



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: AUGUST 14, 2013**

**FROM: BUSINESS & TRADE DEVELOPMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - UNITED ARAB SHIPPING  
COMPANY NEW CONTAINER SERVICE START-UP EXPENSES TO  
THE PORT OF LOS ANGELES**

**SUMMARY:**

On June 1, 2013, the Port of Los Angeles (Port) was pleased to welcome United Arab Shipping Company (UASC) as a new shipping line in the transpacific trade. UASC has selected West Basin Container Terminal (WBCT) as their new home for a jointly operated container service with China Shipping. The City of Los Angeles Harbor Department (Harbor Department) is recommending reimbursing UASC for expenses associated with establishing their operation at the Port commensurate with the projected annual container volume. The total compensation toward UASC's start-up expenses will not exceed \$100,000 payable within three months after June 1, 2014. Staff is recommending the Board of Harbor Commissioners (Board) approve the Resolution.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Approve the expenditure of \$100,000 for Fiscal Year 2014/2015 to fund United Arab Shipping Company for their start-up expenses of a new service and operation at the Port of Los Angeles;
2. Find that such expenditure serves the public purpose and provides the public benefit of increased container throughput through the Port of Los Angeles and maximization of Harbor Assets, as that term is defined in the Charter, pursuant to the Tidelands Trust;
3. Authorize Resolution No. \_\_\_\_\_ authorizing the expenditure of \$100,000 to be budgeted as part of the Fiscal Year 2014/2015 annual budget adoption process; and
4. Direct the Board Secretary to transmit the Resolution to the Mayor for approval pursuant to Section 343(b) of the City Charter.

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SUBJECT: UASC - NEW CONTAINER SERVICE – START-UP EXPENSES

**DISCUSSION:**

Background and Context – UASC began operations in 1976, when UASC was formed jointly between the Kingdom of Bahrain, Republic of Iraq, State of Kuwait, State of Qatar, Kingdom of Saudi Arabia, and the United Arab Emirates. UASC is headquartered in Kuwait with a North American office in Cranford, New Jersey. After more than 36 years of reliable service, UASC has earned its name as a market leader by being one of the most prominent carriers both in terms of liner cargo as well as port coverage. UASC owns and operates 51 container vessels including nine 13,500 Twenty-Foot Equivalent Unit (TEU) vessels, eight 6,900 TEU vessels, ten 4,100 TEU vessels and various small size vessels.

Prior to June 1, 2013, UASC did not offer services between Asia and the United States West Coast ports. Their entrance into the transpacific trade as joint service partner with China Shipping provides UASC customers with an essential link in their global supply chain (Transmittal 1). UASC is a growth company with plans to expand their fleet of vessels in the coming years. It is expected that UASC will add approximately 120,000 loaded and empty incremental TEUs annually to the Port through WBCT.

Proposal and Justification – Staff had been following UASC global expansion for several years. Over the years, UASC offices were visited by the Port's Business Development Division staff both in New Jersey and in Dubai, UAE.

On April 17, 2013, staff met with UASC to discuss this new business opportunity for the Harbor Department. During the discussion, UASC inquired about the Harbor Department's ability to assist in covering part of the extraordinary start-up costs that would be incurred when securing equipment, new information technology (IT) systems, and the opening of a Los Angeles office. UASC estimated their start-up expenses to be approximately \$785,000. With the introduction of this new service, UASC will provide the Port with an incremental 120,000 TEUs per year. UASC moved 10,826 TEU through WBCT during the month of June 2013. The additional revenue will support the growth of the Port's core business, which supports the Harbor Department's Capital Improvement Program and operating expenses. Growing the Port's core business is consistent with the Trust agreement with the California State Lands Commission.

**SUBJECT: UASC - NEW CONTAINER SERVICE – START-UP EXPENSES**

Given the incremental volume and revenue stream UASC represents, staff agreed to seek Board approval covering start-up expense in an amount not-to-exceed \$100,000 payable within three months following a twelve-month period commencing on the date the first vessel arrived, which was June 1, 2013. Moving costs include:

- Securing of equipment, such as chassis and containers
- Office start-up expenses
- IT system costs

Annual TEUs handled by UASC is projected to increase the Harbor Department's revenues by approximately \$4.8 million, and will more than offset this proposed expenditure. Start-up expense reimbursement serves the public purpose and provides the public benefit of increased container throughput through the Port.

UASC shall provide documentation demonstrating start-up costs that have been incurred. Staff is recommending reimbursement to UASC upon submission of valid documentation evidencing the actual costs. Reimbursement will occur at the conclusion of the first 12 months of service. Actual reimbursement of start-up costs shall remain at the sole discretion of the Executive Director.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of a Resolution for the reimbursement of expenses associated with establishing operations at the Port to UASC, who are operating a new joint container service at the Port as of June 1, 2013. The incremental TEU growth by UASC is part of the anticipated market growth for the San Pedro Bay Ports and will be accommodated by existing improvements at WBCT. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

**ECONOMIC BENEFITS:**

An incremental volume of 120,000 TEU per year from the UASC service will support approximately 465 direct jobs in the five-county region.

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SUBJECT: UASC - NEW CONTAINER SERVICE – START-UP EXPENSES

**FINANCIAL IMPACT:**

Incremental annual TEUs handled by UASC through Fiscal Year (FY) 2013/2014 are estimated at 120,000 and are projected to increase the Harbor Department's revenues from the WBCT by an amount of \$4.8 million, which is expected to more than offset the \$100,000 proposed expenditure. Funds in the amount of \$100,000 will be requested to be budgeted as part of the FY 2014/2015 annual budget adoption process, upon Board approval. The incremental TEUs estimated at 120,000 have been included in the FY 2013/2014 operating revenue budget.

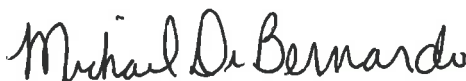
**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and commented on the transactions which are the subject of this report.

**TRANSMITTAL:**

1. UASC press release dated April 4, 2013

FIS Approval: MF (initials)  
CA Approval: ML (initials)

  
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Director of Business Development

  
for KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:

  
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