



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

Board of Harbor Commissioners

DATE: MARCH 31, 2021

FROM: CARGO MARKETING

SUBJECT: RESOLUTION NO. _____ - ADOPT SECOND 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 second Temporary Order to amend Port of Los Angeles (Port) Tariff No. 4 (Tariff) continuing the Truck Turn-Time and Dual Transaction Incentive Program (Incentive Programs) for Container Terminal Operators (CTOs) that became effective on February 1, 2021 under a Temporary Order. These programs 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 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 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.

At the January 14, 2021, Board meeting, the Board approved a Temporary and Permanent Order amending Port of Los Angeles Tariff No. 4, Item Nos. 2345, 2346, 2350, and 2351. Changes in the Tariff require City Council approval. The City Council has not calendared and approved the Permanent Order and Ordinance. Therefore, a second Temporary Order is proposed to allow additional time for the Permanent Order to pass through the City Council approval process. This second Temporary Order, if approved,

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will expire in 90 days after the day it is published or upon execution of the Permanent Order by the City Council, whichever occurs first.

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. Adopt a second 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”;
3. Authorize the Board Secretary to certify the adoption of the second 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
4. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – On January 14, 2021, the Board approved Temporary Order No. 21-7287 and Permanent Order No. 21-7288 amending Tariff Item Nos. 2345, 2346, 2350, and 2351. The Orders provide a financial incentive to CTOs on loaded or empty trucked TEUs to 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. The effective date of these programs was February 1, 2021.

The Truck Turn-Time Incentive Program allows eligible CTOs to receive \$0.50 to \$2.75 per loaded or empty trucked TEU. A CTO qualifies 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.

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To ensure a sustained truck turn-time performance is maintained, a CTO 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 CTO achieves a 35-minute average or better truck turn-time during any given month, the Truck Turn-Time Incentive is 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.

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 will qualify for this payout when a minimum of 50 percent of truck transactions at its marine terminal involve dual transactions. An eligible CTO 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 happens when a trucker delivers a container at a terminal and departs with a different container.

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 is collected through the Port Optimizer™ a Wabtec company.

The Truck Turn-Time and Dual Transaction Incentive Program under Item No. 2345 commenced on February 1, 2021, and would 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). The First Temporary Order will expire on May 1, 2021, before the Permanent Order can be fully executed. Council is unable to calendar and approve the Permanent Order and Ordinance before the expiration date, therefore, a second Temporary Order (Transmittal 1) is proposed to allow additional time for the Permanent Order to pass through the City Council approval process. The second Temporary Order, if approved, will expire 90 days after the day it is published or upon execution of the Permanent Order by the City Council, whichever occurs first.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a second Temporary Order amending Port Tariff No. 4 approving a “Truck Turn-Time and Dual Transaction Incentive Program” to incentivize

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the efficiency at marine terminals, which is an administrative activity and an activity where it can be seen with certainty that there is no 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.

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, 2021, staff estimates that FY 2021 funding of \$3,800,000 will be required in order to meet anticipated payouts under the proposed incentive programs. At the January 14, 2021 Board meeting, the Board approved a transfer in the amount of \$3,800,000 from the unappropriated balance to Account 59961 (Container Incentives), 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, an estimated one-time cost 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

FIS Approval: MB
CA Approval: JS



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