



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

FOR INFORMATION ONLY

DATE: JANUARY 16, 2020

TO: BOARD OF HARBOR COMMISSIONERS AUDIT COMMITTEE

SUBJECT: UPDATE ON COMMERCIAL FISHING AT THE PORT OF LOS ANGELES

INTRODUCTION

Long before container terminals and cruise ships populated the Port of Los Angeles, the commercial fishing fleet and canneries dominated San Pedro's coastline. At its height, the harbor had 18 canneries and provided jobs for 17,000 people who processed the catches of 2,000 fishermen who cruised up and down the California coast and south to Mexico, Central America and South America. However, the impacts of foreign competition, rising fuel and labor costs, fluctuating market prices, and changing government regulations have significantly changed commercial fishing at the Port of Los Angeles.

One of the most visible changes is the transformation of the local fishing industry from a focus on tuna to other lower valued species. This transformation was primarily caused by the disappearance of the tuna canneries from the United States during the 1970s and 1980s, as canneries relocated their operations to other countries or U.S. territories to avail themselves of lower labor costs and tax loopholes (e.g., Section 936 which exempted from federal income tax profits earned by U.S. companies in Puerto Rico and other possessions under certain conditions). This trend had a pronounced effect on the local fishing industry, as Terminal Island housed many of the country's major tuna canneries. This resulted in a transformation of the local fishing fleet, which now land primarily squid, lobster, sea urchin, prawn and yellowfin tuna.

While overall there has been a decrease in the total landed volume as well as decrease in the dollar value of landed fish, the fishermen and fish wholesalers and processors have proven to be highly adaptive.

The following map identifies Port of Los Angeles areas designated for commercial fishing vessel docking and fish processing.

Port of Los Angeles Areas Designated for Commercial Fishing Activities



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DOCKING FACILITIES

Commercial fishing vessels currently dock at Berth 73 (the SP Slip) in San Pedro, and in Fish Harbor on Terminal Island. Berths 261-266 in Fish Harbor are home to the larger vessels that fish exclusively for the fish processing tenants; additional vessels dock at Berths 268A-D. A wood dock, Berth 267A, previously used by fishing vessels was removed in 2017 due to safety issues. No replacement was necessary, as the Port had sufficient berthing capacity to accommodate the existing fishing fleet at Berth 73 and elsewhere in Fish Harbor. Berths 73, 261-266, and 268A-D represented 6,896 linear feet (lf.) of berth space for commercial fishing. In the 2017/2018 fishing season, there were 105 fishing vessels docked at the Port and they occupied approximately 5,600 linear feet of berth, or 81% of the available capacity (assuming the single-tying of vessels 10 feet apart; fishing vessels can tie up two- or three-abreast, effectively doubling or tripling the available capacity.)

Fishing Berth Location	Berth Numbers	Available Berth Capacity	Occupied Berths	Utilization Rate
San Pedro	73	2,787 lf.	1,685 lf.	60%
Fish Harbor – Terminal Island	268 A-D & 261-266	4,109 lf.	3,941 lf.	96%
All Locations		6,896 lf.	5,626 lf.	82%

With the relocation of Jankovich's marine fueling facility from the east side of the SP Slip to the west side, approximately 750 feet of the west side of Berth 73 was leased to Jankovich for its barges and tugs. This freed up an equivalent amount of space on the east side of Berth 73 vacated by Jankovich. However, in anticipation of potential conflicts on the east side of Berth 73 due to construction related to the San Pedro Public Market (SPPM), the Engineering Division requested to keep about 920 lf. unoccupied, reducing the available berth space in the SP Slip to about 1,865 lf.

The Port of Los Angeles Wharfingers Division discontinued issuing permits effective February 2019 to new fishing vessels requesting to dock in the SP Slip, limiting the SP Slip fishing fleet to 29 vessels occupying about 1,650 lf. This brought SP Slip utilization to about 89% and overall fishing berth utilization at the Port to about 94%. To date there are 16 fishing vessels on a waiting list for access to Berth 73. Engineering is working with Wharfingers to determine if the additional 920 lf. can be made available during construction.

If, in the future, the USS Iowa is relocated from its current location at Berths 87-90 to the east side of Berth 73, it would occupy 925 linear feet, approximately the same amount

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currently being held unoccupied during SPPM construction. However, relocating the Iowa would likely require the relocation of Jankovich's tugs and barges, returning up to 750 lf of berth for the use of fishing vessels and bringing available berth capacity for fishing vessels at the Port back up to 6,721 lf., which will continue to be sufficient to serve expected demand.

DOCKAGE RATES

The current Port of Los Angeles rates have not increased since October 29, 2005. The Port charges a monthly rate based of \$4.20 per linear meter (approximately \$1.29 per linear foot). This is significantly lower than the dockage rate charged by other Southern California ports:

Location	\$ per ft. per month	Monthly charge for a 40' vessel	Comparison to Port of Los Angeles Rate
Port of Los Angeles	\$1.29	\$51.60 / month	n/a
Port of San Diego	\$3.15	\$126 / month	144% higher
Port of Hueneme	\$48.30	\$1,932 / month	3,644% higher
City of Santa Barbara	\$22.50	\$900 / month	1,644% higher

To berth a commercial fishing vessel year-round at the Port of Los Angeles would cost less than \$620, compared to \$1,512 at the second-least expensive port, San Diego. In addition, San Diego charges \$47 per quarter for parking permits and \$53.34 per quarter per 100 square feet of gear storage space, while the Port of Los Angeles has no charges for parking or gear storage. Given that a commercial fishing vessel must land \$15,000 (or 30,000 pounds) of fish to qualify for the next year's annual fishing permit, a year-round dockage charge of less than \$620 represents at most 4% of the total value generated by that permit.

PERMITS

During the 2019/2020 fishing season 68 annual permits and 10 temporary permits were issued. To qualify for an annual permit, a vessel must have documented landings totaling either 30,000 pounds or \$15,000 in value during the previous fishing season.

Temporary permits are issued to vessels that typically do not qualify for an annual permit. A temporary permit covers one month and a vessel is given a maximum of 3 months at a

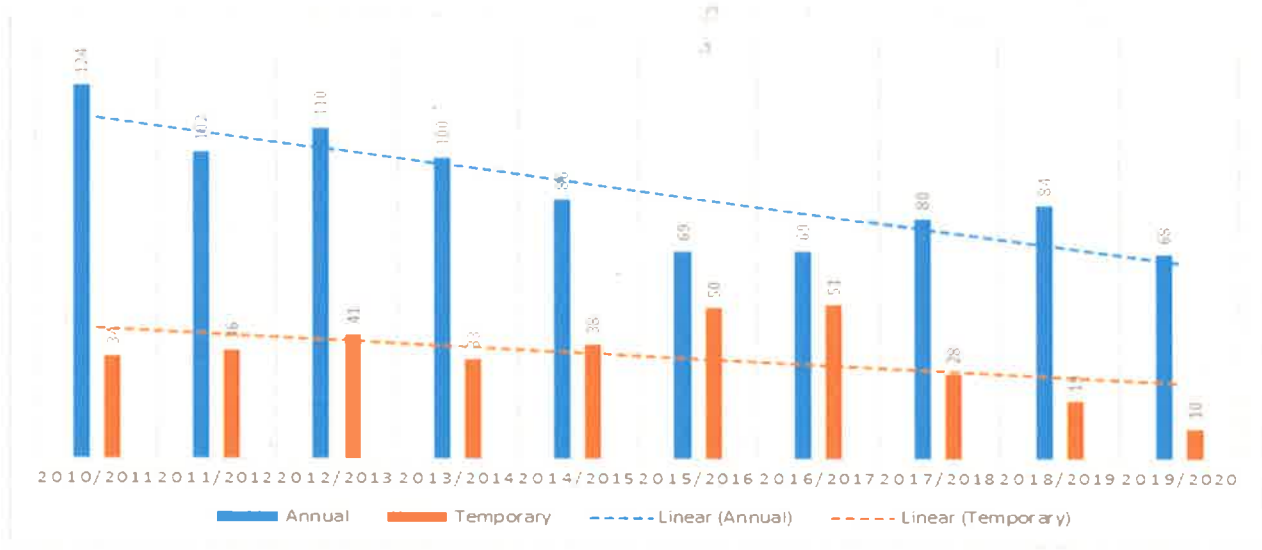
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time. The vessel must be able to prove it has been fishing to qualify for additional temporary permits, up to a maximum of one year. A vessel that does not meet these qualifications must leave the port.

The number of annual permits has declined 45% from 124 in the 2010/2011 fishing season to 68 in the 2019/2020 fishing season. Wharfingers report that local fishermen have attributed the decline in permits requested to the fish not being as plentiful as they used to be, as well as a lack of interest in the younger generations to learn the trade.

Additionally, in February 2019, the Engineering Department requested that there be a hold on adding new vessels at the southern end of the east side of Berth 73 due to construction for the new San Pedro Public Market. This hold has created a waiting list of 16 vessels preferring to dock in San Pedro.

Annual & Temporary Permits Issued for the 2010 – 2019 Fishing Seasons



LANDINGS – FISH VOLUMES & SPECIES CAUGHT

Commercial fishery activity happens both on the water, as fishermen target and catch marine species, and onshore, through the offloading, processing and distribution of seafood. The California Department of Fish and Wildlife (CDFW), together with the Pacific States Marine Fisheries Commission (PSMFC) and the National Marine Fisheries Service (NMFS), track this activity in several ways:

- Fish tickets/landings receipts – for each fishing trip, fishermen are required to report several types of information including the species and amounts (in pounds) landed, the amount paid to the fisherman for the catch, the gear used, area fished, place and date of landing, and the name of the vessel, skipper, and receiver (i.e.,

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the shoreside fish-buying business or, if selling directly to the consumer, the fisherman).

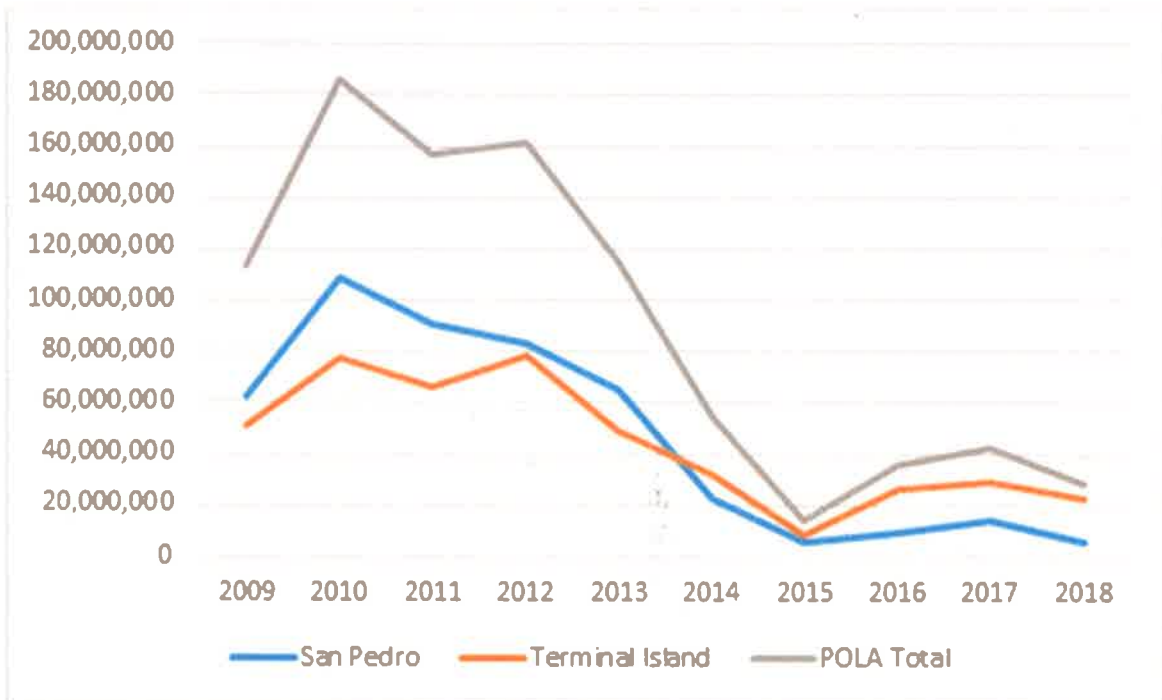
- Vessel logbooks – for several fisheries (e.g., sea urchin, lobster, swordfish), fishermen record additional catch information such as the number of legal-sized individuals retained and the number of ‘shorts’ (under the size limit) returned to sea, the areas fished, and amount of gear used (e.g., number of traps pulled).
- Onboard observers – for certain fisheries (e.g., groundfish trawl, swordfish drift gillnet), onboard federal observers are required for some or all commercial fishing trips. They collect data on samples of the catch, effort (e.g., number and length of trawl tows), animals discarded (for economic or regulatory reasons), and encounters with marine mammals, seabirds and sea turtles.
- Port sampling – through a partnership between CDFW and PSMFC, agency personnel regularly collect data (e.g., species, sex, length, weight) on samples of the catch for several fisheries (e.g., groundfish, California halibut). These additional ‘fishery-dependent’ data support the estimation of population characteristics (e.g., age distribution, sex ratios), which in turn are used by fishery managers.

A fish ticket (or landings receipt) is completed each time a fisherman sells his or her catch – to a dockside buyer, a restaurant, or directly to a consumer. This information is entered into a database maintained by CDFW that allows both state and federal agency staff to analyze trends in a fishery to inform and evaluate fishery management. For some fisheries, the landings data are supplemented with logbook, observer and/or port sampling data, which are incorporated into fishery analyses and management.

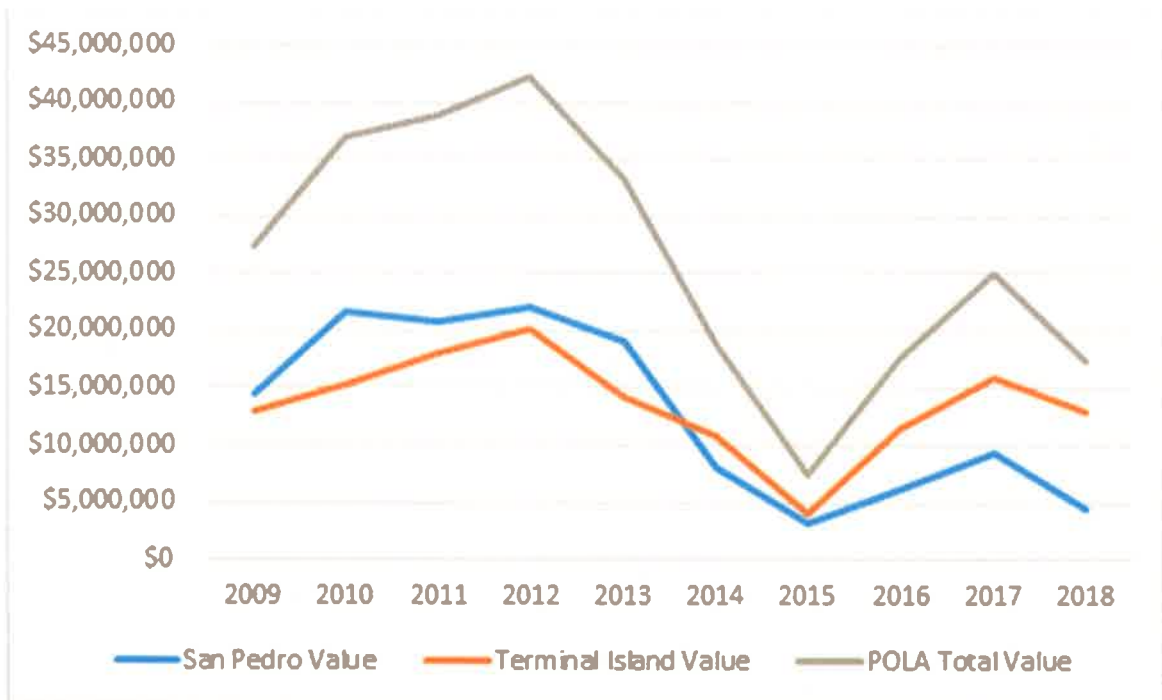
Per the CDFW, San Pedro and Terminal Island landings in pounds and value during the past 10 years can be found in the following graphs.

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Landings By Pounds



Landings By Value

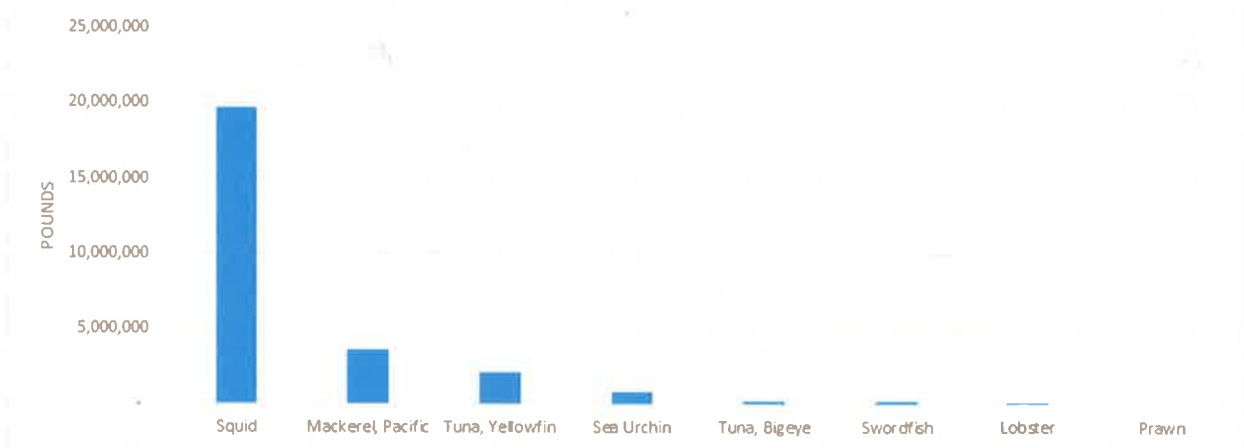


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As can be seen from this data, the landings at the Port of Los Angeles have declined significantly from their peak in 2012. Over the past five years, the average landings at the Port of Los Angeles were about 35.3 million pounds per year with an average value of \$17.3 million, or approximately \$0.49 per pound. However, the availability of fish can be highly variable; 54.8 million pounds were landed in 2014 worth \$19.0 million, while in 2015 only 14.4 million pounds of fish were caught, with a value of \$7.4 million.

Squid was the leading species by pound, representing 67.9% of the 2014-2018 landings by weight, followed by pacific mackerel (12.5%), yellowfin tuna (7.3%), and sea urchins (2.8%).

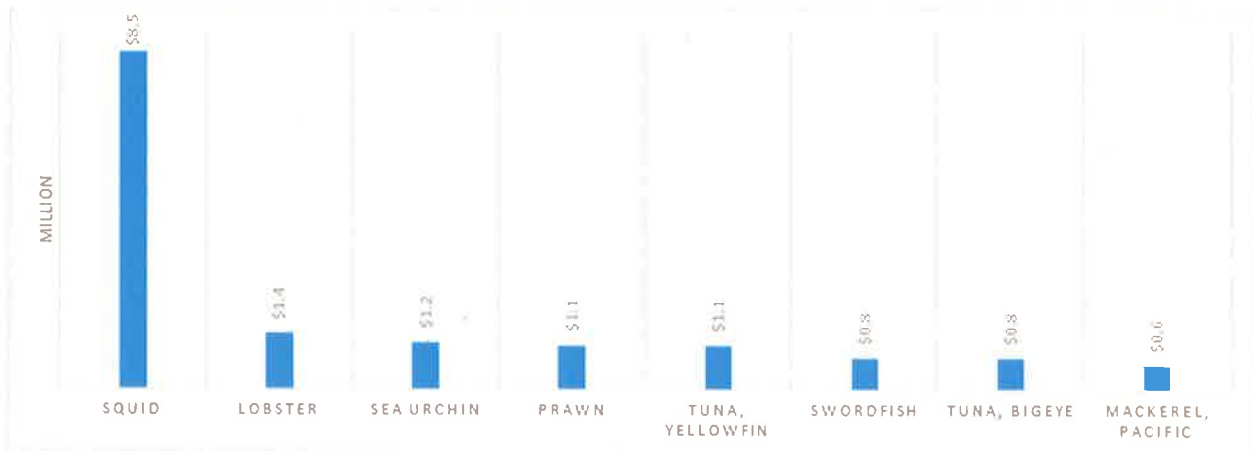
2014 – 2018 Top 8 Species Landings By Pounds



The average value per pound has increased at the Port of Los Angeles from \$0.24 per pound in 2009 to \$0.62 per pound in 2018. This is due to the fishery shifting towards catching higher value fish like squid (\$0.49/lb.), lobsters (\$2.67/lb.), sea urchins (\$2.04/lb.), and prawns (\$14.29/lb.). These top four species made up 73.6% of the value landed at the Port between 2014 and 2018.

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2014 – 2018 Top 8 Species Landings By Value



FISH PROCESSORS

There are four commercial fishing processors located on Terminal Island, occupying 12.7 acres, with a capacity estimated to be at least 47,000 metric tons. With an estimated throughput in 2018 of at least 23,500 metric tons, these facilities have sufficient capacity to handle local demand for commercial fish processing.

Commercial Fishing Processing Facilities

Company	Berth	Capacity	2018 Throughput	Utilization Rate
Tri Marine Fish Co.	264	30,000 MT	15,000 MT	50%
Fisherman's Pride Processor's Inc.	265	12,000 MT	5,000 MT	42%
Augello Enterprises	261	5,000 MT	3,500 MT	70%
Del Mar Seafoods*	259	N/A	N/A	N/A
Total		47,000 MT	23,500 MT	50%

* Throughput data not available

Previously, commercial fish processing facilities had a larger footprint at the Port, associated with the much larger fishing industry in the Port's history. As processing moved overseas and the local fishery declined and shifted to different species, the Port found itself with empty or underutilized facilities. The Port has worked to consolidate commercial fish processing operations to make better use of the Port's limited water-adjacent acreage. Over the past four years, commercial fish processor tenant acreage has declined 35% while rent revenue has increased 88%. This has improved the Port's

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revenue per acre, reduced underutilization, and still maintained sufficient capacity to support the local commercial fishing industry even in years of peak catches.

Commercial Fishing Processor Lease Revenue

	2014	2015	2016	2017	2018
Rent	\$748,433	\$946,560	\$1,085,064	\$1,163,891	\$1,412,063
Acres	19.05	16.29	13.29	13.29	12.33
Rent/Acre	\$39,287	\$58,106	\$81,645	\$87,576	\$114,522

Municipal Fish Market

The Municipal Fish Market (MFM) was built at Berth 72 in 1951 by the Harbor Department. The purpose of the MFM building was for the unloading of fish from local commercial fishing vessels, and subsequent transport and processing off site. The building is divided into 12 two-story stalls that are currently operated by five tenants. The current permits allow for unloading and processing of wet fish, wholesale seafood sales and storage of materials related to their operations.

Current Tenants of Municipal Fish Market

Stall #	Tenant	Lease
1-3, 8	J. Deluca Fish Co.	Revocable Permit 15-22
5 & 6	J & D Seafood, Inc.	Permit 920
4	H.S. Seafood, Inc.	Permit 919
7 & 10	California Seafood, LLC	Revocable Permit 16-36
9	Certi-Fresh Foods, Inc.	Pending permit per RFP
11 & 12	Vacant to accommodate Jankovich's diesel tank	N/A

Municipal Fish Market Lease Revenue

	2014	2015	2016	2017	2018
Lease Revenue	\$151,815	\$391,983	\$312,312	\$392,326	\$383,215
Acres	8.33	9.65	8.64	7.48	4.07
Rent/Acre	\$18,225	\$40,620	\$36,147	\$52,450	\$94,156

ADDITIONAL COMMERCIAL FISHING SUPPORT

In addition to free parking, the Port of Los Angeles provides free container storage yards and a net mending yard at Fish Harbor for fisherman with permitted vessels.

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The Port of Los Angeles Construction & Maintenance maintains Berth 73 and Fish Harbor. Maintenance costs between 2014 and 2018 totaled \$912,615. Capital asset repair/improvements between 2010 and 2018 totaled \$717,000.

In order to encourage fisherman to properly dispose of used engine oil, hazardous waste oil sheds were established in 2000 at Berth 73 and Berth 268 with a contractor removing the used oil twice a month. Unfortunately these sheds were identified by non-fishermen as an opportunity site for the illegal dumping of oil, paint and other hazardous materials, with the dumping occurring late at night and often in large quantities (50 to 500 gallons). The cost to remove both the fishermen's oil and the illegally dumped materials between August 2018 and August 2019 was \$160,904. The oil sheds have been removed and the Port of Los Angeles Environmental Division is looking into a replacement 'on-call' program in which the fishermen will contact the contractor directly to schedule used engine oil pick-ups.

SUMMARY

While the commercial fishing industry at the Port of Los Angeles has declined from its place as once the dominant industrial activity at the Port, fishing communities continue to be an important part of California's maritime heritage and economy and its coastal and ocean ecosystems. Viable commercial fisheries require not only healthy marine resources and habitat, but also people and businesses to support fishing activities. Those activities, in turn, support local economies and provide seafood to consumers. The Harbor Department continues to support the commercial fishing and fish processing industries, and the declines seen in the number of permits fished appears to be related to broader trends impacting the fisheries and the economics and demographics of fishing, not any Port-specific factors. In fact, the Harbor Department's tariff rates for commercial fishing dockage, unchanged since 2005, represent a significant discount below what is being charged elsewhere in Southern California and a significant fraction of the value generated by commercial fishing at the Port.



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