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**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 1, 2025

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVE PERMANENT ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION TWENTY-THREE, CONTAINER TERMINAL OPERATOR TRUCK TURN-TIME INCENTIVE PROGRAM AND DUAL TRANSACTION INCENTIVE PROGRAM

SUMMARY:

Staff requests approval of a Permanent Order to amend Port of Los Angeles (Port) Tariff No. 4 (Tariff) Section Twenty-Three - Container Terminal Operator Truck Turn-Time (TTT) Incentive Program and Container Terminal Operator Dual Transaction (DT) Incentive Program (Incentive Programs), replacing the previous incentive programs for Container Terminal Tenants (Tenants). The current Tariff language states that incentive payments earned shall only be payable to Tenants. With this amendment, incentives would continue to be paid to Container Terminal Operators (CTOs) that are Tenants, as well as CTOs that are contracted by the Tenant, applicable to two terminals operated by non-Tenant CTOs.

Payments made under the Incentive Programs would be the financial responsibility of the City of Los Angeles Harbor Department (Harbor Department) and shall be paid to the eligible Tenants or their CTOs on a regular basis by check. A separate action recommends a Temporary Order to establish the Incentive Programs within the Board's authority to adopt changes for up to 90 days, with any changes to be effective beyond the 90 days requiring this Permanent Order and Ordinance to be approved by the City Council.

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;

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2. Approve amendments to Port of Los Angeles Tariff No. 4, amending Section Twenty-Three, Item No. 2345 "Definitions Truck Turn-Time Incentive", Item No. 2346 "Truck Turn-Time Incentive Program", Item No. 2350 "Definitions Dual Transaction Incentive", and Item No. 2351 "Dual Transaction Incentive Program", 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 Permanent Order No. _____ to amend Port of Los Angeles Tariff No. 4, Section Twenty-Three, Item No. 2345 "Definitions Truck Turn-Time Incentive", Item No. 2346 "Truck Turn-Time Incentive Program", Item No. 2350 "Definitions Dual Transaction Incentive", and Item No. 2351 "Dual Transaction Incentive Program";
4. Direct the Board Secretary to transmit to the City Council for approval the Permanent Order and the Ordinance approving and authorizing the Amendments to Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
5. After the effective date of the Ordinance, transmit the Permanent Order and Ordinance to the Executive Director or his nominee for implementation and posting to the Port of Los Angeles website; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – The Port has implemented various incentive programs aimed at maintaining and increasing its competitive position.

In an ongoing effort to encourage Tenants in their supply chain efficiency strategies, the Board established the TTT and DT Incentive Programs under Tariff No. 4 Section Twenty-Three in 2021. These incentive programs were structured as Tenant programs, aimed at improving the overall cargo velocity through marine terminals resulting in increased efficiency for Tenants and drayage trucks, as well as allowing for sustained container volume growth at the Port in a normal trading environment.

The TTT Incentive Program allows eligible Tenants to receive \$0.50 to \$2.75 per loaded or empty trucked twenty-foot equivalent unit (TEU). A Tenant qualifies for this incentive program when the average monthly truck turn-time at their facility improves by a minimum of five percent compared to its corresponding prior year's quarterly monthly average truck turn-time.

To ensure sustained truck turn-time performance is maintained, a Tenant can earn an incentive of \$3.00 per loaded or empty TEU when they average a truck turn-time of at most 35 minutes during any given month. When a Tenant achieves a 35-minute average

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or better truck turn-time during any given month, the TTT Incentive would be limited to \$3.00 per loaded or empty truck TEU only, regardless of the average monthly truck turn-time improvement achieved over the quarterly average monthly truck turn-time in the prior calendar year. The incentive is paid on trucked TEUs that moved through a Tenant's in-gate and out-gate for any given month.

In addition to receiving a monthly payout for a minimum percentage truck turn-time improvement, Tenants may be eligible to receive an additional incentive payout related to dual transactions. Eligible Tenants qualify for this payout when a minimum of 50 percent of truck transactions at its marine terminal involve dual transactions. An eligible Tenant can earn an incentive between \$0.40 and \$1.40 per loaded trucked TEU based on the percentage of dual transactions handled compared to their overall gate activity for any given month. A dual transaction occurs when a trucker delivers a container at a terminal and departs with a different container.

Since the inception of the TTT and DT Incentive Programs, the Harbor Department has paid approximately \$16.4 million towards these incentives as follows:

	FY 2021	FY2022	FY 2023	FY 2024	FY 2025*
TTT	\$0	\$84,931	\$1,002,035	\$5,281,309	\$9,115,974
DT	\$0	\$133,046	\$216,074	\$359,973	\$161,760
Total	\$0	\$217,977	\$1,218,109	\$5,641,282	\$9,277,734

*Amounts for FY 2025 are Estimated Actuals.

To implement the TTT and DT Incentive Programs, Tenants are required to provide additional data elements to the Port via electronic data interchange or other technology. The data is collected through the Port Optimizer™, a Wabtec company. The Port Optimizer™ is the cargo visibility tool the Port has invested in, providing supply chain stakeholders with an advanced view and state of cargoes arriving at the Port.

Proposed Tariff - Restructure TTT and DT Incentive Programs

Staff requests approval of the new restructured TTT and DT Incentive Programs to better serve all container terminals, including two terminals operated by CTOs that are not the Tenant. West Basin Container Terminal (WBCT) is the CTO but is not the Tenant at Everglades Terminal (Berths 100-109) or at China Shipping Terminal (Berths 121-126). Additionally, Wabtec - the Port's digital data contractor, cannot separate the TTT and DT performance at WBCT for each tenant on account that the physical in-and-out gate serving both Terminals is one and the same, and is physically located at the Everglades Terminal premises at Berths 121-126. As WBCT meets the performance and data provision requirements of these Incentive Programs, the Port can pay Incentives under this amended Tariff to WBCT as the CTO for both terminals.

Staff is also requesting approval to add a new Tariff definition of "Container Terminal Tenant" referring to Container Terminals by Berth Locations rather than the Permit Numbers.

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Staff is therefore requesting:

- To amend the Tariff allowing the Port to pay these incentives to a CTO;
- Amend the definition of "Container Terminal Tenant" by removing Permit Numbers and instead referring to a Tenant as an entity that has entered into and is a Tenant in Good Standing under a current permit or lease with the City of Los Angeles for use and occupancy of a Container Terminal;
- Adding a definition of "Container Terminal" to mean one of these seven (7) container terminals that load and unload cargo containers onto or from ocean-going vessels at the Port of Los Angeles: Berths 100-109, Berths 121-126, Berths 136-147, Berths 212-225, Berths 226-236, Berths 302-306, or Berths 401-406; and
- Adding a definition of "Container Terminal Operator" to mean an entity that operates a Container Terminal by handling container cargo among other terminal operations. The Container Terminal Operator can be the Container Terminal Tenant or other entity that operates the terminal under contract with a Container Terminal Tenant.

Need for Approval – Pursuant to the Los Angeles City Charter, the Board has the authority to make changes to Tariff No. 4 for a period of 90 days by Temporary Order. A companion action to this Resolution recommends a Permanent Order (Transmittal 1) and Ordinance (Transmittal 2) for approval by the Board and City Council, which are required to make changes to Tariff No. 4 (Transmittal 3) beyond the Temporary Order's 90-day effective period.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Permanent Order to amend Port Tariff No. 4 approving Container Terminal Operator Truck Turn-Time and Dual Transaction Incentive Programs to incentivize the efficiency at marine terminals, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Order will facilitate TTT and DT Incentive payouts to CTOs which are not the Tenant. Staff anticipates that approval of this Order will enable \$0.7 million of FY 2026 anticipated payouts to be made to the container terminal operator WBCT on behalf of two tenants, China Shipping and LA TiL, which have qualified for payouts under the TTT and DT Incentive Programs.

The \$0.7 million of FY 2026 payouts to WBCT represent 12.5% of TTT and DT Incentive Program payouts. FY 2026 funding in the amount of \$5.8 million has been proposed to be budgeted within Account 562000 (Container Incentives), Division 41010 (Cargo Marketing).

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CITY ATTORNEY:

The Office of the City Attorney has approved as to form and legality the proposed Tariff, Permanent Order and Ordinance.

TRANSMITTALS:

1. Permanent Order
2. Ordinance
3. Tariff No. 4

FIS Approval: *MM*
CA Approval: *JC*



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