

0150-11007-0000

TRANSMITTAL

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 9/14/17	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**PROPOSED RESOLUTION NO. 17-8153 REVENUE ALLOCATION AGREEMENT WITH
GENERAL ELECTRIC COMPANY FOR THE DATA PORTAL PROJECT**

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.



MAYOR

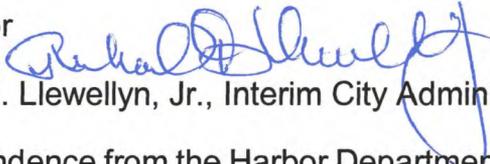
(Ana Guerrero)

RHL:ABN:10180015t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 11, 2017
CAO File No. 0150-11007-0000
Council File No.
Council District: 15

To: The Mayor 

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Correspondence from the Harbor Department dated August 11, 2017; referred by the Mayor for report dated August 24, 2017

Subject: **PROPOSED RESOLUTION NO. 17-8153 REVENUE ALLOCATION AGREEMENT WITH GENERAL ELECTRIC COMPANY FOR THE DATA PORTAL PROJECT**

RECOMMENDATIONS

That the Mayor:

1. Approve Harbor Department (Port) Resolution No.17-8153 authorizing a proposed Revenue Sharing Allocation Agreement with General Electric Company to address a partnership for the Data Portal Project to digitize and enhance maritime supply chain performance; and,
2. Return the document to the Port for further processing, including Council consideration.

SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 17-8153 authorizing a proposed Revenue Sharing Allocation Agreement with General Electric (GE) Company through its GE Transportation Division (GET) to develop and implement a Port-related informational Data Portal (Portal). The Port and GET are requesting an exclusive agreement to implement a partnership between them for a revenue sharing and general business term arrangement to manage and operate the use of the Portal for participating stakeholders at the Port of Los Angeles (POLA). In 2015, the Port selected GET through a competitive bid process. GE Company is a global technology corporation that provides digital solutions to improve the efficiency of marine and other industries. The Portal provides an online cargo database through a single digital solution that translates multiple informational programs and queries into a centralized program to improve the maritime supply chain performance at the Port of Los Angeles (POLA). Expenditures under the Agreement are the responsibility of the Port.

BACKGROUND

The maritime shipping industry is a highly competitive industry that faces challenging worldwide trading conditions. The shipping industry has sought to reduce ever-increasing expenses and container volume by undergoing mergers and acquisitions, vessel alliances, and building larger container vessels (megaships). The collaborative efforts between cargo operators and users have led to operational changes to ensure better coordination between marine terminal systems and

supply chain stakeholders. The Port states that supply chain stakeholders are normally provided information through multiple websites and sources to help them manage their day-to-day operations. The Port and GET have been working together through a previously approved Portal pilot program to digitize maritime shipping data and to make it available to container cargo owners and supply chain operators through a digitally-secure and controlled environment.

REVENUE ALLOCATION AGREEMENT FOR DATA PORTAL PROJECT

The purpose of the Portal is to create and support a first-of-its-kind common-user single informational digital window to improve the efficient movement of cargo to participating supply chain partners. The Port's informational Portal will improve and provide centralized data-flow to participating stakeholders to access the supply chain network in the POLA. These stakeholders include cargo owners, container shipping lines, marine terminal operators, rail systems, intermodal equipment providers, and trucking use providers. The Portal will provide supply chain partners or stakeholders with timely access to relevant information from multiple sources through a single digital window. The Portal will enable these stakeholders to track inbound cargo over an extended time period in order to more effectively service vessels, improve cargo movement, and the reliability of the supply chain network.

The proposed Agreement sets forth the partnership arrangement between the Port and GET to commercialize the Portal and develop revenue sharing provisions. The Port and GET will charge for use of the Portal through a revenue sharing allocation between the two of them. The revenue sharing arrangement includes the use of the Portal by participating stakeholders. Other costs for the Portal project will include promotional activities such as direct marketing, distribution, offering to sell, and selling the use of the Portal. In addition to revenue sharing, the Agreement includes exclusive terms between the Port and GET for general business based on the geographic distribution of the Port; shared promotional activities and marketing commitments; and publication guidelines, auditing rights, liability allocation, and contract term and termination provisions.

The revenue sharing arrangement between the Port and GET will include the following: 1) first three years, GET will pay the Port 10 percent of any net revenue earned; 2) second two-year term, GET will decrease the revenue sharing payment to the Port to five percent; and, 3) after the extended two years, the Port has the option to purchase a subscription to use the Data Portal for an additional 10 years under a separate agreement to be negotiated in the future. The Port states that during the 10-year subscription period GET will pay the POLA 50 percent of all net revenue from POLA tenants and stakeholders. The Port has the right to renegotiate the Agreement as prescribed by the contract. The Port and GET will be developing the shared marketing commitments, including subscription pricing, subsequent to this Agreement. Therefore, the estimated cost/benefit data cannot yet be calculated. The Port does expect to achieve a return on this investment once the marketing plans have been developed and implemented.

The Portal provides the required information for participating stakeholders to access digital information faster and more efficiently than using multiple websites and source codes. According to the Port, since activation of the Portal pilot project, participating supply chain stakeholders have been able to view integrated supply chain data before their respective vessels' arrival at the POLA. The Port said that shipping lines and terminal operators have given positive feedback and would like to expand the Portal to additional container terminals and shipping lines. The Port states the POLA,

GET and participating stakeholders accessing and sharing the data in a secure and controlled environment has benefited importers, truckers, shipping lines, terminals, chassis providers and the whole supply chain network at the Port. In addition, the Portal improves planning, lowers costs, and has a direct impact on companies involved in international trade that conduct business at the POLA.

PORT and GET PORTAL PILOT PROGRAM

In November 2016, the Board approved separate Agreement No. 16-3425 with GET that authorized a Port Information Portal pilot program for one year and an amount not-to-exceed \$1,319,050. Pursuant to Council File No. 16-1226, the Council waived review of the action by the Board in accordance with Charter Section 245(b), which authorized the Council to waive an individual anticipated action of a board. The initial pilot program and subsequent Amendment to the Portal pilot program, as explained below, requires Board approval only.

In collaboration with the pilot project participants, the Portal was developed to receive and provide supply chain information through a common user interface with secure channeled access by user type. The pilot project participants included the following: the U.S. Customs and Border Protection (Customs); APM Terminal, the Port's largest terminal operator; Maersk Line and Mediterranean Shipping Company (MSC), the world's two largest shipping lines; and along with a variety of cargo owners, trucking companies, and chassis providers. In May 2017, the Portal became active with all pilot project participants. According to the Port, since the Portal pilot project became active, participating supply chain stakeholders have been able to view integrated supply chain data approximately two weeks prior to the vessel's arrival at the POLA. Previously data was only available three to four days prior to vessel arrival at the POLA. The Port states that feedback from stakeholders has been very positive and participants have wanted to expand the Portal to include additional container terminals, shipping lines and trucking companies.

Port staff is requesting approval of a proposed Amended and Restated Agreement by its Board to expand the pilot program between the POLA and GET to further digitize cargo flow and test the concept and benefits of the Portal program with additional participants. The proposed Agreement will expand the program to add up to six more terminals and up to 15 more shipping lines. In addition, the amended Agreement includes optional as-needed enhancements, technical hosting and support, and a contingency amount.

The proposed Agreement for the pilot program will extend the term from one to three years. The Agreement will increase the compensation amount by an additional \$11,781,370, from \$1,319,050 to a not-to-exceed amount of \$13,100,420. The proposed contract amendment will expand the Portal to include additional participants, terminals, and shipping lines. The Port states that the Portal is a long-term investment in the growth of the POLA and promotes the continued need to improve efficiencies and optimization to POLA stakeholders and customers. See Attachment for a breakdown of costs.

The Port states that it will not be obligated to spend this entire amount because the Agreement includes as-needed options. The Amended and Restated Agreement No. 16-3425 will be submitted to the Board only separate and apart from the attached proposed Agreement for the Revenue Allocation Agreement between the Port and GET, which will be submitted to the Mayor and Council. In accordance with City Charter Section 1022, the Port states that it was more feasible for outside contractors to perform this work than City employees because of the specialized and temporary

nature of the work.

CITY COMPLIANCE ISSUES

The City Attorney has approved proposed Resolution 17-8153 authorizing a proposed Revenue Sharing Allocation Agreement with the Port and GET as to form and legality. Pursuant to Charter Section 373 and LAAC 10.5, Council action is required for approval. The Port Director of Environmental Management determined that the proposed action is an administrative action and is therefore exempt from the California Environmental Quality Act (CEQA) and the appropriate Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

Approval of the proposed Harbor Department (Port) Resolution will enable the Port and General Electric Transportation Division (GET) to commercialize and implement a revenue sharing arrangement and general business partnership for an informational data portal project system (Portal). Under a separate report, the Port will amend the current expenditure amount for the Portal project up to a total of \$13,100,420, because additional shipping lines and terminals are requesting to participate and use the Portal project. Expenditures under the Agreement are the financial responsibility of the Port. The Port states that it may fully recoup or surpass expenditures for the Portal, contingent upon future business demand for use of the Portal, but such demand cannot be determined at this time. The Port will not be obligated to spend this entire expenditure amount because the Agreement includes as-needed options.

Attachment

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ATTACHMENT

Costs Breakdown for Original Agreement and Amended & Restated Portal Pilot Program Agreement		
Contract Options	Provisions	Amount
Initial Portal Pilot Project	One year	\$1,319,050
Amended & Restated Project	Three years.	
Expansion of Terminals	Six additional terminals	\$2,274,638
Expansion of Shipping Lines	15 shipping lines	\$4,153,884
Core Components	Enhancement to Portal. +US Customs data & security requirements +Hosting Mgmt. Services (technical support)	\$2,151,050
As Needed	Enhancement to Portal based on feedback received from initial pilot phase	\$3,201,798
TOTAL		\$13,100,420