



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

DATE: MAY 6, 2013

FROM: BUSINESS & TRADE DEVELOPMENT

**SUBJECT: TEMPORARY ORDER NO. _____ AND PERMANENT ORDER
NO. _____ THE PORT OF LOS ANGELES TARIFF NO. 4,
"GENERAL RATE INCREASE"**

SUMMARY:

The California Association of Port Authorities (CAPA), of which the Port of Los Angeles (Port) is a member, adopted an annual general rate increase (GRI) methodology for tariffs based on the West Region Consumer Price Index for All Urban Consumers (CPI-U). The effective date of each GRI would be July 1 of each Calendar Year (CY). The Bureau of Labor Statistics has identified a 1.7 percent increase in the CPI-U for the 12 month period ending December 2012. The Port through CAPA had a 5 percent GRI in CY 2004 and 2005. GRIs have not kept pace with inflation.

Staff is recommending approval of a GRI effective July 1, 2013 of 1.7 percent, applicable to Port of Los Angeles Tariff No. 4 (Tariff No. 4) rated tariff items, with exceptions. A Temporary Order is being proposed to allow ample time for the Permanent Order to be approved by the City Council.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners:

1. Approve the Amendment to all rated Port of Los Angeles Tariff No. 4 tariff items (Transmittal 1), 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;
2. Adopt Temporary Order No. _____ and Permanent Order No. _____ to amend all rated tariff items in the Port of Los Angeles Tariff No. 4 (Transmittal 2 and 3);
3. Direct the Board Secretary to transmit to the City Council for approval 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) (Transmittal 4);

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4. Authorize the Board Secretary to certify to the adoption of the Temporary Order by the Board 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 Charter Section 653(b) and transmit the Temporary Order to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website as regulated by the Federal Maritime Commission; and
5. After the effective date of the Ordinance, transmit the Permanent Order and Ordinance to the Chief Wharfinger for implementation and posting to the Port of Los Angeles website as regulated by the Federal Maritime Commission.

DISCUSSION:

Background and Context – At the March 8, 2012 CAPA Tariffs and Practices Committee (T&P) meeting, CAPA member ports were requested to consider a GRI system based on a uniform CPI-U as is used by members of the Northwest Marine Terminals Associations (NWMTA). CAPA member ports opined that over the years, previously implemented GRIs have not kept pace with inflation. In CY 2004 and 2005 CAPA member ports imposed a 5 percent GRI. In 2010, NWMTA member ports agreed on an annual GRI base increase that is determined by using the CPI-U. The CPI-U is the West Region CPI value for All Urban Consumers. Each NWMTA member port is permitted to deviate from the agreed upon minimum GRI, but it is understood ports would not go below the CPI-U. In the event of a negative CPI-U, no adjustments shall be made below zero.

At the June 28-29, 2012 CAPA Advisory Committee meeting, direction was given to the CAPA T&P Committee to implement an annual CPI-U based GRI system similar to the system used by the NWMTA member ports. The GRI system was to consider the following items:

- Applicable to existing and new tariffs;
- Based on the CPI-U
- Effective Date: July 1, 2013
- No adjustments below zero
- Applicable to all CAPA member ports
- Member ports would be able to exercise selective hold-downs and independent action

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Although Tariff No.4 covers more than 100 items, Item 550-001 is arguably the most important; this is wharfage on Merchandise Not Otherwise Specified (NOS). Looking forward from September 14, 2012, any percent increase of Item 550-001 in Tariff No. 4, NOS rate, will apply to rates at six of the seven Port's container terminals. While NOS rate increases have tended to not to keep pace with inflation since the mid 1970's, higher tariff increases were applied previously with the most significant tariff increases occurring from the mid 1960's to the mid 1970's. There were four rate increases during this decade ranging from 20 percent to 33 percent. On a CY basis, the NOS tariff increased 60 percent during calendar 1975 (a 20 percent increase in March followed by a 33.33 percent increase in June). At December 31, 1966, the NOS rate per revenue ton stood at \$0.80. The current rate is \$6.25 (a 681 percent increase).

Per the tariff, the following tariff items would be subject to an annual GRI:

- Pilotage fees
- Dockage fees
- Wharfage (merchandise NOS, empty containers, fruits, beverages, building supplies, transferred merchandise, coffee, cans, foods, metals, slabs, livestock, lumber, newsprint, vehicles, auto parts, animal feed, cotton, wastepaper, meats, seafood, petroleum products, passengers, merchandise in bulk, merchandise in bulk in containers, and project cargo)
- Wharf demurrage
- Wharf storage
- Space assignment
- Crane rental
- Office space
- Water and electricity
- Parking fees
- Permits (cargo handling, diving)
- Public landings for vessels
- Commercial fishing vessels
- Clean truck program
- Concession fees
- Infrastructure fees

Tariff items and/or permits not subject to the proposed GRI:

- APL's permit states dockage and wharfage in effect as of April 30, 1993, shall not be subject to any subsequent amendments. APL's space assignment and pilotage are subject to GRI.

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- Evergreen's permit would not be impacted in the first year of implementation of this GRI. Any GRI would first be reduced by the CPI increases applied to Evergreen since the last tariff increase in 2005. Subsequent GRIs could affect Evergreen's permit if the CPI increase exceeds a 3 percent cap as stated in their permit.
- Union Pacific Railroad Intermodal Container Transfer Facility.
- Yusen Terminals Inc. and TRAPAC annual storage and demurrage.

Staff is recommending the Board approve the application of a 1.7 percent GRI based on the CPI-U effective July 1, 2013 to all rated items in Tariff No. 4, except the following:

- Wharfage on petroleum products. Reason for hold down: the Port recently increased the tariff rates by 13 percent on January 1, 2013.
- Clean Truck Program Concession and Temporary Access Permits. Reason for hold down: it was calculated using a cost recovery principle that is not intended to be influenced by a CPI-U index.

Need for Amendment – The Port through CAPA imposed a 5 percent GRI in CY 2004 and 2005. GRIs have not kept pace with inflation.

Need for Approval – Los Angeles City Charter Section 653 requires the Board to approve any amendment by Order and approval of the City Council by Ordinance.

The Temporary Order is being proposed to allow ample time for the Permanent Order to be approved by the City Council. The Temporary Order, if approved, will expire 90 days after the date it is published or upon execution of the Permanent Order and Ordinance by the City Council, whichever occurs first.

ENVIRONMENTAL ASSESSMENT:

The proposed action is an Amendment to Port of Los Angeles Tariff No. 4 increasing rated tariff items, with exceptions by the CPI-U. As an administrative activity and an activity involving the modification of a fee for the use of existing municipal facilities involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2 (f) and Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment impacts for the five-county region.

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FINANCIAL IMPACT:

If approved, the proposed Amendment for the GRI to Port of Los Angeles Tariff No. 4 to all revenue generating tariff items, with exceptions, would result with an increase to operating revenue estimated at \$4.4 million for Fiscal Year 2013/2014.


CITY ATTORNEY:

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

TRANSMITTALS:

- 1. POLA Tariff No. 4
- 2. Temporary Order
- 3. Permanent Order
- 4. Ordinance

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


 MICHAEL DIBERNARDO
 Director of Business Development


 FOR KATHRYN McDERMOTT
 Deputy Executive Director

APPROVED:

 GERALDINE KNATZ, Ph.D.
 Executive Director

E. Caris