



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: June 7, 2016

FROM: PORT PILOTS

SUBJECT: RESOLUTION NO. _____ - APPROVING TEMPORARY AND PERMANENT ORDERS AMENDING PORT OF LOS ANGELES TARIFF NO. 4, SECTION THREE, ITEM NO. 330 – “CHARGES FOR PILOTAGE”

SUMMARY:

The City of Los Angeles Harbor Department (Harbor) requests to amend the Port of Los Angeles Tariff No. 4 (Tariff), Section Three, Item No. 330 - Charges for Pilotage. The Harbor Department provides piloting service that is available to all vessels calling at the Port of Los Angeles (Port). Per the Tariff, a sum of fees is assessed against all vessels subject to the payment of pilotage. Tariff Item No. 330 regarding Charges for Pilotage (Pilotage) is based on a vessel's tonnage and length over all plus surcharge per move. The proposed amendment is an increase that will affect the Pilotage calculation such that the Gross Registered Ton (GRT) rate would increase to \$0.0060, the Surcharge per Move would increase to \$100, and the Overall Length (LOA) fee and all other fee schedules related to Pilotage would be increased approximately 10 per cent, effective July 1, 2016. While this increase is projected to start balancing Los Angeles Port Pilot costs, an efficiency study will be conducted of the Pilot Service, should the study warrant additional fee modifications, those changes will be addressed and returned to the Harbor Commission for review and approval.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III, Class 1(31) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management.
2. Approve the Amendment to Port of Los Angeles Tariff No. 4 revising Section Three Pilotage, Item No. 330 (b), (d), (e), (f), and (g), subject to the California Association of Port Authorities' review and approval, and authorize the Executive Director to work with California Association of Port Authorities to secure this approval or proceed to take independent action in accordance with California Association of Port Authorities procedure;

DATE: June 7, 2016

PAGE 2 OF 5

SUBJECT: AMENDMENT TO TARIFF NO. 4 – CHARGES FOR PILOTAGE

3. Adopt Temporary Order No. _____ to amend Section 3 Pilotage, Item No. 330 (b), (d), (e), (f), and (g) in the Port of Los Angeles Tariff No. 4;
4. Adopt Permanent Order No. _____ to amend Section 3 Pilotage, Item No. 330 (b), (d), (e), (f), and (g) in the Port of Los Angeles Tariff No. 4;
5. Authorize the Board Secretary to certify to the adoption of the 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);
6. Direct the Board Secretary to transmit to the City Council for approval of the Permanent Order and the Ordinance approving and authorizing the amendments to the Port of Los Angeles Tariff No. 4 pursuant to City Charter 653(a);
7. Authorize the Board Secretary to execute the Temporary Order, Permanent Order and Ordinance amending Tariff No. 4 as stated above, and upon its publication, transmit the Orders and Ordinance to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website; and
8. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The City of Los Angeles, acting by and through its Board of Harbor Commissioners, the governing body of the Port, maintains a force of federally licensed port pilots to perform the service of piloting vessels in, into and out of the Port. Any vessel entering, leaving, or shifting within the Port, by her owners, master, operators, charterers or agents, may request the services of and be piloted by a port pilot.

The Harbor Department provides piloting service for all ships over 300 Gross Tons entering, departing, or shifting within the Port. A tariff is then assessed against all vessels subject to the payment of pilotage (Pilotage). There are currently three basic components in the Tariff for Pilotage, charges for: Gross Registered Tonnage (GRT), Overall Length of Vessel (LOA) and a general assessment for capital improvements, maintenance, and training (Surcharge per Move). The charge for Pilotage is determined by the sum of the GRT calculation, the LOA rate, and the Surcharge per Move.

DATE: June 7, 2016

PAGE 3 OF 5

SUBJECT: AMENDMENT TO TARIFF NO. 4 – CHARGES FOR PILOTAGE

Previous Board Action – On June 2, 2006, the Tariff was amended to increase Pilotage rates by 7 percent overall, and increase GRT charge from \$0.00331 to the current rate of \$0.0034 for GRT, pursuant to Board Resolution No. 6874. Since then there have been no permanent increases to the Tariff for any Pilotage charges. Board Resolution Order No. 6874 also approved the addition of a \$52 Surcharge per Move to the Tariff. The Surcharge fee was intended to fund capital improvements and a maintenance project related to port piloting, and has since remained unchanged.

Currently the Harbor Department's approximately \$10 million cost to operate the Port Pilot Division far exceeds the approximately \$7 million total revenue generated from pilotage fees. It has been ten years since the last permanent tariff increase for pilotage was approved. Since 2007 the Port Pilot Division has been operating at a deficit and will continue to do so until increases can be implemented. The proposed actions will serve to reduce the shortfall and enable the Harbor Department to offset capital improvement and training costs, deliver more efficient customer service, and establish a more sustainable business model. Prior to 2006, the Harbor Department had primarily adjusted the pilot tariff rate structure to maintain a balanced budget. Despite the proposed increases, the rates for pilotage in the Port of Los Angeles will remain among the lowest on the U.S. West Coast. Staff's goal is to maintain a tariff which will provide competitive rates in San Pedro Bay and balanced financial performance.

Amendment to Tariff No. 4 – The Harbor Department proposes amendments to Port Tariff No. 4 (Tariff) Item No. 330 (b) (d) (e) (f) and (g) regarding Charges for Pilotage (Transmittal #1). The proposed changes effective July 1, 2016 would increase the charge for GRT, from \$0.0034 to \$0.0060, the Move Surcharge from \$52 to \$100, and the LOA fee in meters would be increased approximately 10%. All other fees related to Pilotage would also be increased 10%, i.e. pilot cancellation fee, pilot stand-by fee, assistance charge for a second pilot and the minimum charge pilotage fee.

In addition, effective July 1, 2016, staff is proposing to expand the LOA in meters charge to include any vessels calling that are 394 meters and over.

Prior to bringing the proposed recommendation to the Board to increase the pilotage fees, staff conducted customer outreach. Staff considered input provided from the outreach and were proposing to move forward utilizing an incremental increase approach. While these incremental increases were projected to balance Los Angeles Port Pilot costs, an efficiency study will be conducted of the Pilot Service. Should the study warrant fee modifications, those changes will be addressed and returned to the Board for review and approval.

DATE: June 7, 2016

PAGE 4 OF 5

SUBJECT: AMENDMENT TO TARIFF NO. 4 – CHARGES FOR PILOTAGE

Changes to Tariff No. 4 (Transmittal 2) require the approvals of the Board and City Council. The proposed Temporary Order (Transmittal 3) is required to keep the proposed tariff rules and regulations in place until the Permanent Order (Transmittal 4) and Ordinance (Transmittal 5) are approved by City Council.

ENVIRONMENTAL ASSESSMENT:

The proposed action is a modification of the Port of Los Angeles Tariff No. 4 to increase Pilotage fees, which is an activity involving the modification of a fee charged for the use of an existing municipal service involving negligible or no expansion of use. As such, the Director of Environmental Management has determined that the proposed activity is exempt from the requirements of CEQA in accordance with Article III, Class 1(31) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

For the upcoming Fiscal Year 16/17 the proposed amendments to Tariff No. 4, Item 330, charges for Pilotage will increase the Port's pilotage revenues by \$1.5 million annually with the implementation of the proposed July 1, 2016 increases, depending on both the size of future vessels and the number of pilot assisted moves. This proposed increase is one phase of a multiphase cost recovery effort which will enable the Port's pilot operations to operate within a balanced budget.

DATE: June 7, 2016

PAGE 5 OF 5

SUBJECT: AMENDMENT TO TARIFF NO. 4 – CHARGES FOR PILOTAGE

CITY ATTORNEY:

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

TRANSMITTALS:

1. Pilotage Rate Table
2. Tariff No. 4
3. Temporary Order
4. Permanent Order
5. Ordinance



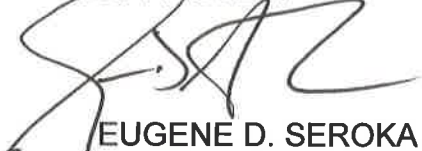
MICHAEL R. RUBINO
Chief Port Pilot

FIS Approval:  (initials)
CA Approval:  (initials)



THOMAS E. GAZSI
Chief of Public Safety
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APPROVED:



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