



The History Of PierPASS

Southern California ports are the largest container port complex in the United States and have witnessed unprecedented growth over the last decade. During the past five years, local port and elected officials have discussed the increasing port-related impacts on surrounding communities such as traffic and air quality concerns. They have considered many measures to address these impacts, including proposals to open terminals at night and weekends. Los Angeles City Councilman Janice Hahn has championed the off-peak hours concept through her Goods Movement Task Force. These proposals frequently stalled over questions about who should pay for operating extended gates, the legality of measures designed to regulate international commerce and the historic failure of past and current off-peak terminal operations to attract significant volumes of truck traffic.

Earlier this year AB 2041 was introduced in the California Legislature by Assemblyman and Senator-elect Alan Lowenthal, proposing a "peak hour surcharge" for all containers that entered or exited a marine terminal in the port complex of Los Angeles and Long Beach between the hours of 8:00 a.m. and 5:00 p.m. This bill was introduced in the hopes of mitigating both congestion on the freeways and air emissions. In introducing this bill, Mr. Lowenthal responded to industry concerns by suggesting he would drop the legislation if a private sector solution could be found.

Faced with legislation that would impose a tax on daytime moves but add little to a solution, the Waterfront Coalition indicated cargo interests would be willing to pay the costs of additional operations for a limited period of time if all terminals agreed to open during off peak hours. The Waterfront Coalition is an industry group composed primarily of importers and exporters concerned about the vitality of the ports of Los Angeles and Long Beach .

FMC Approval-Creation of PierPASS

At the same time the Waterfront Coalition made its proposal, a group that included every Marine Terminal Operator engaged in international container handling in the ports of Los Angeles and Long Beach (MTOs) filed with the Federal Maritime Commission (FMC) for formal recognition as the West Coast Marine Terminal Operators Discussion Agreement (WCMTA). With authority granted by the FMC in late August, the MTOs were able to discuss how to put a program together that would encourage Beneficial Cargo Owners to move their traffic to and from the marine terminals during off peak hours (i.e. the second shifts and the weekends). In considering the program, the MTOs embraced the concept put forth by the Waterfront Coalition and agreed to open port-wide full service operations for five additional off peak shifts, effectively duplicating their Monday through Friday, daytime operations. The MTOs then set about to address the practical issues with the program in consultation with key stakeholders in intermodal transport including leading truckers, cargo interests, Pacific Maritime Association, policy makers, and regulatory agencies.

In late August the MTOs concluded a comprehensive framework for the program, filed an amended agreement with the FMC empowering the program and announced the launch of PierPASS. At the public event announcing PierPASS, Jim Spinoza, ILWU President, announced his union's support for the program and their anticipation of working with employers toward successful implementation.

As a result of these developments, and while much work remained to be done to implement PierPASS, Mr. Lowenthal withdrew his bill from consideration by the Legislature on August 23, 2004 as the California legislative session was winding down for the year

Traffic Mitigation Fee

PierPASS, is being formed as a not for profit California corporation. It will administer the MTOs collective imposition of a "Traffic Mitigation Fee" on all cargo imported and exported through the ports of Long Beach and Los Angeles . This fee will be used to fund the incremental costs of the PierPASS program's extended terminal hours and will vary as the costs rise or fall.

To provide an incentive for cargo interests and truckers to use off-peak operations, this fee will be refunded on all traffic that is handled through the marine terminal gates during off-peak hours. It will also be refunded on all intermodal cargo that is already charged a fee by the Alameda Corridor Transit Authority (ACTA). The net effect will

be that cargo passing through the gates between 3:00 a.m. and 6:00 p.m., PST Monday through Friday excluding holidays will be charged this fee.

To avoid unnecessary paperwork and reconciliation, PierPASS is in the process of promulgating rules to allow importers and exporters to enter into a credit agreement establishing an account with PierPASS and to allow rail cargo paying an ACTA fee an exemption from paying up front.

The fee, which will start at \$20 per TEU (twenty-foot equivalent unit), will be imposed on the Beneficial Cargo Owners of the traffic. It will not be paid by the trucking community or the water carriers. The amount of Traffic Mitigation Fee is based on a study done by the JWD Group, an independent industrial engineering firm, that identified and confirmed the costs associated with terminals opening off-peak operations under the PierPASS program. As PierPASS is implemented, JWD will be engaged to quantify and confirm the actual administrative and operational cost of the program to the MTOs and the fee will be adjusted up or down to reflect actual and expected costs. These costs and the resulting fee will also vary based on the proportion of total cargo that continues to move during the day.

While the additional cost of the Traffic Mitigation Fee is a burden on cargo interests, most importers and exporters are supporting PierPASS because they recognize the fee is much less than the initial proposal for a new governmental entity funded by a "peak hours surcharge" under AB 2041. That proposed tax would have been much more expensive because it was not limited to covering the costs of extended hours of operations for terminals - rather it was to be used for undefined traffic mitigation and infrastructure projects. And, the industry would not have had any oversight as to its collection or how it would have been used. In contrast, PierPASS will be subject to an external audit, the results of which will be published for the trade community, and the input of an Advisory Committee composed of importers, exporters and other key stakeholders.

Full Service

The extended hour shifts that are going to be initiated will be "full service gates," meaning that the services rendered by the MTOs will include the same functions and services now provided during the daytime. As requested by truckers and others, all of the terminals in Southern California will be operating during the same extended hours so the PierPASS will enable port-wide full service operations.

Governance

Senior officers of each of every marine terminal operation will continue to meet on a regular basis to refine PierPASS and move the process forward. Daily work by PierPASS staff is supported by weekly discussion of the major committees: Implementation chaired by Doug Tilden of MTC, Outreach chaired by Scott Smith of Eagle Marine, Governance chaired by Peter Keller of YTI, Budget chaired by John Loepprich of APMT and Legal chaired by Jon Hemingway of SSA Marine. Mr. Hemingway also chairs the membership meetings.