



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

DATE: JANUARY 7, 2021

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - APPROVE TEMPORARY ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION TWENTY-THREE, ITEM NO. 2345 "DEFINITIONS TRUCK TURN-TIME TIME INCENTIVE", ITEM NO. 2346 "TRUCK TURN-TIME INCENTIVE PROGRAM", ITEM NO. 2350 "DEFINITIONS DUAL TRANSACTION INCENTIVE", AND ITEM NO. 2351 "DUAL TRANSACTION INCENTIVE"

SUMMARY:

Staff requests approval of a Temporary Order to amend Port of Los Angeles (Port) Tariff No. 4 (Tariff) establishing a Truck Turn-Time and Dual Transaction Incentive Program (Incentive Programs) for Container Terminal Operators (CTOs). The proposed programs would incentivize CTOs to decrease truck turn-times at their marine terminals and achieve a minimum of 50 percent dual transactions allowing for increased terminal and truck gate operations thus increasing the Port's competitive position. Under this program, a terminal improving truck turn-times by 5 to 20 percent during a month would earn an incentive ranging between \$0.50 and \$2.75 per loaded or empty trucked Twenty-Foot Equivalent Unit (TEU) depending on the actual truck turn-time percentage improvement achieved. A CTO would 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. The incentive would be paid on trucked TEUs and moved through a CTO's in-gate, out-gate during a given month.

In addition, when a minimum of 50 percent of truck transactions at a marine terminal involve dual transactions, the CTO would 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 happens when a trucker delivers a container at a terminal and departs with a different container.

To implement these programs, CTOs are required to provide additional data elements to the Port via electronic data interchange or other technology.

The program, commencing on February 1, 2021, and would remain valid until terminated at the discretion of the Board of Harbor Commissioners (Board).

Payments made under this program would be the financial responsibility of the Harbor Department and shall be paid to the eligible CTOs on a monthly basis by check. As funding for the proposed incentive programs was not made available within the Adopted Fiscal Year (FY) 2020/21 Operating Expense Budget, a transfer of \$3,800,000 from the

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Unappropriated Balance would be required if the order related to the proposed incentive programs is approved.

RECOMMENDATIONS:

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 1 and Article II, Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve amendments to Port of Los Angeles Tariff No. 4, revising 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 Temporary 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. Authorize the Board Secretary to certify 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); and
5. 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 help drive CTOs in their supply chain efficiency strategies, staff proposes amending Tariff No. 4 to include the proposed Truck Turn-Time and Dual Transaction Incentive Programs. If approved, these incentive programs will improve the overall cargo velocity through marine terminals resulting in increased efficiency for truck drivers and CTOs, as well as allowing for sustained container volume growth at the Port.

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The Truck Turn-Time Incentive Program would allow eligible CTOs to receive \$0.50 to \$2.75 per loaded or empty trucked TEU. A CTO would qualify for this incentive program when the average monthly truck turn-time at their facility improves by a minimum of 5 percent compared to its corresponding prior year's quarterly monthly average truck turn-time.

To ensure a sustained truck turn-time performance is maintained, a CTO would 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 CTO achieves a 35-minute average or better truck turn-time during any given month, the Truck Turn-Time Incentive would be limited to \$3.00 per loaded or empty trucked 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 shall be paid on trucked TEUs that moved through a CTO's in-gate and out-gate for any given month.

Example:

TRUCK TURN-TIME INCENTIVE – PAYOUT

| | |
|---|-----------------|
| Quarterly Average Truck Turn-Time for Baseline Period (in minutes) | 85 |
| Minus: Average Truck Turn-Time – March 2021 (in minutes) | 80 |
| Equals: Truck Turn-Time Improvement (in minutes) | 5 |
| Divided by: Quarterly Average Truck Turn-Time for Baseline Period | 85 |
| Equals: Truck Turn-Time Improvement Percentage | 5.9% |
| <i>Payout per Trucked TEU Implied by Improvement Percentage</i> | <i>\$0.50</i> |
| | |
| March 2021 Loaded and Empty Trucked TEUs | 122,100 |
| Multiply by: Payout per Trucked TEU Implied by Improvement Percentage | \$0.50 |
| Equals: Monthly Truck Turn-Time Payout | \$61,050 |

A schedule of payouts per trucked TEU which are implied by various truck turn-time improvement percentages has been included within Transmittal 1.

In addition to receiving a monthly payout for a given percentage truck turn-time improvement, CTOs may be eligible to receive an additional incentive payout related to dual transactions. Eligible CTOs would qualify for this payout when a minimum of 50 percent of truck transactions at its marine terminal involve dual transactions. An eligible CTO would 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 happens when a trucker delivers a container at a terminal and departs with a different container.

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Example:

DUAL TRANSACTION INCENTIVE – PAYOUT EXAMPLE

| | |
|---|-----------------|
| Dual Transaction Gate Moves | 35,000 |
| Divided by: Monthly Gate Moves | 60,000 |
| Equals: Dual Transaction % | 58.3% |
| <i>Payout per Trucked TEU Implied by Improvement Percentage</i> | <i>\$0.56</i> |
| | |
| March 2021 Loaded and Empty Trucked TEUs | 122,100 |
| Minus: March 2021 Empty Trucked TEUs | (36,630) |
| Equals: March 2021 Loaded Trucked TEUs | 85,470 |
| Multiply by: Implied Payout per Qualified Trucked TEU | \$0.56 |
| Equals: Monthly Dual Transaction Payout | \$47,863 |

A schedule of payouts per qualified trucked TEU which are implied by various dual transaction percentages has been included within Transmittal 1.

CTOs are required to submit a one-time written request for participation and payment in the program, directed to the Port’s Executive Director, no later than 30 days following the date the Permanent Order passes the City Council’s approval process. Payments under this program would be paid to eligible CTOs by check on a monthly basis so long as the CTO has paid the Harbor Department the total amount due under its Permit for any month the CTO qualifies for a payout under the Program.

To implement the Truck Turn-Time and Dual Transaction Incentive Programs, CTOs would be required to provide additional data elements to the Port via electronic data interchange or other technology. The data elements required allowing the Port to determine eligibility are as follows:

- Truck appointment date/time stamp
- Truck appointment confirmation/cancellation
- Truck ID
- Container number
- Container present (yes/no)
- Load/Empty status
- Date/Time stamp of the gate event
- In-gate/Out-gate status

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The data would be collected through the Port Optimizer™ a Wabtec company. 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.

The Truck Turn-Time and Dual Transaction Incentive Program under Item No. 2345 would commence on February 1, 2021, and remain valid until terminated at the discretion of the Board.

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 (Transmittal 1). A companion action to this Resolution recommends a Permanent Order and Ordinance for approval by the Board and City Council, which are required to make changes to Tariff No. 4 (Transmittal 2) beyond the Temporary Order's 90-day effective period.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Temporary Order to amend Port Tariff No. 4 approving a "Truck Turn-Time and Dual Transaction Incentive Program" to incentivize the efficiency at marine terminals, which is an administrative activity and an activity where it can be seen with certainty that there is not a possibility that the activity in question may have a significant effect on the environment. Therefore, the Director of Environmental Management has determined that the proposed action is generally and administratively exempt from the requirements of CEQA in accordance with Article II, Section 1 and Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed action would incentivize CTOs to (i) reduce truck turn-times and (ii) increase the number of dual transactions at their terminals in exchange for a financial payout. Based upon discussions with CTOs and other supply-chain stakeholders, staff estimates that approximately 4,200,000 TEUs in Year 1 could potentially be incentivized under these programs resulting in aggregate Year 1 payouts as follows:

| | | |
|---------------------------------------|-----------|------------------|
| Truck Turn-Time % Improvement Payouts | \$ | 5,077,448 |
| 35-minute Turn-Time Payouts | \$ | 217,242 |
| Dual Transaction Payouts | \$ | 2,238,046 |
| Total Incentive Payouts | \$ | 7,532,736 |

Based upon a proposed effective date of February 1, staff estimates that FY 2021 funding of \$3,800,000 will be required in order to meet anticipated payouts under the proposed incentive programs. Funding for these anticipated FY 2021 payouts was not included within the Adopted FY 2020/21 Operating Expense Budget, and no alternative funding sources within the Adopted FY 2020/21 Budget are anticipated to be available in order to meet the expected payout obligations under the proposed incentive programs.

Therefore, staff will be requesting, under a separate Board action, that upon approval of the proposed incentive programs, the Board also approve a transfer in the amount of \$3,800,000 from the unappropriated balance to Account 59964 (Customer Operation Subsidies), Center 0422, Program 000. Funding for future years will be requested to be budgeted as part of the annual budget adoption process, subject to Board approval.

In addition to the above payouts related to the proposed incentive program, staff also estimates that one-time costs of \$250,000 will be required in order to make necessary updates to the Port Optimizer™. An amendment to the Amended and Restated Agreement No. 17-3425-A with GE Transportation Parts, LLC will be subsequently transmitted to the Board for consideration and approval. This amendment will request an increase in contract compensation necessary to implement these updates and identify required funding sources.

Incentive amounts earned by CTOs would be directly paid on a monthly basis as long as the proposed Truck Turn-Time and Dual Transaction Incentive Programs remain in effect.

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CITY ATTORNEY

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

TRANSMITTALS:

1. Temporary Order
2. Tariff No. 4



ERIC CARIS
Director of Cargo Marketing

FIS Approval: 
CA Approval: 

Michael DiBernardo

MICHAEL DIBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

ES:MD:EC:ng
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