



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: APRIL 5, 2016

FROM: CARGO & INDUSTRIAL REAL ESTATE

**SUBJECT: RESOLUTION NO. _____ - APPROVE SEVENTH
AMENDMENT TO PERMIT NO. 733 WITH EAGLE MARINE SERVICES,
LTD. TO MODIFY CALCULATION OF COMPENSATION**

SUMMARY:

Staff requests approval of the Seventh Amendment to Permit No. 733 with Eagle Marine Services, LTD. (EMS) to modify the calculation of the compensation structure from dockage (based on the length of ship's stay at berth) and wharfage (based on the weight or measure of the cargo) to a compensation structure based on the volume of containers moved using a Twenty-Foot Equivalent Units (TEU) Scale, which includes dockage and wharfage charges. The TEU rate conversion under the Seventh Amendment will become effective April 1, 2016, and is structured to maintain revenue neutrality to the City of Los Angeles Harbor Department (Harbor Department) and EMS.

The reporting of cargo volumes handled at EMS is currently partially electronic, but mostly manual. The manual process is causing significant administrative burdens on the shipping lines, EMS, and Harbor Department staff, as well as significant delays in collection of revenue.

The compensation structure for EMS is antiquated, and changing EMS over to a TEU-based compensation scale will allow compensation to be calculated in line with other container terminals in the Port of Los Angeles and will increase the efficiency of collecting compensation from EMS.

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(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Seventh Amendment to Permit No. 733 with Eagle Marine Services, LTD.;
3. Direct the Board Secretary to transmit the Seventh Amendment to the City Council for approval pursuant to Charter Section 606 of the City Charter;

SUBJECT: SEVENTH AMENDMENT TO PERMIT NO. 733 WITH EAGLE MARINE SERVICES, LTD.

4. Authorize the Executive Director to execute and the Board Secretary to attest to the Seventh Amendment upon approval by City Council; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – Permit No. 733 was granted for a 30-year term, ending on December 31, 2026. The permit premises consist of approximately 261 acres at Pier 300 (Transmittal 1). In addition, EMS occupies approximately 30 acres and 0.69 acres granted under Space Assignment and Revocable Permits, respectively.

Current Compensation:

Current EMS compensation consists of:

- Wharfage and dockage charges subject to a Minimum Annual Guarantee of \$40,056,098; and
- Space Assignment revenue of \$2,728,125 on 30.28 acres for calendar year 2015.

EMS is the terminal operating entity of shipping line American President Lines (APL). APL is a member of the six-member G6 global shipping alliance (G6 Alliance). Other G6 Alliance members are: Hapag Lloyd, Hyundai Merchant Marine, MOL, NYK, and OOCL. The G6 Alliance is the merger of two shipping alliances, namely the Grand Alliance and the New World Alliance. Prior to the formation of the G6 Alliance, the processing of cargo detail information allowing Wharfingers to ultimately produce an invoice was partially electronic, with some manual reporting using hardcopy data.

Although the processing of data and ultimate production of an invoice was complex compared to those container terminal operators that are on a per TEU rate compensation structure, it was possible to collect and process data within one month of receipt of data.

With the formation of the G6 Alliance, more member shipping lines are submitting data manually, rather than electronically, which has now added 30-60 additional days for processing invoices. The Wharfingers Division staff has been in communication with member shipping lines and EMS to develop an electronic solution, to no avail mainly due to proprietary data issues.

Staff is recommending that the compensation schedule for EMS be converted to a per-TEU sliding scale rate schedule that will allow all shipping lines using EMS to transmit their container volume data electronically. The TEU rate conversion would be structured to maintain revenue neutrality to the Harbor Department. Revenue neutrality was an essential requirement by Harbor Department and EMS. A TEU sliding scale will significantly reduce the administrative process involved in collecting and processing cargo volume data, improve timely invoicing, and significantly improve customer service to G6 member shipping lines.

DATE: APRIL 5, 2016

PAGE 3 OF 3

SUBJECT: SEVENTH AMENDMENT TO PERMIT NO. 733 WITH EAGLE MARINE SERVICES, LTD.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Seventh Amendment to Permit No. 733 with EMS to modify the compensation structure under the Permit. As an activity involving the amendment of a permit to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

The proposed action is revenue neutral. The Harbor Department expects no fiscal impact upon approval and execution of the Seventh Amendment.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed Seventh Amendment (Transmittal 2) as to form and legality.

TRANSMITTALS:

1. Site Map
2. Seventh Amendment



JACK C. HEDGE
Director of Cargo & Industrial Real Estate

FIS Approval:  (Initials)
CA Approval:  (Initials)



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director

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