



**THE PORT  
OF LOS ANGELES**

Executive Director's  
Report to the  
Board of Harbor Commissioners

**DATE: AUGUST 17, 2023**

**FROM: CARGO MARKETING**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVE TEMPORARY ORDER TO AMEND PORT OF LOS ANGELES TARIFF NO. 4, SECTION SIX "PASSENGER FEES", ITEM 600.**

**SUMMARY:**

Staff requests approval of a Temporary Order to amend Port of Los Angeles (Port) Tariff No. 4 (Tariff No. 4), Section Six "Passenger Fees", Item 600, approving 1) a five-year rate schedule with an annual three percent rate increase; 2) an adjustment to the effective date of each annual increase from September 1 to July 1 to coincide with the Port's fiscal year; and 3) an exemption from General Rate Increase (GRI) from the effective date through June 30, 2029. The proposed effective date is July 1, 2024.

This Temporary Order is being proposed within the Board of Harbor Commissioners' (Board's) authority to adopt rates for up to 90 days. A separate action recommends a Permanent Order and Ordinance for approval by the Board and City Council, which are required to make effective changes to Tariff No. 4 beyond the Temporary Order's 90-day effective period.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(31) of the Los Angeles City CEQA Guidelines;
2. Approve the amendment to Port of Los Angeles Tariff No. 4 revising Section Six "Passenger Fees", Item 600, 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 procedures;
3. Adopt Temporary Order No. \_\_\_\_\_ with an effective date of July 1, 2024, to amend Section Six "Passenger Fees", Item 600, in the Port of Los Angeles Tariff No. 4;

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4. Authorize the Board Secretary to certify the adoption of 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 on July 1, 2024, for a period not-to-exceed 90 days pursuant to City Charter Section 653(b), and post the Temporary Order circular to the Port of Los Angeles website; and
5. Adopt Resolution No. \_\_\_\_\_.

**DISCUSSION:**

Background and Context – When cruises to Mexico began in the 1970’s, the Port was one of the original cruise ports on the West Coast. Today, cruise business has expanded to include cruises to Hawaii, Alaska, and through the Panama Canal. The Port’s peak cruise season runs from late September through mid-May. Royal Caribbean Group (Royal), which includes the Royal Caribbean and Celebrity Cruises brands, is currently the Port’s largest customer with 1,150,305 total annual passengers, which represents 55 percent of the Port’s cruise passenger volume. Princess Cruises (Princess) is anticipated to represent about 31 percent of cruise activities at the Port in 2023 (355,640 passengers), followed by Norwegian Cruise Line (NCL) with 14 percent (160,650 passengers). During 2023, in addition to Royal, Princess, and NCL vessel calls, the Port will handle cruise calls from five additional cruise lines carrying an estimated 3,315 passengers. Unlike other shipping terminals, the Port operates the cruise terminal through a contracted terminal operator, Ports America. Ports America receives a fixed fee to operate the terminal to cover direct expenses, overhead, and profit under an Operating Agreement.

While the Port’s cruise industry is not as large of a revenue contributor compared to cargo containers, it plays an important role in increasing economic activity in the region, driving new visitors to the L.A. Waterfront and maintaining a diversified portfolio of land uses that serve maritime needs of the citizens of California. Each cruise line call generates economic activity in the region of approximately \$1,000,000 through employment of labor, direct passenger spending, and activities related to supplying and servicing the ship while in port.

The global pandemic events of 2020 and 2021 resulted in a decline in the Port’s cruise business but did provide for a growth opportunity as the world reopened to cruises at different locations. For instance, the 995,819 cruise passengers visiting the Port in 2022 represented a 555% increase relative to 2021, and this level of cruise passenger volume represented the highest activity since the Port last surpassed one million passenger visits in 2008.

To date, the largest cruise passenger volumes occurred in 2005 with 1,218,739 passengers moving through the Port. Aside from the COVID 2020-21 cruise shutdown, Port passenger volume dropped to a low in 2012 of 426,073 before climbing back up to 650,010 passengers in 2019. The outlook for calendar year 2023 is projecting the Port to surpass 1.1 million passengers for the first time since 2008.

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The proposed amendment to cruise passenger and ancillary tariff fees align with the Port’s Strategic Plan goals. Creating a predictable bundled passenger fee schedule with established annual escalation will provide a strong foundation to continue to build our current cruise business, which in turn will bring more visitors to the L.A. Waterfront and improve the financial performance of the cruise terminal.

The Port’s cruise facilities have two berths that can manage two ships at one time. Additionally, the Port can add a third and fourth berth at the Outer Harbor, with temporary infrastructure to manage the necessary passenger volume depending on vessel size. Our facilities are competitive or better than other West Coast Ports. In comparison, the facility in San Diego has three berths, but limited passenger handling facilities to manage the volume and meet sailing schedules. We consistently manage up to 4500 passengers per ship and delighted that cruise lines have the confidence in the Port of LA to begin offering year-round itineraries.

The current cruise passenger fee in the Port’s tariff is \$16.12 and would increase to \$16.60 on September 1, 2023. Comparatively, the current rate for the Port of San Diego, our closest competitor, is \$15.50 per passenger. Although the cruise operations in Long Beach are considered competition, the facility was developed by and operated by Carnival Cruise Line and does not have public rates since the operations are internal to the one cruise line.

Proposed Cruise Tariff Amendment – The proposed tariff amendment to Tariff No. 4 will 1) establish a five-year rate schedule with an annual three percent rate increase; 2) adjust the effective date of each annual increase from September 1 to July 1 to coincide with the Port’s fiscal year; and 3) exempt cruise passenger fees from GRIs from the effective date through June 30, 2029. The proposed effective date is July 1, 2024.

Under the proposed tariff amendment, cruise passenger fees from July 1, 2024 through June 30, 2029, will be listed as follows:

<b>Effective Date</b>	<b>Per Passenger Fee</b>
7/1/2024	\$17.10
7/1/2025	\$17.61
7/1/2026	\$18.14
7/1/2027	\$18.69
7/1/2028	\$19.25

The cruise industry plans most of their itineraries 18 to 24 months ahead of vessel departures. Developing a passenger fee structure that provides longer term predictability is important to cruise lines and would provide the Port with a competitive advantage.

For the proposed tariff adjustment, our three largest cruise customers, NCL, Princess, and Royal Caribbean Cruise Line, were provided the proposed rate schedule. The three lines have indicated that the proposed rate schedule will not negatively impact the Port’s market share.

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Need for Approval – Pursuant to the Los Angeles City Charter, the Board has authority to make changes to Tariff No. 4 (Transmittal 1) for a period of 90 days by Temporary Order (Transmittal 2). 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 beyond the Temporary Order’s 90-day effective period. The Temporary Order, if approved, will be effective July 1, 2024, and expire 90 days after the effective date or upon execution of the Permanent Order and Ordinance by the City Council, whichever occurs first.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of a Temporary Order to amend Tariff No. 4, Section Six “Passenger Fees,” Item 600, which is an activity that modifies any rate, fee, or charge for the use of existing municipal facilities and services involving negligible or no expansion of use. Therefore, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(31) of the Los Angeles City CEQA Guidelines.

**FINANCIAL IMPACT:**

Approval of the proposed Order would increase Per Passenger Fees from \$16.60 as of September 1, 2023 to \$17.10 as of July 1, 2024 with annual increases of approximately 3% occurring each July thereafter through June 30, 2029.

Assuming that annual passenger volumes of 1,150,000 are maintained through June 30, 2029, the proposed Order is anticipated to generate approximately \$9.0 million in additional wharfage revenues over the five-year period from July 1, 2024 through June 30, 2029.

**CITY ATTORNEY:**

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

**TRANSMITTALS:**


1. POLA Tariff No. 4
2. Temporary Order

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

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APPROVED:

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EC:CC:aa  
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