



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 16, 2017
FROM: CARGO & INDUSTRIAL REAL ESTATE
**SUBJECT: RESOLUTION NO. _____ - ORDER RESETTING
COMPENSATION UNDER PERMIT NO. 787 WITH YANG MING
MARINE TRANSPORT CORPORATION**

SUMMARY:

Staff requests approval of the Order resetting compensation under Permit No. 787 (Permit) between the City of Los Angeles Harbor Department (Harbor Department) and Yang Ming Marine Transport Corporation (Yang Ming). The Permit is for a 25-year term, effective October 11, 1996 through October 10, 2021. The Permit grants Yang Ming nonexclusive use of 186.13 acres at Berths 121-131 for container terminal operations.

The Order resetting compensation is for the five-year period of October 11, 2016 through October 10, 2021. Compensation for this period is proposed to remain unchanged from the previous five-year compensation period and is the financial responsibility of Yang Ming.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Order resetting compensation under Permit No. 787 with Yang Ming Marine Transport Corporation for the five-year period of October 11, 2016 to October 10, 2021;
3. Authorize the Board Secretary to attest to the Order resetting compensation to be paid by Yang Ming Marine Transport Corporation pursuant to Section 4(h) of Permit No. 787; and
4. Adopt Resolution No. _____ and Order No. _____.

SUBJECT: ORDER RESETTING COMPENSATION WITH YANG MING**DISCUSSION:**

Background – Under the Permit, a compensation reset is required five years from the effective date and every five years thereafter (Transmittal 1). The Permit grants Yang Ming non-exclusive rights to use 186.13 acres at Berths 121-131 (Transmittal 2), of which 162.52 are subject to a Minimum Annual Guarantee (MAG) and Twenty Foot Equivalent (TEU) container efficiency charges. The remainder of the premises (23.61 acres) is part of the West Basin Intermodal Container Transfer Facility (WBICTF).

Current Compensation – Compensation to the Harbor Department has the following components:

- 1) TEU Charges: A sliding scale that provides a discount based upon increased volume as volume throughput increases.
- 2) Yang Ming controlled vessels that call at the China Shipping Terminal count towards its MAG.
- 3) Non-container cargo charges are revenue shared on a 50 percent basis and count towards the MAG.
- 4) MAG: Should compensation fall below the annual compensation minimum due as set by the MAG, Yang Ming would be responsible for the shortfall between the MAG and the total compensation due the Harbor Department.
- 5) Yang Ming and China Shipping, as occupants of the West Basin Container Terminal (WBCT), are on a “combined compensation” basis wherein their rate is determined by combining the total throughput and acreage of both terminals for compensation purposes.
- 6) WBICTF: Payment of \$45,000 per acre per year for the WBICTF. Revenue generated from the 23.61 acres that comprise the WBICTF is \$1,062,450.
- 7) Yang Ming’s compensation takes into account discounts for empties and transshipped cargo incentives; its combined compensation methodology also provides Yang Ming with cost savings.

Proposed Compensation – Staff requests that compensation under the Permit for the period of October 11, 2016 through October 10, 2021 remain unchanged as compared to current compensation rates now in place for Yang Ming. Presently, Yang Ming’s TEU charges and MAG rates are comparable with other similar container facilities on the north side of the Vincent Thomas Bridge when taking into account total acreage, berth depth, and the number of berths. Both the per acre compensation amount for the terminal and the WBICTF compensation will be subject to any future increases in the Not Otherwise Specified cargo rate identified in Tariff No. 4.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Order resetting compensation under Permit No. 787 with Yang Ming. As an activity involving the amendment of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

There is no financial impact as a result of approval of the Order due to compensation rates remaining unchanged from the previous five-year period.

CITY ATTORNEY:

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


TRANSMITTALS:

1. Order
2. Site Map




JACK C. HEDGE
Director of Cargo & Industrial Real Estate

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



For MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:JH:PA:raw
Author: Paul Andre
BL644raw Yang Ming Comp Reset