necessity for the enactment of parallel legislation by the participating states, and the execution of a compact between these states, which in turn must be approved by the Congress of the United States.

Representative of a bi-state port agency is the Port of New York Authority, which was created in 1921 to deal with terminal and transport facilities, and to improve and protect the commerce of the New Jersey-New York port district. This organization, a self-supporting public corporate agency of the states of New Jersey and New York, controls a district encompassing 1,500 square miles and more than 200 municipalities.

The Port of New York Authority is administered by a board of twelve commissioners, six from each state, who are appointed for a six-year term by the governor of their respective states. As a transportation authority, this enterprise ranks as one of the most vast and
extensive organizations of its kind in existence. The operation includes four airports (La Guardia, New York International, Newark, and Teterboro), and a heliport; two tunnels (Holland and Lincoln); four bridges (George Washington, Bayonne, Goethals, and Outerbridge Crossing); four marine terminals (Brooklyn-Port Authority Piers, Hoboken Port Authority Piers, Port Newark, and the Port Authority Grain Terminal); and four inland terminals (Port Authority Bus Terminal, Newark Union Motor Truck Terminal, New York Union Motor Truck Terminal, and the Union Inland Terminal).

To promote port commerce, the Authority also maintains offices in Washington, Chicago, Cleveland, London, Zurich, and Rio de Janeiro.

The compact under which the Port of New York Authority was created provided that the Authority would not have the power to assess taxes nor could it rely upon the credit of the two states it was to serve. The Port Authority, from its inception, has been obligated to be financially self-sustaining and all costs, including interest and amortization of its bonds, and maintenance and operation charges, must be, and are, paid from its own revenues.

**Municipal**

Exemplifying the municipal public corporation is the Chicago Regional Port District. This autonomous authority, created in 1951 by an act of the Illinois legislature, is operated by a nine-member port district board, appointed by the governor and the mayor of Chicago. The district receives no tax funds, although it did obtain state appropriations totaling $140 thousand in its first four years of operation. The progress of this particular agency has reached the point where today it is totally self-sustaining.

In 1957, the Chicago Authority was able to complete the initial development at the south end of Lake Calumet, having derived $14 million from the sale of revenue bonds in 1955 alone. This development project, constructed in an area received from the city of Chicago, consists of three transit sheds, a warehouse, two grain elevators, and almost 6,000 feet of wharf. While the management of the entire harbor area is carried out by the port district, the facilities, with minor exceptions, are all leased to, and operated by, private enterprise.

**Private Corporation**

Although the great majority of ports in this country are controlled by one of the types of governmental or public agencies here-tofore discussed, there are a few which are entirely privately owned and operated. Possibly the most prominent operations of this type
are: Texas City, Texas, which is administered by the Texas City Terminal Railway Company, and Richmond, California, which is under the control of the Paar Richmond Terminal Company. Each of these terminal companies is controlled by a board of directors similar to that of any other large private corporation.

The private terminal company, unlike its public counterpart, is subject to taxation and governmental regulations. Capital improvements must come from the earnings of the company (since public funds are not available), unless bonds can be issued with the company's property as security. There are, however, several significant advantages to be found in this type of port administration as compared to others. Being privately operated it tends to function more efficiently, since this generally insures a more business type of administration. Moreover, it effects a coordinated development of the facilities and use of the port, so that the flow of traffic, the very essence of any port, may be maintained at the highest possible level of fluidity. But even the most ardent advocate of this type of private terminal operation has to admit that the public corporation has its highlights also. Through the use of low-cost public financing, port facilities can be constructed whenever, and as soon as, they are needed. Of even more importance is that as a public agency, it need not be concerned with obtaining an immediate return on its investment in new facilities.

CONCLUSION

Regardless of which particular form it takes, it is obvious that the advantages to be gained from the establishment of a port authority far outweigh any possible objections. Only in this manner is orderly port development assured, accomplished through the adoption of a long-range plan with an all-inclusive view of the entire port area. Through its activities in the fields of advertising, promotion, and traffic solicitation, the port authority serves the entire port area. And in serving the port area the benefits of a thriving, progressive port are effectively transmitted, by the political unit which established the agency, to the people dependent on them. The growth of the port means the growth of the surrounding area, be it city, county, state, or states, and as the port flourishes, so increases the prosperity of the people it serves. In an age symbolized by a never-ending expansion of our economic and cultural scene, our port systems must keep up with modern advancement "and the first step in this direction is the appointment of a competent port authority."23