



Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: JUNE 7, 2011**

**FROM: BUSINESS AND TRADE DEVELOPMENT DIVISION**

**SUBJECT: TEMPORARY ORDER NO. \_\_\_\_\_ AMENDING ITEMS 520 AND 550-033 OF THE PORT OF LOS ANGELES TARIFF NO. 4, SECTION FIVE "TRANSFERRED MERCHANDISE - WHARFAGE"**

**PERMANENT ORDER NO. \_\_\_\_\_ AMENDING ITEMS 520 AND 550-033 OF THE PORT OF LOS ANGELES TARIFF NO. 4, SECTION FIVE "TRANSFERRED MERCHANDISE - WHARFAGE"**

**SUMMARY:**

On June 17, 2010, the Board of Harbor Commissioners (Board) approved an amendment to Port of Los Angeles (POLA) Tariff No. 4, Items 520 and 550-033 exempting the assessment of wharfage on Transferred Merchandise for one year, through June 30, 2011. Transferred Merchandise is defined as merchandise received at a municipal wharf or wharf premise by land transportation and subsequently removed from a municipal wharf or wharf premise by land transportation. Staff is recommending the Board approve an amendment to Tariff No. 4, 520 and 550-033, extending the current Transferred Merchandise rule through June 30, 2012.

**RECOMMENDATION:**

It is recommended that the Board:

1. Approve the Amendment to POLA Tariff No. 4, Items 520 and 550-033 subject to the California Association of Port Authorities (CAPA) review and approval, and authorize the Executive Director to work with CAPA to secure this approval or proceed to take independent action in accordance with CAPA procedure;
2. Adopt Temporary Order No. \_\_\_\_\_ and Permanent Order No. \_\_\_\_\_ to amend Items 520 and 550-033 in the Port of Los Angeles Tariff No. 4, Section Five, "Transferred Merchandise Wharfage;"
3. 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);

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4. 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 POLA Tariff No. 4 pursuant to City Charter 653(a); and
5. Authorize the Board Secretary to execute the Temporary Order and Permanent Order and Ordinance amending POLA 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 City of Los Angeles Harbor Department's (Harbor Department) website as regulated by the Federal Maritime Commission.

**DISCUSSION:**

Background – Transferred Merchandise is defined as merchandise received at a municipal wharf or wharf premise by land transportation and subsequently removed from a municipal wharf or wharf premise by land transportation. On August 19, 2000, October 23, 2002, and February 26, 2003, the Board approved temporary orders for initial trial periods of 90 days for a reduced Transferred Merchandise rate in the POLA Tariff No. 4, Item 550-033. The Board subsequently approved a permanent order on October 2004, reducing wharfage on Transferred Merchandise to \$71.66 per container. At the June 18, 2009 Board meeting, the Board approved a further amendment to the POLA Tariff No. 4, Items 520 and 550-033 exempting the assessment of wharfage on Transferred Merchandise commencing July 1, 2009, and ending on June 30, 2010. At the June 17, 2010 Board meeting, the Board approved a further amendment to the POLA Tariff No. 4, Items 520 and 550-033 exempting the assessment of wharfage on Transferred Merchandise commencing July 1, 2010, and ending on June 30, 2011.

Need for Agreement – The proposed amendment would provide a benefit to merchandise discharged off a vessel at the Port of Long Beach (POLB), trucked to a POLA container terminal to be transported by rail to an inland destination. With the approval of this amendment, the Board would continue to provide Common Carriers (Carriers), operating vessels in an alliance with other Carriers an operational efficiency, resulting in additional cost savings to the Carriers. Maximizing the use of on-dock rail and avoiding the drayage of containers to the Union Pacific Railroad or Burlington Northern Santa Fe off-dock rail yards in Long Beach and Los Angeles, remains a top cost savings measure. This action would provide for that efficiency.

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Need for Approval – Staff is recommending amending the POLA Tariff No. 4 extending wharfage exemption on Transferred Merchandise commencing July 1, 2011, and ending on June 30, 2012. During Fiscal Year (FY) 2011, three POLA Terminal Operators, Yusen Terminals Inc., Eagle Marine Services and APM Terminals have, or are expected to report a combined volume of 9,228 TEU of Transferred Merchandise.

As part of this amendment, Terminal Operators will continue to provide the number of Transferred Merchandise discharged at the Port of Long Beach (POLB) and transported by rail out of a POLA on-dock rail facility, as well as Transferred Merchandise discharged at POLA and transported by rail out of a POLB on-dock rail facility. When the amendment was first approved in 2009, the City of Los Angeles Harbor Department (Harbor Department) increased the maximum number of allowable containers from 200 to 500 containers per week. In order to ensure compliance, each POLA Terminal Operator will be responsible to divide the weekly 500 alliance member containers of Transferred Merchandise that are received at their respective on-dock rail facility.

This POLA Tariff No. 4 amendment would directly apply to Yusen Terminals Inc. Permit No. 692, as wharfage is derived through the tariff in this permit. Where Transferred Merchandise is dealt with in Terminal Operators' permits with the Harbor Department, permit amendments will be prepared. Staff will seek approval of such amendments at subsequent Board meetings.

Other POLA Terminal Operator permits override elements of Tariff No. 4, including tariff amendments. Permit amendments will be required for those POLA Terminal Operators requesting this benefit. Staff will seek approval of such amendments at subsequent Board meetings.

If this exemption causes alliance vessel services to shift from one POLA terminal to another POLA terminal, the Executive Director may revoke permission to receive this exemption.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is a tariff amendment that would extend the current Transfer Merchandise rule, which is an amendment to Tariff No. 4 Items 520 and 550-033, through June 30, 2012. The Director of Environmental Management has determined that the proposed action is exempt from the California Environmental Quality Act (CEQA) as an administrative activity under Article II, Section 2 (f) of the Los Angeles City CEQA Guidelines.

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**ECONOMIC BENEFITS:**

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

**FINANCIAL IMPACT:**

Provided the actual Transferred Merchandise container volume is unaffected without this wharfage exemption, the Transferred Merchandise wharfage revenue loss during FY 2010/2011 and FY 2011/2012 is \$377,693 and \$572,441 (estimated), respectively.

The incremental financial impact of extending the Transferred Merchandise rule through June 30, 2012 would result in a projected Transferred Merchandise wharfage revenue loss similar to FY 10/11 estimates assuming Transferred Merchandise throughput activity through the terminals occurs at about the same levels. There is not expected to be a financial impact to the adopted FY 2011/2012 operating revenue budget as the proposed action's wharfage revenue impact was included in the budget.

This amendment to the POLA Tariff No. 4 provides operational efficiencies to Terminal Operators, translating into cost savings to Carrier alliances by maximizing on-dock rail facilities.

**CITY ATTORNEY:**

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

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**TRANSMITTALS:**

1. Port of Los Angeles Tariff No. 4, Section Five "Transferred Merchandise – Wharfage"
2. Temporary Order
3. Permanent Order
4. Ordinance

FIS Approval: ef (Initials)

CA Approval : TM (Initials)



KRAIG JONDLE  
Director of Business & Trade Development



**FOR** KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.  
Executive Director

E. Caris