



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: JUNE 2, 2015

FROM: PORT PILOTS

SUBJECT: TEMPORARY ORDER NO. _____ - AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE - PILOTAGE, ITEM 360 (b) AND ITEM 370, VESSEL TRAFFIC SERVICE USER FEES

PERMANENT ORDER NO. _____ - AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE - PILOTAGE, ITEM 360 (b) AND ITEM 370, VESSEL TRAFFIC SERVICE USER FEES

SUMMARY:

The Marine Exchange of Los Angeles-Long Beach Harbors, Inc. operates a Vessel Traffic Service (VTS) that currently serves The Ports of Los Angeles and Long Beach (The Ports). The VTS monitors vessel traffic within the Los Angeles and Long Beach harbors and approaches, and provides mariners with timely, relevant, and accurate information for the purpose of enhancing safe, environmentally sound, and efficient maritime transportation.

The Marine Exchange is requesting to increase VTS User Fees to offset a 24 percent decline in ship counts caused by the continued trend of consolidating cargo into fewer but larger ships calling at The Ports. VTS User Fees are based on the Length Overall and Gross Tonnage of commercial vessels and intended to be consistent within the San Pedro Bay Port Complex. Upon approval, Tariff No. 4 will be amended to increase VTS User Fees ranging from approximately \$39 to \$391 per ship, effective July 1, 2015. Fees will continue to be collected by the Marine Exchange. Harbor Department funds will not be required for this proposed action.

The Marine Exchange has discussed the proposed fee increase with Port of Los Angeles stakeholders. Staff recommends the proposed amendment to Tariff No. 4. The VTS User Fees at the Port of Long Beach have historically mirrored those of The Port of Los Angeles. It is anticipated that The Port of Long Beach will bring a similar Tariff amendment regarding VTS User Fees to the Long Beach Harbor Commission along the same time frame as this recommendation.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

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SUBJECT: TARIFF NO. 4, SECTION THREE - PILOTAGE, ITEM 360 AND ITEM 370, CHARGES FOR VESSEL TRAFFIC SERVICE

1. Approve the Amendments to Port of Los Angeles Tariff No. 4, Section Three Pilotage - Vessel Traffic Service, Item No. 360 (b) Vessel Traffic Service Invoicing and Payment Procedures, and Item 370 Vessel Traffic Service User Fees, subject to the California Association of Port Authorities' review and approval, and authorize the Executive Director to work with California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with California Association of Port Authorities procedure;
2. Adopt Temporary Order No. _____ to amend the Port of Los Angeles Tariff No. 4, Section Three Pilotage - Vessel Traffic Service, Item No. 360 (b) Vessel Traffic Service Invoicing and Payment Procedures, and Item 370 Vessel Traffic Service User Fees;
3. Adopt Permanent Order No. _____ to amend the Port of Los Angeles Tariff No. 4, Section Three Pilotage - Vessel Traffic Service, Item No. 360 (b) Vessel Traffic Service Invoicing and Payment Procedures, and Item 370 Vessel Traffic Service User Fees;
4. Authorize the Board Secretary to certify to the adoption of the Temporary Order by the Board and cause the same to be published once in a newspaper printed and published in the City of Los Angeles, to take effect prior to adoption by Ordinance for a period not-to-exceed 90 days pursuant to Charter Section 653(b);
5. Direct the Board Secretary to transmit to the City Council for approval the Permanent Order and the Ordinance approving and authorizing the amendments to the Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a); and
6. Authorize the Board Secretary to execute the Temporary Order, Permanent Order and Ordinance amending Tariff No. 4 as stated above, and upon its publication, transmit the Orders and Ordinance to the Chief Wharfinger for implementation and posting to the City of Los Angeles Harbor Department's website.

DISCUSSION:

Background and Context – The VTS is a cooperative effort of the State of California, the U.S. Coast Guard, the Marine Exchange of Los Angeles-Long Beach Harbors, Inc., and The Ports of Los Angeles and Long Beach. The VTS operates under the authority of California Government Code Section 8670.21, and Harbors and Navigation Code Section 445-449.5, to monitor vessel activity within the San Pedro Bay Complex and manage all inbound and outbound commercial traffic up to approximately 40 miles beyond the breakwater.

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While VTS rules, regulations, and rates are published in the respective port tariffs of Los Angeles and Long Beach, all VTS User Fees are invoiced by, and paid to, the Marine Exchange of Los Angeles-Long Beach Harbor, Inc., by the vessel so assessed, through its master, owner, agent, charterers, or other person duly authorized to do so. These fees were last increased seven and one half percent (effective January 1, 2009, pursuant to Board Order No. 08-6975.

At the time of the 2009 tariff increase, ship counts had already declined 20 percent (20%), since 2007 but were anticipated to rise so that the seven and one-half percent (7½%) increase in VTS User Fees was contemplated to be sufficient to sustain VTS operations. Ship counts did increase slightly between 2009 and 2011 by five percent (5%), however, they fell significantly in 2012, by seven percent (7%), and have continued to decline since then.

| Year | # of Ship Arrivals | Change From Previous Year | Change Percent |
|-------------|---------------------------|----------------------------------|-----------------------|
| 2007 | 5881 | | |
| 2008 | 5339 | -542 | -9% |
| 2009 | 4686 | -653 | -12% |
| 2010 | 4778 | 92 | 2% |
| 2011 | 4935 | 157 | 3% |
| 2012 | 4581 | -354 | -7% |
| 2013 | 4474 | -107 | -2% |
| 2014 | 4391 | -83 | -2% |

Due to the industry trend of fewer but larger ships calling at the Ports, the Marine Exchange has been operating at an unsustainable fiscal deficit wherein incoming revenues are not sufficient to cover outgoing expenses. The Marine Exchange reports a 24 percent (24%) decline in vessel arrivals between the years 2007 through 2014. VTS User Fees represent approximately 80 percent (80%) of the Marine Exchange's revenue, with the remaining 20 percent (20%) generated from auxiliary vessel tracking and data reporting services. In 2012, the Marine Exchange reduced VTS staffing to the current levels in an attempt to reduce operating expenses. The Marine Exchange is able to sustain current operations by expending cash reserves, which will be depleted by February 2016 if a rate increase is not implemented and/or the number of vessel arrivals increase, which is not anticipated to occur given industry trends.

Amendment to Tariff No. 4 - The Marine Exchange is proposing an amendment to Tariff No. 4 to increase VTS User Fees ranging from approximately \$39 to \$391 per ship, effective July 1, 2015. Upon approval, The Port of Los Angeles Tariff No. 4, Section

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Three, Item 370 (Transmittal 1), which publishes the rates for VTS User Fees will be amended per the table below:

| Vessel Type | Current Rate | Proposed Rate |
|---|---------------------|----------------------|
| Covered Vessels (based on length overall) | \$205 – \$387 | \$236 – \$500 |
| Assessment per Gross Registered Ton | \$0.0016 | \$0.0032 |

VTS User Fees are meant to be uniform within the San Pedro Bay Port Complex. The average increase of \$146 per ship arrival among both the Ports of Los Angeles and Long Beach will allow the Marine Exchange to continue its current VTS operations. The Marine Exchange has communicated their proposal to the Pacific Merchant Shipping Association (PMSA). It is anticipated that The Port of Long Beach will concurrently and independently pursue a tariff amendment regarding VTS User Fees, to be effective July 1, 2015.

A proposed Temporary Order (Transmittal 2) is required to keep the proposed VTS user fees in place until a Permanent Order (Transmittal 3) and Ordinance (Transmittal 4) are approved by City Council. Additionally, the Temporary and Permanent Orders will update the fax number in item 360(b) to (310) 241-0300.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an Order increasing and amending the fees associated with the Port of Los Angeles Tariff No. 4, Section 3, Item 360 (b) and Item 370. There would be no changes to operation as a result of this action. As an administrative action, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) of the Los Angeles City CEQA guidelines.

ECONOMIC BENEFITS:

This Board action will have no employment impact.

FINANCIAL IMPACT:

As the VTS User fee represents a very small proportion, approximately three percent (3%), of the total cost for shipping lines to bring a vessel into the San Pedro Bay port complex the proposed rate increase is not expected to materially impact the arrival of vessels into Port of Los Angeles terminal facilities.

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Since the VTS User Fees will continue to be invoiced by, and paid directly to, the Marine Exchange of Los Angeles-Long Beach Harbor, Inc. by the vessel so assessed there will be no impact to the Port of Los Angeles' financial position.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Temporary Order, the proposed Permanent Order, and the proposed Ordinance as to form and legality.

TRANSMITTALS:

1. Exhibit "A" Tariff Pages
2. Temporary Order
3. Permanent Order
4. Ordinance

FIS Approval : MB (initials)
CA Approval : gpc (initials)



MIKE RUBINO
Chief Port Pilot



THOMAS E. GAZSI
Acting Chief of Public Safety
and Emergency Management

APPROVED:


FOR EUGENE D. SEROKA
Executive Director

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