



Port of Long Beach

Legislation Text

File #: HD-19-196, **Version:** 1

DATE: 3/25/2019

TO: Board of Harbor Commissioners

FROM: Roger Wu, Acting Director of Business Development

SUBJECT: Proposed Amendment to POLB Tariff No. 4, Item 220 - Pilotage Charges, Effective April 15, 2019 and Approve the Determination that this Action is Statutorily Exempt from California Environmental Quality Act

Executive Summary

Jacobsen Pilot Service, Inc. (Jacobsen), is requesting that the Port of Long Beach (POLB) increase the current Tariff pilotage rates. The proposed Tariff amendment includes a two tier rate increase, the first effective April 15, 2019 and a subsequent increase on April 15, 2020.

On April 15, 2019 the rates are proposed to increase 8% overall, with the following specific rate increases: 5% to pilotage charges based on the existing Overall Length of Vessel; an increase in the existing Mill Rate charge from \$0.0062 to \$0.00719 per gross registered ton; an increase in the existing per move surcharge under Item 220 (e) from \$116.00 to \$121.80; an increase in the existing draft surcharge under Item 220 (f)(1) from \$2.00 to \$2.30; an increase in the existing draft surcharge under Item 220 (f)(2) from \$8.40 to \$10.50; an increase to the existing standby charge from \$465 per hour to \$500; and increase in the existing cancelation charge from \$465 to \$500.

On April 15, 2020 the rates are proposed to increase 7% overall, with the following specific rate increases: an additional 5% to pilotage charges based on the existing Overall Length of Vessel; an increase in the existing Mill Rate charge from \$0.00719 to \$0.00784 per gross registered ton; an increase in the existing per move surcharge under Item 220 (e) from \$121.80 to \$127.89; an increase in the existing draft surcharge under Item 220 (f)(1) from \$2.30 to \$2.65; an increase in the existing draft surcharge under Item 220 (f)(2) from \$10.50 to \$13.13; an increase to the existing standby charge from \$500 per hour to \$535; and increase in the existing cancelation charge from \$500 to \$535.

This proposal will generate additional funding to assist with the increased cost of providing safe, efficient, professional and environmentally friendly navigation within the Port.

Key Points:

- The Business Development Division manages the Port's Tariff, including the Pilotage rates listed in Item 220. Tariff Item 220, includes the following Pilotage Rates: Rate per movement based on length of vessel ("LOA Rate"), a rate based on vessel Gross Tonnage, a per move surcharge, a surcharge based on vessel draft, and charges for both standby time and cancelation.

- Jacobsen operates a private facility at Pier F, providing services to Ocean Carriers by assisting with safe navigation through the harbor. Jacobsen bills Ocean Carriers based on rates defined in the Tariff. Jacobsen remits 13% of gross revenue to POLB, as lease payment for the use of their facility.
- Jacobsen last requested and received a rate increase in 2014. Since that time, bigger ships calling POLB have necessitated the need for investment in more specialized equipment, technology and staffing.

Recommendation **..Title**

It is recommended that the Board of Harbor Commissioners adopt the Resolution and approve the first reading of the Ordinance amending Port of Long Beach Tariff No. 4, Item 220 - Pilotage Charges with effective dates of April 15, 2019 and April 15, 2020, and approve the determination that this action is statutorily exempt from California Environmental Quality Act.

Financial Impact

Jacobsen estimates that by implementing this proposed Tariff Amendment, the annual payments made to POLB will increase from \$2.5 million annually to \$2.9 million annually, assuming the lease structure remains the same.

Background

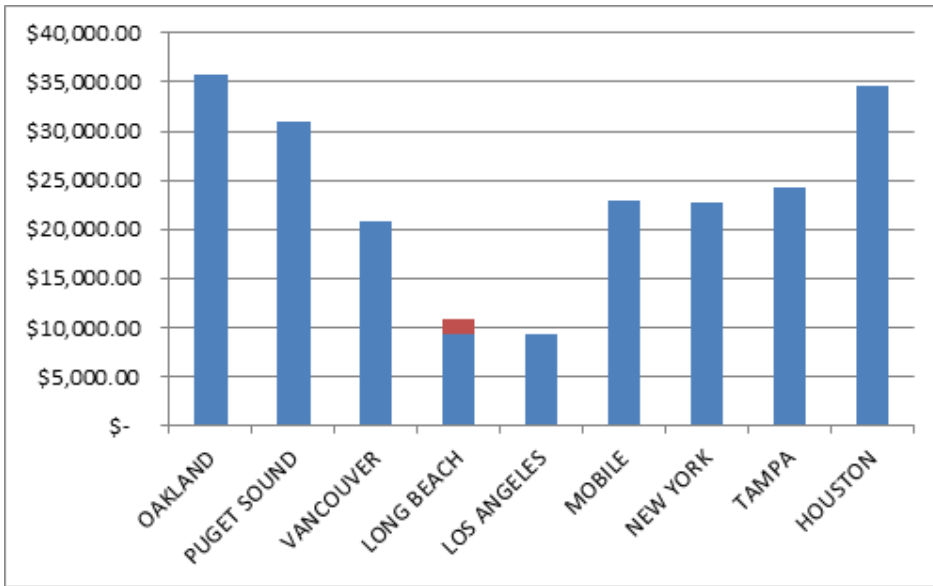
Over three generations, Jacobsen has provided uninterrupted pilotage service for vessels calling POLB since 1922. Pilotage is a critical component in the movement of goods and cargo. Port pilots take over for ship captains who are unfamiliar with the local Port, its currents, and underwater topography. Jacobsen is responsible for safely maneuvering the largest container ships, oil tankers, and other vessels in and out of the Port. Jacobsen moves an average of 7,000 ships per year, or approximately **19 ships per day**.

Detailed Discussion of Current Issues

POLB last increased Pilotage rates in June 2014 by 25% overall. Prior to that, Pilotage rates were increased by 7% on January 1, 2010, followed by an additional 8% on July 1, 2010. Historically, Pilotage rates were increased approximately every five years and this proposed Tariff Amendment aligns with that timeline.

Jacobsen has requested POLB amend the Pilotage rates in the Tariff, in order to fund capital equipment and increase staffing. Proposed capital improvements include commissioning a new pilot boat and making improvements to the pilot station. Staffing increases are proposed for both pilots and deckhand positions.

Jacobsen surveyed current pilotage rates for a 13,000-TEU vessel at a sample of major North American ports, including Long Beach, Houston, Los Angeles, Mobile, New York, Oakland, Puget Sound, Tampa, and Vancouver. With the exception of Port of Los Angeles (POLA), Jacobsen's pilotage rates continue to one of the lowest in the nation as illustrated in the graph below. (Note the red identifies the proposed Pilotage rate increase.)



Jacobsen’s pilotage rates are substantially lower than any prominent port in the U.S. (except POLA) and despite the proposed pilotage rate increase, POLB would remain in a competitive position.

Attachments: Tariff Amendment Resolution Tariff Amendment Ordinance Current Tariff Language for Item 220 Proposed Redline Tariff Language for Item 220 CEQA Determination