An Analysis of Possible Alternative Models
For the PierPass OffPeak Program

Request For Proposal

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# An Analysis of Possible Alternative Models for the PierPass OffPeak Program

## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Stakeholder Involvement</td>
<td>2</td>
</tr>
<tr>
<td>Extended Gates Review Process, October 2016 through May 2017</td>
<td>2</td>
</tr>
<tr>
<td>Scope of Work</td>
<td>3</td>
</tr>
</tbody>
</table>
**Overview**

PierPass Inc. is a not-for-profit company created by the West Coast MTO Agreement (WCMTOA) member container terminal operators at the Port of Los Angeles and Port of Long Beach to address multi-terminal issues such as congestion, air quality and security. PierPass launched the OffPeak program in 2005 to reduce severe cargo-related congestion on local streets and highways around the Los Angeles and Long Beach ports. OffPeak established regular night and Saturday work shifts to handle trucks delivering and picking up containers at the 13 container terminals in the two adjacent ports.

PierPass developed OffPeak as a market-based solution to what was then a critical public problem: after a rapid rise in cargo volume in the early 2000s, drayage trucks were causing severe congestion on the roads, highways and neighborhoods around the ports, while thousands of idling trucks caught in this traffic every day added to air pollution. The ports came under strong community and political pressure to find a solution. OffPeak nearly doubled the potential capacity of the ports without requiring taxpayer funding or waiting years for new infrastructure construction. As an incentive to use the OffPeak shifts and to cover the added cost of the new OffPeak shifts, a Traffic Mitigation Fee (TMF) is required for most cargo movement during peak hours (Monday through Friday, 3 a.m. to 6 p.m.) and it is to be paid by Users.

**Objectives**

The OffPeak program has successfully achieved its prime objective, which is to mitigate traffic and use the TMF to both incentivize use of the off-peak shift and to subsidize its costs. As a result, the OffPeak program is credited with diverting more than 35 million trucks away from the busy daytime shift. This has provided tremendous relief to the freeways serving the San Pedro Bay ports and adjacent communities.

Various stakeholders have raised questions regarding the feasibility of maintaining robust and effective OffPeak gates while addressing the issue of traffic buildup that occurs between the two shifts. PierPass has engaged stakeholders to offer ideas for alternative program models that would maintain the benefits of OffPeak (reduced congestion/pollution while providing funds necessary to maintain the second shift). Based on stakeholder input, three options have been raised:

1. **Variable and Dynamic Pricing**

   The objective of variable and dynamic pricing is to mitigate traffic throughout both shifts by increasing and decreasing the price of the TMF based on real-time price signals. This is similar to the way tolls fluctuate in High Occupancy Vehicle (HOV) lanes on some California highways. This approach has received virtually no support from stakeholders, and thus has been removed from consideration.

2. **Flat Fee with an Appointment System**

   In this model, traffic would be mitigated by assigning appointments for the Peak shift and for the OffPeak shift. The TMF collected would be used, as is currently done, toward funding the second shift. It would no longer need to serve as an incentive to use OffPeak rather than Peak shifts, and would therefore be charged during both shifts.
3. A Port-Wide Peel-Off Program

Under a port-wide peel off (PWPO) system, the pickup of import containers by trucks would work like an airport taxi queue. In a taxi queue, the first taxi in line is the first to pick up a fare. Under PWPO, authorized truckers would enter the terminal, pick up the next container in a stack that is being “peeled off” from the top of the stack and get instructions about where to deliver it. A TMF would be used to offset the second shift cost. The PWPO has been modified to also be termed a “push model.” As containers are peeled off of the top of the stack and placed with a drayage truck, a notification would be sent to the receiver advising the cargo owner of the truck and driver information, as well as informing the recipient that the truck just left the terminal. Those who do not participate in the PWPO would have their container go into a random stack to retrieve via the current random method and would incur additional fees above the TMF for the additional services provided.

The goal for this study will be to provide further evaluation of the Flat Fee with an Appointment System and Port-Wide Peel-Off Program alternative models. The evaluation will be part of the review that the PierPass Advisory Committee and the Extended Gates Subcommittee will use in their recommendation to WCMTOA. The WCMTOA members will review the results of this study and consider this information when evaluating potential alternative models or determine if a change or modification to the existing OffPeak program is necessary. WCMTOA members are allowed to discuss rates as per their filed agreement with the FMC. The PierPass Advisory Committee and the Extended Gates Subcommittee are not parties to the WCMTOA agreement and therefore cannot discuss OffPeak program or alternative model option rates.

Stakeholder Involvement

The study’s input comes from supply chain’s stakeholders, which includes members of the PierPass Advisory Committee and the Extended Gates Subcommittee. The membership of these committees represents virtually all of the stakeholders in the port supply chain, and thus will engage and involve the ports, marine terminal operators (MTOs), beneficial cargo owners (BCOs), trucking companies, customs brokers, freight forwarders, port authorities, and ocean carriers.

Extended Gates Review Process, October 2016 through May 2017

This RFP is the continuation of a process that began at the Extended Gates Workshop held on Oct. 20, 2016, in San Pedro, Calif. The 13 marine terminals that comprise WCMTOA met with more than 70 leaders representing importers, exporters, trucking companies, logistics providers, government representatives, port authorities and other stakeholders.

Since then, the PierPass Advisory Committee has taken a series of steps to review proposed models and make a recommendation to WCMTOA, which is responsible for deciding on any changes to the OffPeak program.

Since the Oct. 20 meeting, the following steps occurred:
• On Nov. 3, detailed notes from the Oct. 20 meeting, including pros and cons of each model, were distributed to PPAC members and additional feedback was requested. Those notes became the original basis for the recommendations report being developed by the PPAC.

• The PPAC met on Dec. 8 to begin developing the recommendations report. Participants reviewed industry feedback received and offered additional points of view. At this meeting, the variable and dynamic pricing model was removed from consideration as it had received no industry support.

• On Feb. 1, an initial version of the recommendations report drafted by PierPass staff was distributed to PPAC for review and feedback.

• The PPAC met on Feb. 22 to review the initial draft and collect feedback. At that meeting, participants discussed the need to bring in a third-party consultant to analyze the ideas under consideration, due to the complexity and possible side effects of these changes.

• On March 15, a revised draft of the report was sent to the Extended Gates Subcommittee for review and feedback. This draft included the recommendation to hire an industry consultant.

• Committee members submitted input by April 14.

• On May 4, PPAC and the Extended Gates Subcommittee met to review the recommendations, develop the scope of work to be included in a Request for Proposal (RFP) for consulting firms, and take recommendations for specific consulting firms.

The draft report of the PPAC, updated to include feedback gathered on May 4, is attached to this RFP. The report discusses many of the issues that the consulting firm hired through this RFP process will be tasked with investigating and advising upon.

**Scope of Work**

I. **Glossary:**

A. **DOMESTIC CARGO** – Means cargo which originates at a port or point in the United States and is destined to another port or point in the United States. For purposes of this definition, the term “United States” shall include the several states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Marianas, and all other United States territories and possessions. All other locations shall be considered foreign ports or points.

B. **EXPORT CARGO** – Means cargo in a Container received at any terminal facility operated by a member of the WCMTOA at the Port of Los Angeles/Long Beach and identified in Rule 3 hereof for loading onto a vessel for shipment to a foreign port or point.

C. **IMPORT CARGO** – Means cargo in a Container originating at a foreign port or point received at any terminal facility operated by a member of the WCMTOA at the Port of Los Angeles/Long Beach and
identified in Rule 3 hereof from a vessel for loading to a domestic motor or rail carrier.

D. OFF-PEAK HOURS/OFFPEAK SHIFT – Means 6:00 p.m. through 2:59 a.m., Monday through Friday and all day (24 hours) on Saturdays, Sundays and holidays.

E. PEAK HOURS – Means 3:00 a.m. to 5:59 p.m., Monday through Friday (excluding holidays).

F. THE PORTS OF LOS ANGELES/LONG BEACH -- Means the ports of Los Angeles and Long Beach as defined in the tariffs/schedules published by said ports.

G. MARINE TERMINAL/CONTAINER TERMINAL – Means one or more facilities comprising a terminal unit and including, but not limited to, wharves, landings, and receiving stations, used for the transmission, care and convenience of containers or related intermodal equipment and/or the interchange of same between land and water carriers.

H. PierPass - PierPass is a not-for-profit company created by the marine terminal operators of WCMTOA at the Port of Los Angeles and Port of Long Beach to address multi-terminal issues such as congestion, air quality and security and manage its OffPeak program.

I. TRANSSSHIPMENT CARGO – Means cargo that arrives at the Port of Los Angeles or Long Beach on one vessel and leaves on a second vessel without entering U.S. commerce.

J. TRAFFIC MITIGATION FEE - Each Container of Import Cargo or Export Cargo that enters or leaves any Terminal Facility of a WCMTOA member at the Port of Los Angeles/Long Beach is assessed a traffic mitigation fee (TMF) of:
   - U.S. $70.49 per 20-foot Container
   - U.S. $140.98 per all other sizes of Container
The TMF is not assessed for:
   (i) Empty Containers or empty chassis;
   (ii) Import or Export Cargo entering or leaving any Terminal Facility during Off-Peak Hours;
   (iii) 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; and
   (iv) Transshipment Cargo.

K. USER – Means (i) any person, company or other entity that is named as shipper or consignee on the ocean common carrier bill of lading issued for Export or Import Cargo, or any person owning or entitled to the possession of the Export or Import Cargo or having a past or future interest in said cargo; (ii) in the case of negotiable bills of lading, any other person, company or other entity that is a bona fide holder of the bill of lading or who is entitled to receive delivery of Export Cargo or Import Cargo; and (iii) any other bailor of Export or Import Cargo.

L. WCMTOA - The West Coast MTO Agreement (WCMTOA) is a Marine Terminal Agreement filed with the Federal Maritime Commission as Agreement No. 201143. WCMTOA comprises the 13 container terminal operators serving in the Ports of Los Angeles and Long Beach. The members of WCMTOA are as follows:
   - APM Terminals Pacific Ltd.
   - California United Terminals, Inc.
• Pier A c/o SSA Marine
• Eagle Marine Services, Ltd.
• Total Terminals International, L.L.C
• International Transportation Service, Inc.
• Trapac Inc.
• Long Beach Container Terminal, Inc.
• Yusen Terminals, Inc.
• Pacific Container Terminal c/o SSA Marine
• West Basin Container Terminal, L.L.C.
• C60 c/o SSA Marine
• Everport Terminal Services, Inc

I. **Deliverables**

The consultant should investigate and provide recommendations on these issues:

**Traffic**

- Evaluations of the ability of each alternate system to mitigate the local traffic impacts of all container truck gate activities, i.e. imports, exports, and empties. Under the OffPeak system, this has been achieved by maintaining a roughly even split between day and night traffic.
- To what extent will each of the alternate systems reduce the longer lines experienced at certain times of the day under the current OffPeak system or should that be addressed in other ways?

**Appointment Systems**

- Evaluate the ability of this model to address the State of California’s zero emissions requirements for marine terminals by 2030.
- The ability of a port-wide appointment system to meet the traffic mitigation requirements that are currently being met.
- Timeline for when each MTO will have its appointment system operating, including for imports, exports and empties.
- How this model will impact the operations of others in the supply chain, e.g., cargo owners (including at distribution centers and stores and with inventory control process), trucking, freight forwarders, customs brokers, etc.
- Feasibility of ports-wide common business rules for appointment systems.
- Technical and financial feasibility of a common interface for booking appointments across terminals.
- Recommendations for standard appointment rules (e.g., appointment window duration).
- Ability of terminals to accommodate companies preferring different mixes of day and night slots.
- How missed or unused appointment slots will be used to avoid the lost capacity.

**PWPO**

- Evaluate the ability of this model to address the State of California’s zero emissions
II. Requirements

The consultant will be required to:

- Define an anticipated schedule and milestones.
- Provide complete pricing associated with each task.
- Identify staff, their experience and what roles they will address.
- Provide a list of references complete with detail of work completed and what roles those participating in this study had with the referenced work.
III. Instructions

All responses to be sent electronically to PierPass to the attention of John Cushing, President & CEO, at john.cushing@pierpass.org.

Questions related to this RFP may be sent no later than June 16, 2017. All questions will be responded to no later than June 30, 2017 to all proposers. Final submittal will be due by August 18, 2017.

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