

**OffPeak Appointment System with Flat Fee
Questions & Answers
April 16, 2018**

Top Questions

Q: What is the new program being introduced?

A: PierPass will modify the model used by its OffPeak program for truck traffic mitigation at the Ports of Los Angeles and Long Beach, replacing the current incentive-based pricing model with an appointment-based system that uses a single flat fee on both daytime and nighttime container moves. Traffic mitigation will be accomplished through each terminal's appointment systems. The Traffic Mitigation Fee currently charged only on Peak cargo moves will be replaced by a lower fee that is constant across all hours of operation.

Q: Why is PierPass changing the program?

A: WCMTOA members are responding to requests from the supply chain to improve the current OffPeak program. There has been strong industry support for a shift to appointment systems.

Port users have expressed a desire for changes—which some have called “PierPass 2.0”—to increase flexibility and to address the bunching up of trucks that often occurs before the start of the OffPeak shifts.

Q: When will the new program begin?

A: Subject to regulatory approval, it is expected to be launched in August 2018.

Q: Will PierPass continue to administer the program?

A: Yes.

Q: How much will the fee be? How will the fee be set?

A: The current TMF of \$72.09 per TEU (twenty-foot equivalent unit) will be replaced by a new flat fee of \$31.52 per TEU; the rate for all other sizes will be a flat fee of \$63.04. Applying the TMF to both day and night cargo will allow a reduction of more than 55 percent in the TMF while still providing funding to operate extended gates.

Q: What types of cargo will pay the fee, and how is that different from the existing OffPeak program?

A: The Traffic Mitigation Fee charged only on Peak cargo moves will be replaced by a fee that is constant across all hours of operation. Other than that change, the same types of cargo will pay the fee.

The following cargo is exempt:

- Empty containers or empty chassis;

- Import cargo or export cargo that transits the Alameda corridor in a container and is subject to a fee imposed by the Alameda Corridor Transportation Authority;
- Domestic cargo; and
- Transshipment cargo

Q: Which types of containers require appointments?

A: Appointments will be required for picking up import containers.

Q: Will the fee be by container or by appointment?

A: By container, as it is under the existing OffPeak program. (Specifically, it is by TEU, twenty-foot equivalent unit.)

Q: How was this decision reached?

A: The members of the West Coast MTO Agreement (WCMTOA)—the 12 marine terminal operators at the two adjacent ports—reached the decision after an 18-month process of consultation with industry stakeholders, and an analysis and survey by industry consultants. The process has included a series of meetings beginning with an Oct. 2016 workshop where WCMTOA met with more than 70 leaders representing importers, exporters, trucking companies, logistics providers, elected officials, government representatives, port authorities and other supply chain stakeholders. Subsequent meetings to address the issues surrounding the alternative models were held with the 40 supply chain stakeholders who together comprise the PierPass Advisory Committee and the Extended Gates Subcommittee.

In November 2017, PierPass retained the consulting firm The Tioga Group Inc. and its partner World Class Logistics (WCL) Consulting Inc. to evaluate alternative models and conduct a more comprehensive review of stakeholder opinion.

Tioga and WCL found that appointment systems are a more effective way to manage truck flow and terminal workload, and that the current incentive fee on daytime containers moves could be replaced with a flat fee on both days and nights to function better with appointment systems and eliminate issues related to the shift change.

Q: What are the expected advantages of the new program?

A: The original OffPeak was designed as a static and fairly inflexible system, lacking the ability to evolve over time as industry practices and technology changed—basically, the program was only shift-based.

The new appointment system model has an inherent ability to evolve over time to reflect changing industry needs and improvements in technology. It also has a lot of flexibility for terminals to evolve their systems and practices over time in response to customer needs, as new best practices emerge, and in response to competitive pressures.

The new program is expected to mitigate the congestion that occurs at marine terminals in the late afternoon as trucks queue prior to the start of OffPeak gates at 6 p.m.

We also believe this system will facilitate more dual transactions, as it will be easier to pair container drop-offs and pick-ups if there is no difference in TMF rates between day and night.

Q: How will a new appointment system help turn times?

A: It is expected that the appointment system with flat fee will reduce the number of trucks that currently wait inside or outside the marine terminals for the OffPeak shift to begin, as the same rates will be applicable to both shifts.

The appointment system will flatten truck visits across two shifts, which will also mitigate peaks and valleys. The appointment system will enable MTOs to schedule longshore labor to match planned pickups and drop offs.

Q: Why don't exports require appointments?

A: Some terminals already have appointment systems that are used for exports; others are in the process of adding them. Please check with individual terminals for their requirements.

Q: The traffic mitigation mechanism of OffPeak applied to both import and export loads. Won't leaving exports out of many of the appointment systems risk losing control of traffic congestion? Won't far more export loads migrate to days?

A: We expect that most exports will be delivered as part of a dual transaction, with the truck picking up either an import load or an empty for the return trip. Either the export would be delivered when the truck goes to the terminal to pick up a scheduled import container, or it would pick up an empty for the return trip.

Q: Will terminals require appointments for returning empties?

A: Some terminals require appointments for empties. Please check with individual terminals for their requirements.

Program Operations

Q How is the program able to evolve over time?

A: As the system matures, the new appointment system model has an inherent ability to evolve over time to reflect changing industry needs and improvements in technology. It also has a lot of flexibility for terminals to evolve their systems and practices over time in response to customer needs, as new best practices emerge, and in response to competitive pressures.

Q: How many appointment options will be offered per container? How many day and night?

A: Terminals will continue to offer the same number of appointments within free time as they currently offer. Please check with individual terminals for their requirements.

Q: How many extended gate shifts will each terminal offer per week?

A: There is no change to the current schedule of extended gate shifts. Individual terminals change their schedules occasionally, and updates are published in the WCMTOA schedule at www.pierpass.org/wp-content/uploads/2017/08/Rolling-Schedule-As-of-2016-9-01.pdf.

Q: Will there be a single appointment system portal for all the terminals?

A: There are a range of opinions within the industry and among terminals about how to achieve a single appointment system portal. Challenges include the fact that terminals currently use multiple different appointment systems and terminal operating systems.

For the time being, each terminal will continue to use its own existing appointment system. The terminals plan to look at best practice opportunities for common portals once the port-wide program is in place.

Q: Will there be any compensation to truckers if the terminal fails to serve them during their appointments?

A: The modified program is a non-punitive system. Neither truckers nor terminals will pay or gain compensation for missed appointments.

Q: Will free time start with the first available appointment?

A: No change is planned to current free time rules, which are part of the ports' tariffs. Please check with individual terminals for their requirements.

Q: Can truckers reschedule for an appointment on the same day if they cancel or miss on that day?

A: Each terminal system has its own operating parameters. Please check with individual terminals for their requirements.

Q: Can we make appointments before the container becomes available?

A: Some terminals' systems do allow this, also known as predictive appointments. Please check with individual terminals for their requirements.

Q: Are appointments required for peel-off piles?

A: Peel-off piles will be managed separately by each terminal.

Financial Issues

Q: How long can we anticipate this new program will operate without an increase?

A: Historically, the TMF is adjusted in line with ILWU labor contract increases.

Q: How much revenue is this program expected to raise per year?

A: The goal is to continue to offset the cost of providing extended gates. For more information, please visit www.pierpass.org/financials/.

Q: Will there be a financial incentive, like a reduced fee, for containers using peel-off piles?

A: No, peel-off is not part of the OffPeak program; it is managed separately by each terminal.

Performance and Service Issues

Q: Will the new system improve the current situation of service slowing and trucks backing up between 3 p.m. and 6 p.m.?

A: The expectation is that the surge at the end of the first shift to avoid paying will go away when the incentive pricing model goes away.

Q: How will the system be designed to maximize dual transactions?

A: It is expected that the empties currently brought in today to avoid the TMF can be better paired with containers that are being picked up with appointments. Also, it will be easier to pair transactions if there is no difference in TMF rates between day and night.

Q: Will any changes be made to ensure that empties can be returned to the same terminal an import load is being picked up?

A: Although this is controlled by the ocean carriers, WCMTOA will continue to work with stakeholders to determine if better coordination can be achieved.

Q: An appointment system would end the incentive to wait until 6 p.m. to enter / exit the terminal. But there is still the terminal labor shift change at 5 p.m., which reduces throughput. Will there be any changes to address that?

A: Most terminals already offer a flex gate in that period. The expectation is that the surge at the end of the first shift to avoid paying will go away. For more information about flex gate schedules, please see www.pierpass.org/wp-content/uploads/2018/03/Flex-Gate-Schedule_4-2-18.pdf.

Q: What will be the port-wide turn times with any new program?

A: It is anticipated that the turn times on terminals will go down as trucks arriving in the late afternoon will no longer have an incentive to remain inside the terminals until after 6 p.m. to avoid the TMF.