



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: OCTOBER 28, 2021

FROM: EXECUTIVE OFFICE

**SUBJECT: RESOLUTION NO. _____ - APPROVE TEMPORARY
ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION
TWENTY-FIVE, CONTAINER EXCESS DWELL FEE**

SUMMARY:

Staff requests approval of a Temporary Order to amend Port of Los Angeles (Port) Tariff No. 4, (Tariff No. 4) adding a new Section Twenty-Five, "Container Excess Dwell Fee". Beginning November 1, 2021 a Container Excess Dwell Fee shall be established that assesses a fee to the ocean common carriers for each discharged container transported under their bill of lading that dwells on marine terminals beyond a prescribed period depending on the modality of the container. The assessment and collection of this fee shall commence no earlier than November 15, 2021 and upon notice provided by the Executive Director at a public meeting of the Board.

Both the Port, and the Port of Long Beach (POLB) are independently pursuing initiatives implementing ~~the identical~~ fee structures. ~~These~~ is initiatives ~~were~~ as developed in coordination with the Biden-Harris Supply Chain Disruptions Task Force, U.S. Department of Transportation and multiple chain stakeholders.

Under the proposed Tariff No. 4 amendment, the Port will assess a fee for container excess dwell time, payable by ocean common carriers responsible for discharging the specific containers falling into one of two categories. In the case of containers scheduled to move by truck (local), ocean common carriers will be charged for every container dwelling nine days or more following vessel discharge. For containers moving by rail (intermodal), ocean common carriers will be charged for every container dwelling six days or more following vessel discharge. ~~Effective November~~ No earlier than November 15, 2021, the ~~Ports~~ will charge ocean common carriers discharging cargo in those two categories \$100 per container, increasing in \$100 increments per container per day of excess dwell time beyond the prescribed period.

It is unknown what funds this proposed amendment will generate because the number of containers dwelling on the terminals beyond the prescribed dwell period is unknown. The goal of this initiative is to reduce dwell time on both intermodal and local containers stored within a terminal.

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RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines;
2. Approve the amendment to Port of Los Angeles Tariff No. 4 adding Section Twenty-Five, "Container Excess Dwell Fee"; subject to the California Association of Port Authorities' review and approval, and authorize the Executive Director to work with the California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with the California Association of Port Authorities' procedure;
3. Adopt Temporary Order No. _____ to amend Port of Los Angeles Tariff No. 4 adding Section Twenty-Five, "Container Excess Dwell Fee";
4. Authorize the Board Secretary to certify the adoption of Temporary Order by the Board of Harbor Commissioners 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 City Charter Section 653(b); and
5. Adopt Resolution No. _____.

DISCUSSION:

Major port gateways around the world have been experiencing unprecedented levels of congestion. At the Port and POLB, one of the most visible indicators of this congestion is the number of ships at anchor. Under normal operations, cargo ships do not have to wait at anchor; however, the backlog of ships started rising a year ago and is nearing an all-time high due to the current holiday surge.

The Ports are busier than ever because of an historic level of cargo volumes. Covid-19 pandemic shutdowns caused an increase in goods consumption that was further buoyed by stimulus funding. As a result, the Port has seen extraordinary volumes throughout 2021 and has averaged 900,000 containers per month since summer 2020. In spite of the best efforts of terminal operators and longshore workers (e.g., 50% more ships are being worked at once than before the pandemic), terminals remain beyond full capacity, as evidenced by tall container stacks crowding the tarmacs and the backlog of ships at anchor. As of October 26, 2021, there were 76 container ships at anchor with another 17 container ships arriving over the next three days. The situation will likely persist until the import surge subsides and the flow of containers out of the terminals to inland

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locations and store shelves improves.

The overall supply chain is strained, causing cargo to be left at marine terminals for a much longer period. About two-thirds of all import containers are trucked to regional warehouse and distribution centers; warehouse capacity is at its limit due to a lack of available space and in part a shortage of warehouse workers. Some cargo owners are electing to leave cargo at the terminal. This is evidenced by increased terminal dwell times (the time cargo sits in a terminal). As of October 26, 2021, there are currently approximately 36,600 containers dwelling on Port terminals nine days and over. This represents 40 percent of all the containers on Port terminals. The same phenomenon occurred at inland rail yards (e.g., Chicago), where cargo dwelled on rail yard terminals, impacting circulation of rail cars, which in turn impacts the one-third of cargo moved by rail. Recently, rail dwell times have shown significant improvement due to measures being taken by the Class I railroads.

Equipment is being used to store cargo and empty containers, negatively impacting the ability to move cargo out of the Port. Cargo owners cannot get their cargo to market for multiple reasons. Some of the cargo owners that are collecting cargo from the Port are using containers (and the chassis they sit on) as storage, which prevents the equipment from cycling back into the system. Before the pandemic, the process of taking a container, unloading it, and returning the equipment to the Port took about four days (this is known as street dwell time). Presently, this process is taking more than double the amount of time. Further compounding this situation, once containers have been emptied, coordinating empty returns has been challenging and empty containers sitting on chassis are impacting chassis availability. As a result, there is a systemic lack of available chassis.

As the Port works with stakeholders to fully utilize 24/7 operations, staff has continued to work to ensure use of both daytime and nighttime appointments. There are a number of factors that prevent full utilization of available gate hours, including a nationwide driver shortage, hours of service restrictions, lack of available chassis and challenges coordinating empty container returns.

Beginning November 1, 2021, Ocean Common Carriers will be required to provide information daily to the Port by 9:00am Pacific time. Information required will be Terminal name, container number, and days dwelling. The dwell time will commence for each container at 3:00am after the container is discharged from the vessel.

All loaded import local containers on a terminal for more than 8 days at the commencement date of the fee are deemed to be at 9 days for the purposes of fee charges.

All loaded import intermodal containers on a terminal for more than 5 days at the commencement date of the fee are deemed to be at 6 days for the purposes of fee charges.

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An example of how the program will work is as follows:

Local Import Loaded Container

Days on Terminal	Daily Charge (\$)	Cumulative Charge (\$)
9	\$ 100	\$ 100
10	\$ 200	\$ 300
11	\$ 300	\$ 600
12	\$ 400	\$ 1,000
13	\$ 500	\$ 1,500
More than 13	Incremental \$100 increase per day with no limit	

Intermodal Import Loaded Container

Days on Terminal	Daily Charge (\$)	Cumulative Charge (\$)
6	\$ 100	\$ 100
7	\$ 200	\$ 300
8	\$ 300	\$ 600
9	\$ 400	\$ 1,000
10	\$ 500	\$ 1,500
More than 10	Incremental \$100 increase per day with no limit	

The Container Excess Dwell Fee shall be billed directly to the Ocean Common Carrier under whose bill of lading a container subject to this fee was discharged, monthly and without proration.

Need for Amendment – The need to vacate from terminal premises containers dwelling for extended periods is paramount. Expediting the movement of cargo through the **Ports** is necessary to work down the number of ships at anchor. We anticipate this program will help improve fluidity within the terminals. Approximately 40% of the containers on terminals today fall into the two categories. Reducing the on-terminal dwell time for import containers will provide more space on our terminals to accept empties, handle exports,

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and improve fluidity for the wide range of cargo owners that utilize our ports. This action is needed to improve terminal velocity.

Need for Approval – Pursuant to Section 653(b) of the Los Angeles City Charter, the Board has authority to enact a rate or charge for a period of 90 days by Temporary Order (Transmittal 1).

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Temporary Order to amend Port of Los Angeles Tariff No. 4 to increase rated tariff items (Transmittal 3), which is an activity involving modification of any rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Temporary Order would amend Tariff No. 4 to add a Container Excess Dwell Fee payable on local and intermodal loaded import containers.

In the event that a loaded import container destined to be trucked locally dwells at a Port terminal for nine days, a fee of \$100 would be billed directly to the Ocean Common Carrier under whose bill of lading a container was discharged. Local loaded imports dwelling longer than nine days would be subject to daily fees in addition to the initial \$100 fee incurred on the ninth day.

In the event that a loaded import container destined to be moved via rail dwells at a Port terminal for six days, a fee of \$100 would likewise be billed directly to the Ocean Common Carrier under whose bill of lading a container was discharged. Intermodal loaded imports dwelling longer than six days would be subject to daily fees in addition to the initial \$100 fee incurred on the sixth day.

Assuming that 36,600 containers continue to dwell on Port terminals for nine days or more, the proposed Container Excess Dwell Fee could raise approximately \$3.7 million in incremental Port revenues. However, implementation of the proposed Temporary Order is intended to: (i) increase terminal velocity; (ii) reduce dwelling of aging import containers; and (iii) ultimately ensure that cargo reaches consumers in a more timely manner. If these objectives are accomplished, then the revenues generated from this fee would ideally be lower than anticipated.

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CITY ATTORNEY:

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

TRANSMITTALS:

1. Temporary Order
2. Tariff No. 4

FIS Approval: MB
CA Approval: g2

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APPROVED:

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