

An Analysis of Possible Alternative Models for the PierPass OffPeak Program

Extended Gates Workshop

March 8, 2018





Background

- PierPass launched the OffPeak program in 2005 to reduce severe cargo-related congestion on local streets and highways
- OffPeak program has successfully mitigated traffic and used the Traffic Mitigation Fee to incentivize use of the off-peak shift and offset its costs
- Stakeholders are often critical of the Peak/OffPeak system, perceiving declining terminal performance in the context of rising logistics demands and standards
- Stakeholders have specific concerns over traffic buildup between the two shifts, including outside queues and drivers waiting in terminals
- Based on stakeholder input, PierPass identified two options for further analysis:
 - **Flat Fee with an Appointment System (FFAS)**
 - **Port-Wide Peel-Off Program (PWPO)**



Current OffPeak Program

The current OffPeak Program involves....

- A Traffic Mitigation Fee (TMF) charged for day shift moves
- The TMF is used to help defer the costs of the OffPeak shift (2nd shift)
- The TMF is charged for loaded containers exiting the terminals before 6pm
- Rail intermodal containers, transshipped containers, and domestic moves are exempt
- 9 of 12 terminals have appointment systems, but those systems are not part of the OffPeak Program



Flat Fee with Appointment System

A Flat Fee with Appointment System (FFAS) option would entail....

- Using appointment systems as the primary means of leveling truck flow and managing the day/night split
- Charging a new uniform TMF for loaded containers, day or night
- Rail intermodal containers, transshipments, and domestic moves may still be exempt
- Eliminating the 6pm Peak/OffPeak cutoff



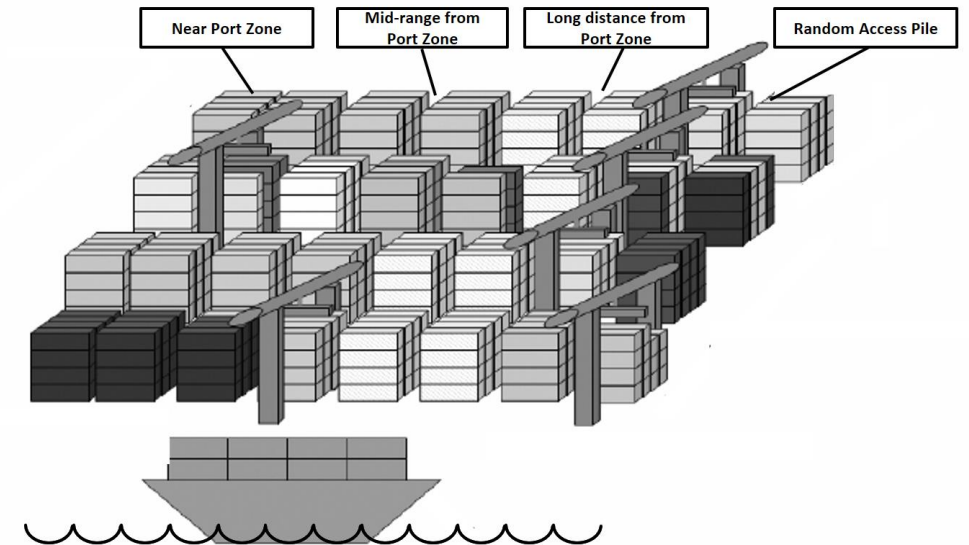
Port-Wide Peel-Off

A Port-Wide Peel-Off (PWPO) option would entail....

- Stacking gate-bound import loads, perhaps by destination zone
- Next trucker would take the next load
- Containers that cannot be handled via peel-off would be stacked for “Random Access”
- One TMF for PWPO
- Premium added for Random Access service

Port-Wide Peel-Off

Containers are discharged and stacked by destination delivery zone





Assignment

- Provide further evaluation of the alternative Flat Fee with an Appointment System and Port-Wide Peel-Off models
- Obtain input from supply chain stakeholders
- Provide input to the PierPass Advisory Committee and the Extended Gates Subcommittee to assist in WCMTOA's evaluation



Evaluate the ability to...

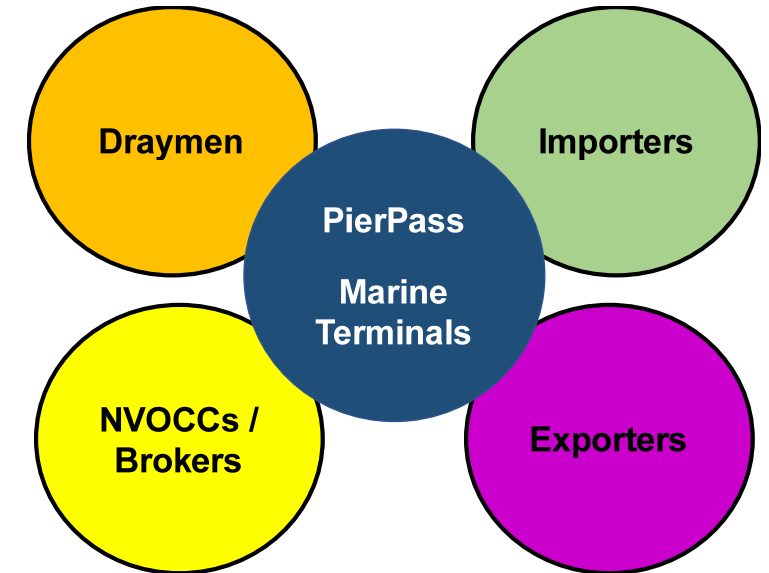
- Minimize local traffic impacts
- Reduce 3-6 PM congestion, in-terminal parking, and productivity loss
- Address State/Port clean air goals
- Fund the operation of extended gates
- Function with supply chain
- Maximize dual transactions
- Manage empty returns
- Work with chassis ownership patterns
- Improve terminal operations
- Maintain desirable day/night split
- Reduce outside queue times
- Reduce inside turn times



Approach

What did we do?

- Verified MTO goals and priorities
- Analyzed available Port, terminal, and HTA data
- Interviewed and surveyed MTOs, LMCs, BCOs, 3PLs, CHBs, NVOCCs, Ports
- Compiled results and traced implications





Current Conditions

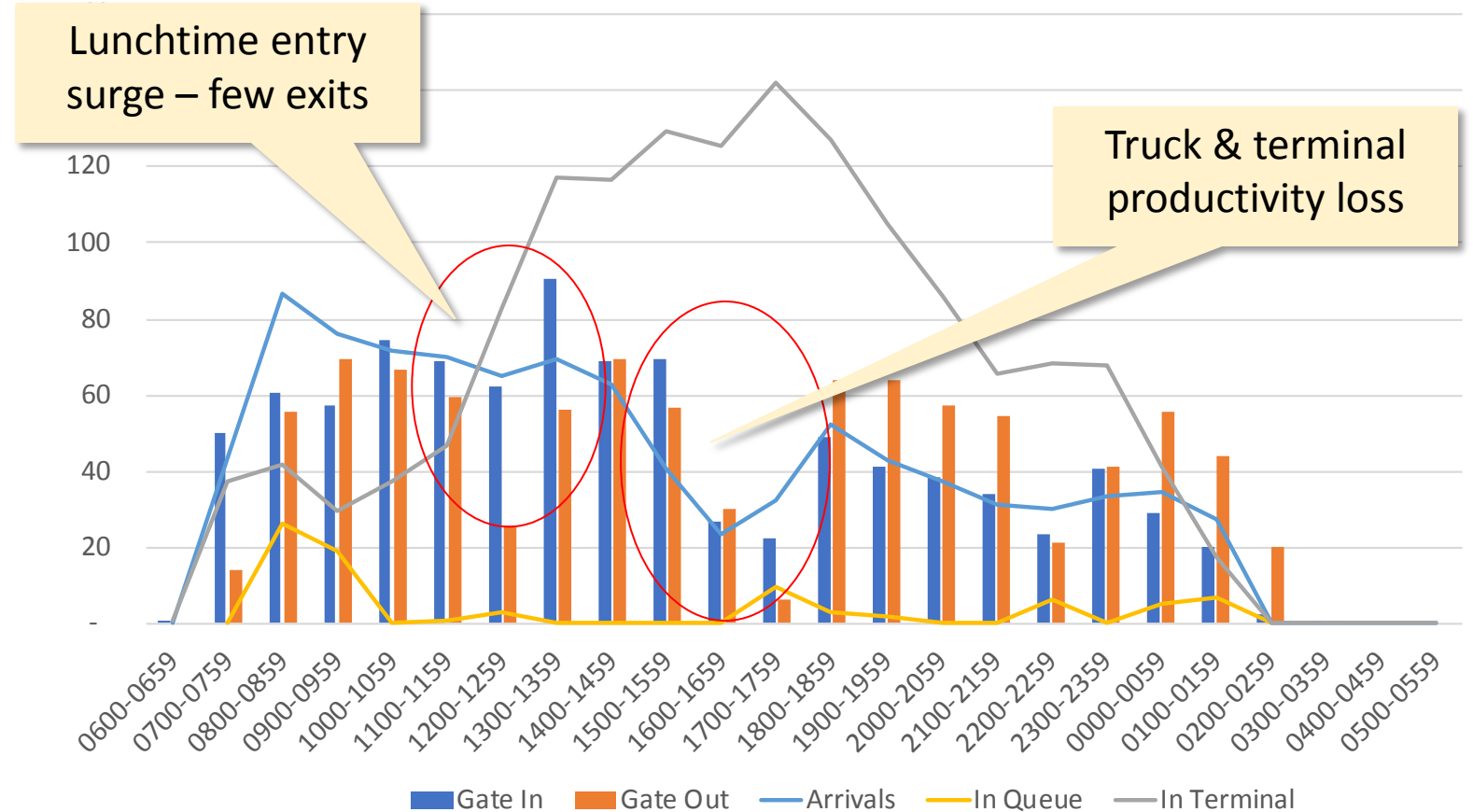
- Cargo growing at about 2.6% annually since 2010, but 8% in 2017
- Imports are estimated at about 37% IPI (27% on-dock, 10% off-dock), 46% local/regional truck, 18% transloaded/cross-docked
- In 2017 loaded containers were split about 42% Peak (subject to the TMF) and 58% OffPeak
- TMF revenues covered about 81% of 2016 OffPeak program costs
- BCOs minimize Peak moves and TMF payments, and often give LMCs guidelines on maximum Peak percentage
- Large BCOs are typically open for night deliveries
- In other cases, LMCs hold boxes pulled at night for later daytime delivery
- Ocean carrier alliances are causing problems, especially with empty returns
- Chassis are not yet truly neutral



Container Movement Pattern

Average Daily Full & Empty Truck Moves per Terminal (No Chassis/Bobtails) - September 2017

- Large morning queues
- Smaller queues at lunch & 5-6 PM
- 69% of trucks arrive before 6 pm
- Afternoon buildup of trucks in terminal – fewer exits
- Trucks “parked” 3-6 PM
- Congestion at shift and gate exit time changeover
- Tapering activity in second shift





OffPeak Program – Keep or Change?

- 43 supply chain stakeholders were interviewed individually, and over 3000 surveyed on-line with 144 responses
- Larger BCOs that successfully avoid the TMF more likely to say “keep the current program”, but they do want changes to the system and improvements to terminal performance
- Larger BCO interview respondents (7 of 12) usually answered the question by describing the system or the changes they want, often focusing on flexibility, an improved appointment system, and improved terminal performance
- Other BCO interview respondents said “replace” (5 of 12)
- When asked, 43% of BCOs and 5% of LMCs in the on-line survey said “Replace the OffPeak Program”
- On-line comments describe a wide range of changes desired, focusing on appointments and productivity



Current OffPeak Program

BCOs

Strengths

- Spreads volumes over Peak & OffPeak shifts
- Reduced traffic congestion

Weaknesses

- Appointment systems can add one day to supply chain
- Issue with terminals “rolling back” operating hours
- Poor drayage utilization 3 to 6 pm
- Poor terminal night shift supervision and labor
- Marine terminals need to better understand BCOs challenges, strategies and requirements
- Appointment systems need enhancements (common business rules, common portal, etc.)

(Appointment Systems are separate from OffPeak)

LMCs/NVOCCs/Brokers

Strengths

- Reduces community/highway congestion
- Provides option to pull and not pay fee
- Encouraged BCOs to open DCs at night
- Appointment systems working fairly well

Weaknesses

- Poor terminal night shift supervision and labor
- Terminals not keeping open when scheduled
- Appointment systems need common business rules
- Pressure on draymen to only pickup at nights
- Trucks parked 3 to 6 pm
- Costs rising with no service improvement
- Containers available but no appointments for 3 days



MTO Interviews

MTOs Interviewed

- APM Terminals
- Eagle Marine Services
- ITS
- Long Beach Container Terminal
- SSA
- TRAPAC
- TTI
- West Basin Container Terminal
- Yusen Terminals LLC

What we heard

- Appointment systems have improved terminal ability to plan labor and smooth volumes
- Terminals are achieving approximately a 50%-50% volume split between shifts
- Truck congestion builds in afternoons from around 3 to 6 pm
- Drivers park in terminals before the 6 pm shift change
- Differences of opinions regarding OffPeak shift labor productivity
- Most appointment systems need fine-tuning
- Drivers arriving early create congestion
- Terminals want to grow share of peel-off import loads - BCOs/truckers who used peel-off programs have been satisfied



BCO Contacts

15 In-person/Phone Interviews

Allan Company

Anderson Hay

Big Lots

JC Penney

GAP Stores

Lowe's

Mattel

Restoration Hardware

Rio Tinto

Ross Stores

Samsung Electronics America

Target Stores

Walmart

National Retail Federation

100 On-line Survey Respondents*

Ace Global Distribution

Acx Intermodal

Aishni Home

America Plastic Trading Inc

American Pacific Industries Inc

Amocat Trading Llc

Aspects Furniture International Inc

B&B Electronics Ltd.

Bailey Farms

Bedrosians

Bluefin Distribution

Boardriders

Bradshaw International Inc.

Broadleaf

Calcot, Ltd.

Campbell

Choice Grain Llc

Classic Concepts, Inc.

Cohen Produce Marketing

Conagra

Dermalogica, Llc

Dole Food Company

Downlite International

* Not all provided valid names

Echo International

Evenflo Company Inc

Family Dollar, Llc

Fbaforward

Freitas Brothers Farms, Llc

Furnitures Value International

Group Builders Inc.

Homedics Usa Llc

Imperial Toy Llc

Ims Recycling Services

Interamerican Motor Corporation

J&B Importers. Inc

JBL Trading Llc Dba Crestmills

Kervan Usa

Kimberlite

Latitude Wines

Lion Raisins

Long Beach Iron Works Inc

Mira Enterprises

Mortimer & Wallace

Natural+Organic Imports

Naturalstar, Inc.

Nedia Enterprises Inc

New Balance Athletics, Inc.

North Pacific Corporation

Omniware

Orleans International

Pacific Supreme Company

Pegasus Fiber Ltd

Pfl Enterprises

Phoenix Pdq

Poundex Associates Corp.

Prime Edge Enterprises

Produce Services Of America (Psa)

Ravago Americas, Llc

RB Auto and International Exports

SA Recycling Llc

Samson Marketing

SGC International

Shla Group Inc

Sinomax Usa Inc.

Sky Enterprises

Smith Cooper International

Southern Telecom Inc

Spark Recycling Inc.

Stellar Distributing

Stonewall Trading Co

Sundragon Import

Superior Foods International, Llc

Synthetic Resources

Tashi USA

The Apparel Group Ltd

Three Hands Corp

Thyssenkrupp Materials Trading North America

Timber Products Company

TMC Power Equipment, Inc.

Toyota Motor Sales

Toys R Us

Tractor Supply Company

Tumac Lumber Co., Inc.

Tyson Foods, Tyson Fresh Meats

United States Luggage Llc

Unitex International, Inc

USA Union International Inc.

Valcrest International

VIE Logistics

Vista Metals Corp

Vpet Usa

Walgreen Co.

Wonderful Citrus

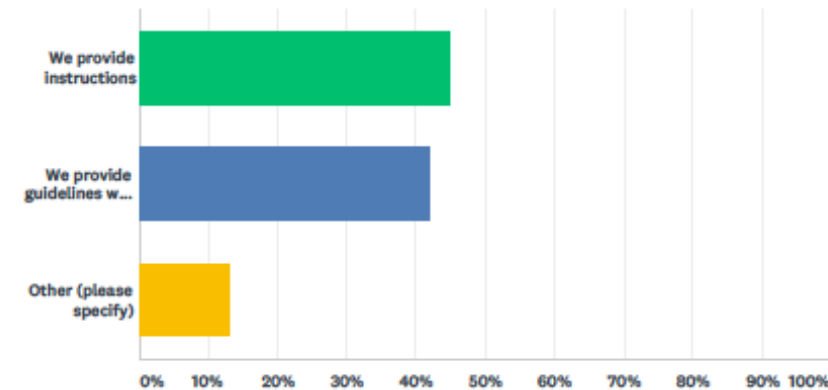
Zorro International Corporation



BCO Interview Results

Q7 How do you or your trucker decide when to pick-up or deliver containers?

Answered: 100 Skipped: 0



- **Acceptance of appointment system concept – better way to manage flow, but sweat the details**
 - **In-person/phone** : 58% keep OffPeak but improve it, 42% replace OffPeak - 100% for FFAS over PWPO
 - **Survey respondents**: 70% for FFAS, 30% for PWPO, (may confuse PWPO and conventional peel-off)
- Peak/OffPeak split varies widely (some claim 0% Peak)
- Incurring some costs for pre-pulls, delays, storage, etc. (fees of \$50-250, or higher drayage rates)
- Concern over FFAS cost depends on current split: those with lowest Peak use had greatest concerns.
- Limited use of conventional peel-off to date, but positive about option



LMC/NVOCC/3PL/CHB Contacts

19 In-person/Phone Interviews

Amazon Trucking
Carmichael International
California Cartage
California Multimodal LLC
Container Freight/EIT
Coppersmith Global Logistics
Damco Logistics
Expeditors International
Fast-Link Logistics (Harbor Express)
Golden State Express
K & R Transportation
Knight Port Services
Performance Team
Progressive Transportation Services
Southern Counties Express
T.G.S. Transportation, Inc.
Total Transportation Services, Inc.
Yusen Logistics (Port Drayage)
Yusen Logistics (Transload Operations)
XPO Logistics

44 Survey Respondents*

All Harbor Transport
AM Trucking Solutions, Inc
American Pacific
Arrowlink Usa Inc
ATX Intermodal Llc
Bee Line Freight Inc
BYND Inc
C. H. Powell Company
Carolina Trucking Inc
CBSL Transportation
CDL Logistics, Inc.
Coachwest
Damco Distribution/Hudd Transportation
David S Martinez
Dependable Highway Express
Dimax Express Inc.
Eagle Trucking Express Inc
Ecko Products Group
Enlace Strategies Inc.
EPL Express Inc
FlexiVan Leasing, Inc.

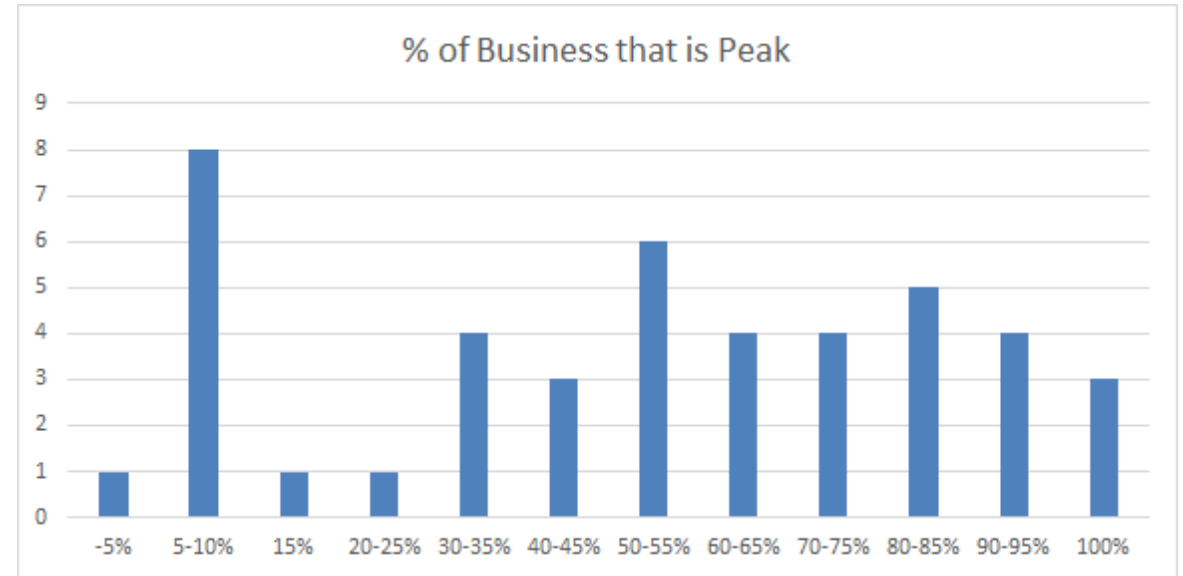
* Not all provided valid names

Franco Trucking Inc
Freedom 1
GOH Express, Inc.
Golden Freedom Transport, Inc
Green Fleetsystems,Llc
JC Express
Jes Trans, Llc
K & P Trucking Inc.
Martin Express Inc.
Mega Freight
MRX Logistics
NGL Logistics,Llc
Pacific Shipping
PCI Logistics
Regal Logistics
Speedo Transport Inc.
Total Distribution Service, Inc.
Trans Harbor Services, Inc.
Unlimited Transportation Services
VP Express Logistics Llc
Western Freight Carrier
Zamora Trucking



LMC/NVOCC/Broker Interview Results

- **Acceptance of appointment system concept – works well most of the time, but sweat the details**
 - **In-person:** 100% for FFAS over PWPO
 - **Survey Respondents:** 92% for FFAS
- Peak share varies widely, but is rising
- LMC and DC staging/storage used to even out the day/night flow
- Strong interest in “single portal” for appointments
- Acceptance of peel-off as an option – now up to 20% peel-off
- Strong interest in “hybrid” FFAS with peel-off option





Transloader Comments

Transloading accounts for an estimated 18% of imports

- Discretionary transload cargo in jeopardy if fees rise without visible service improvements
- PWPO incompatible with transloading operations:
- Transloaders are extremely concerned over turn times
- Don't like multiple different appointment systems
- Appointment system terminals may not (yet) turn trucks noticeably faster
- Increased share pulled during Peak shift due to night shift congestion
- Terminal/drayage interface processes can add 1-2 days in transit



FFAS option preferred by BCOs, LMCs, and other stakeholders

- Appointment systems regarded as better way to manage the flow than Peak/OffPeak or PWPO – more effective and simpler
- Concerns over higher FFAS costs strongest from large BCOs that avoid the TMF - levels playing field for smaller importers and LMCs
- Concerns over night shift terminal productivity and turn times
- BCOs want better terminal performance in return for higher fees
- Many want single portal



Appointment System Issues

Appointment systems usually work well, but some need fine tuning

- Appointment availability to match BCO priorities, vessel cut-offs, free time, etc.
- Inability to make enough advance appointments (some push 1st/2nd day pickup in case they can't get 3rd/4th day appointment)
- Free time clock should start with appointment availability
- Imports can crowd out exports
- Same day appointments extremely difficult, cancellation and reset rules vary
- Lack of consistent hours or full service on night shifts
- Differences between systems
- Lack of visibility for available appointments
- Empty return and chassis complications



PWPO “unacceptable” to most BCOs and LMCs and opposed by most stakeholders

- **“Push” system incompatible with BCO supply chains, DC operations, and transloading**
- No mechanism for managing truck arrivals at marine terminals
- Extra trips for empty container and chassis returns/reuse
- Adverse impact on security, insurance, CTPAT, etc., disrupts critical BCO-LMC relationship
- Drivers have HOS issues, don’t serve all locations
- Will jeopardize transloaded cargo
- Lack of a drayage rate-setting mechanism
- **Most objections are not cost-based:** lower cost not an acceptable tradeoff



Summary Evaluation

Objective	FFAS	PWPO	PWPOAS*	FFAS/PO** Hybrid
Minimize local traffic impacts	++	0	++	++
Reduce 3-6 PM congestion, in-terminal parking, and productivity loss	++	++	++	++
Address State/Port clean air goals	+	++/-	++/-	++
Fund the operation of extended gates	++	+(?)	+(?)	++
Function with supply chain	+	--	--	+
Maximize dual transactions	+	++(?)	++(?)	+
Manage empty returns	+	-	-	+
Work with chassis ownership patterns	0	-	-	0
Improve terminal operations	+	++/-	++/-	++
Maintain desirable day/night split	++	0	++	++
Reduce outside queue times	++	0	++	++
Reduce inside turn times	+	++/-	++/-	++

* Port-Wide Peel-Off with Appointment System

** Flat Fee with Appointment System/Conventional Peel-Off



Our Findings

1. Appointment systems are a more effective way to manage truck flow and terminal workload
2. The Peak/OffPeak fee system could be replaced with a flat day/night container fee to function better with appointment systems and eliminate the shift change problem
3. Terminals could offer/encourage a conventional peel-off option
4. Stakeholders want improvements to appointment systems
5. Stakeholders want terminals to address night shift productivity issues
6. Stakeholders favor progress toward common business rules and appointment system single portal



The End