



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: AUGUST 6, 2024**

**FROM: PORT PILOTS**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE MARINE EXCHANGE OF SOUTHERN CALIFORNIA TO PROVIDE THE CONTINUED OPERATION OF THE NEW QUEUING SYSTEM FOR LABOR**

**SUMMARY:**

Staff requests the approval of an agreement (Agreement) between the City of Los Angeles Harbor Department (Harbor Department) and The Marine Exchange of Southern California (MX SoCal). Under the proposed Agreement, MX SoCal will continue operating the New Queuing System for Labor (NQSFL). The proposed Agreement has a three-year term, with an effective date retroactive to July 1, 2024, to maintain continuity of services. The proposed annual compensation is \$300,000, with annual increases based on the Harbor Department's utilized Consumer Price Index (CPI) factor, with a total not-to-exceed amount of \$927,270.

**RECOMMENDATION:**

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

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the proposed Agreement between the City of Los Angeles Harbor Department and the Marine Exchange of Southern California, retroactive to July 1, 2024;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement for and on behalf of the Board; and
4. Adopt Resolution No. \_\_\_\_\_.

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**SUBJECT: AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE MARINE EXCHANGE OF SOUTHERN CALIFORNIA**

**DISCUSSION:**

Background - Established in 2021, the NQSFL is a collaboration between MX SoCal and the Marine Exchange of Alaska at the Ports of Los Angeles and Long Beach (LA/LB). This system aims to alleviate the congestion of container vessels, thereby enhancing maritime safety through near-real-time vessel tracking and providing up to two weeks advance notice of container ship arrivals. The continued operation of the NQSFL is crucial for maintaining efficient port operations and supporting environmental stewardship.

Context - During the summer and fall of 2021, approximately 90 vessels, many carrying containers, were anchored or loitering off the coast of Southern California. This congestion posed risks to maritime safety and air quality, exacerbated by impending winter weather necessitating increased ship spacing and reduced proximity to LA/LB.

The “Working Group to Develop a New Queuing System for Labor” (Working Group) was convened to address this issue. The Working Group was comprised of representatives from the Pacific Merchant Shipping Association, the Pacific Maritime Association, ocean carriers, and terminal operators. They identified that the congestion stemmed from a century-old labor assignment system, compelling ships to hasten their approach to the 20-mile line from the port complex. This rush resulted in extended waiting periods off the coast due to the combined impacts of record cargo levels, driven by increased consumer spending on goods amidst reduced travel and a pandemic-induced labor shortage.

Solution - The Working Group explored fair and transparent alternatives to alleviate congestion, enhance safety, and improve air quality. After just 27 days of design and implementation, the new system was launched on November 16, 2021. The initiative reduced the number of vessels lingering off LA/LB from 86 on launch day to 0 by February 3, 2022. The vessel backup peaked at a record high of 109 on January 9, 2022. However, of those backed up, only 12 were now inside the Safety and Air Quality Area (SAQA). The success of the NQSFL is demonstrated by the other 97 backed-up container ships waiting well off the coast and outside the SAQA.

Anchorage utilization was optimized to between 40 and 60 percent capacity inside and outside the breakwater, accommodating 25 to 35 vessels instead of the previous 55 for all ships. Such success led to adopting this system at the Port of Oakland (OAK) in January 2022, aiming to mitigate similar congestion issues affecting Northern California.

Under the new system, container vessels will be assigned a position in the labor queue based on a calculated time of arrival (CTA), determined when they depart their last port of call (LPOC) and head toward LA/LB or OAK. The benefit of this new queuing system is that vessels can slow steam and spread out across the Pacific rather than crowd into the congested waters off LA/LB while they await a berth.

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System Formula - The NQSFL will calculate CTA using the following formula:

Date/Time of departure LPOC + (distance/speed = voyage time) = CTA.

A standard speed is applied for fairness, with exceptions for expedited services. The speeds used for calculations are as follows:

- Vessels Eastbound from Asia and Australia: MX SoCal employs a standard speed of 18 knots. Matson and APL expedited service vessels use a speed of 21 knots.
- Vessels North and Southbound: MX SoCal uses a standard speed of 17 knots. Matson and APL expedited service vessels use a speed of 21 knots.

The distance from LPOC to LA/LB/OAK is determined using the Dataloy database (<https://ddt.dataloy.com>), an industry-recognized resource.

The NQSFL monitors ships in near real-time throughout their voyage to ensure no other ports are called before arrival at LA/LB or OAK.

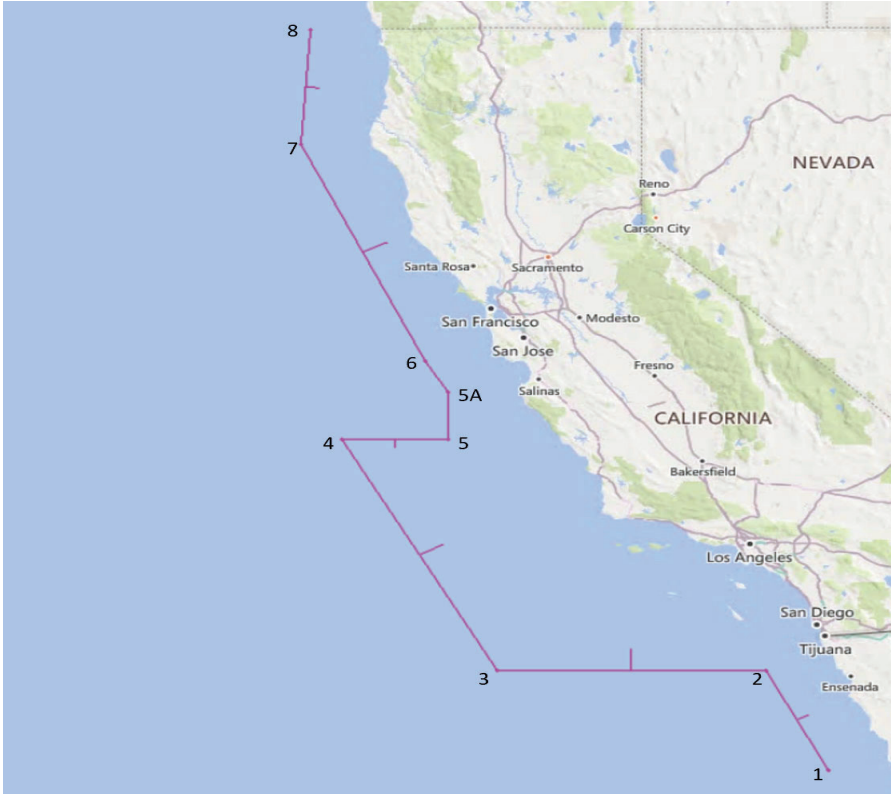
The NQSFL delivers the CTA through the MASTER QUEUING LIST twice daily to the Port of Los Angeles for container vessels calling at the participating ports. If the proposed Agreement (Transmittal 1) is approved, MX SoCal will be able to continue managing the vessel enrollee database and maintaining the infrastructure necessary for its core services, ensuring operational functionality through its 24/7 operations center during the effective period of the proposed Agreement.

Approval of this Agreement is not anticipated to significantly affect the arrival of container ships at LA/LB/OAK. The system primarily influences where vessels spend additional time in the event of congestion, allowing for loitering outside the SAQA or employing slow-speed steaming.

Safety and Air Quality Area - The Working Group has established the SAQA off the coast of California. This designated zone aims to regulate the entry of container vessels into state waters by requiring them to stay outside the SAQA boundaries until seventy-two hours before their allocated labor time at LA/LB/OAK. The initiative focuses on enhancing maritime safety and improving regional air quality.

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The SAQA map and coordinates are below:



The coordinates that define SAQA off the coast of California are as follows:

- 1. 30-20N      117-00W
- 2. 32-00N      118-00W
- 3. 32-00N      122-20W
- 4. 35-45N      124-50W
- 5. 35-45N      123-08W
- 5A. 36-30N      123-08W
- 6. 37-00N      123-30W
- 7. 40-18N      125-30W
- 8. 42-00N      125-20W

Selection Process - This Agreement is being awarded as a sole-source contract. MX SoCal developed this service and is the exclusive global provider. A 1022 determination was not required because no labor costs are associated with the proposed Agreement.

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**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the Agreement with MX SoCal for the continued operation of the NQSFL, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Agreement authorizes expenditures in the not-to-exceed amount of \$927,270 over three years. Retroactive to July 1, 2024, payments will be made in monthly installments of \$25,000. Additionally, beginning in the second year of the Agreement, there will be an annual escalation based on the increase in CPI. However, the increase shall not exceed 3%. The following table outlines the maximum payable amount by fiscal year:

<b>FISCAL YEAR</b>	<b>AMOUNT</b>
2024/25	\$300,000
2025/26	\$309,000
2026/27	\$318,270
<b>TOTAL</b>	<b>\$927,270</b>

Fiscal Year 2024/2025 funding in the amount of \$300,000 is available within Account 54290 (Miscellaneous Professional Services), Center 0414, Program 000 to cover the proposed costs. Future fiscal year funding will be requested as part of the annual budget process upon Board approval. A funding out clause, also known as a termination of the Agreement for non-appropriation of funds clause, has been included in the proposed Agreement.

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**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved the proposed Agreement as to form and legality.

**TRANSMITTALS:**

1. Agreement with the Marine Exchange of Southern California

FIS Approval: JS  
CA Approval: SO



JOHN L. DWYER  
Chief Port Pilot



THOMAS E. GAZSI  
Chief of Public Safety and  
Emergency Management

APPROVED:

*Erica M. Calhoun* for

EUGENE D. SEROKA  
Executive Director