

BACKGROUND PAPER

May 22, 2007

PierPass-Its genesis and evolution

Since 2000, then-Assemblymember Lowenthal became interested in learning why, after several years of double-digit growth at the San Pedro Bay Ports, terminal operators, truckers, shipper and distribution centers were unable or unwilling to expand the hours of operation to “spread” the drayage which most likely would have a positive impact on the congestion and unnecessary truck idling by moving a significant amount of cargo during off peak hours. His staff, along with the Senate Office of Research and a member of the California Transportation Commission conducted stakeholder meetings in Southern California. The result was a report to Assemblymember Lowenthal that movement on this creative solution would not be forthcoming as an industry initiative. Based on this information and the understanding that typically, port terminals operate around the clock Mr. Lowenthal grasped the need for a sea change in business practices.

Many in the industry expressed their belief that the goal of opening the gates longer just would not be feasible nor could it accomplish moving a sizeable amount of cargo during off peak hours.

In August 2003, Mr. Lowenthal spoke to an industry audience of over 300 people. He announced that given the failure of the industry to resolve this matter he would introduce legislation calling for an incentive base fee to change the manner in which cargo was to be moved. He informed them that he would much prefer to see an industry solution.

Shortly thereafter the Marine Terminal Operators of the two ports sought and received authorization from the Federal Maritime Commission to meet as a body to discuss and formulate an industry business plan.

AB 2041 introduced by Mr. Lowenthal in February 2004 called for an off-peak program at the ports of Long Beach and Los Angeles to ease the increase of congestion during commuters prime drive times. (the bill in its final amended state appears at the end of this paper.

As a result of the collaborative effort by the Terminal Operators, Mr. Lowenthal withdrew the bill.

On July 23, 2005, the Marine Terminal Operators inaugurated the PierPASS program. It has now been in operation nearly two years. PierPASS is a not for profit company created by marine terminal operators to reduce congestion and improve air quality in and around the Los Angeles and Long Beach ports. PierPASS is responsible for managing the OffPeak program. Under the OffPeak program terminals would be open longer and later from Monday through Thursday and, for the first time, on Saturdays. Trucks entering during the new hours of 6:00 P.M. and 3:00 A.M. would be exempt from the fee to be charged for moving goods during the peak hours.

The claim by the industry in establishing this program was that they:

- Were responding to the needs of the port community, local authorities and policy makers.
- Infrastructure improvements were years away
- Opportunities to expand the ports were limited

Truckers and the International Longshore and Warehouse Union have expressed from the outset their concern over the transparency of OffPeak's finances and accounting. From the beginning the trucking community has felt that some of the fee should be passed along to them, as it is with the ILWU for the same timeframe.

The purpose of this panel is to be provided with an update on whether or not OffPeak has accomplished what AB 2041 would have achieved and to learn of plans for a PierPASS long-term business plan. It would be valuable to explore future tasks which this entity could absorb within their organization. Hopefully Mr. Wargo will present a glimpse into their organizational structure as well.

This panel also provides senators with the opportunity to hear from those most impacted by this relatively new business practice, namely terminal operators, labor and truckers.

It is incumbent upon the legislature to ask impacted stakeholders for an accounting of the program's effect on addressing the primary challenges of transportation congestion and air quality mitigation.

AMENDED IN ASSEMBLY MAY 6, 2004
AMENDED IN ASSEMBLY APRIL 1, 2004
CALIFORNIA LEGISLATURE—2003-04 REGULAR SESSION

ASSEMBLY BILL No. 2041
Introduced by Assembly Member Lowenthal
February 17, 2004

An act to add Part 2.5 (commencing with Section 1750) to Division 6 of the Harbors and Navigation Code, relating to harbors and ports.

LEGISLATIVE COUNSEL'S DIGEST
AB 2041, as amended, Lowenthal. Ports: congestion.

(1) Existing law authorizes 2 or more harbor agencies, as defined, to form a joint powers authority for the purpose of establishing an infrastructure fund and financing port or harbor infrastructure, as specified.

This bill would establish the Port Congestion Management District as an entity of local government, governed by a board consisting of 7 specified members appointed by, and

serving indefinite terms at the pleasure of, the Secretary of Business, Transportation and Housing

The bill would require the board to establish a charge for the privilege of transporting cargo by commercial motor vehicle into or out of the Port of Los Angeles or the Port of Long Beach during the hours of 8 a.m. to 5 p.m., inclusive, on Monday to Friday, inclusive. The bill would *require each marine terminal at the Port of Los Angeles and Port of Long Beach to report to the district specified information with respect to traffic at the ports. The bill would also require the district to hold public hearings to discuss the results of these reports and to report annually to the Legislature on the use of offpeak gates at the ports. The bill would require the board to establish and manage a Port Congestion Management Fund. All revenues derived from imposition of the charge would be deposited in the fund and expended to fund certain projects to help alleviate congestion caused by scheduling shipments by commercial motor vehicle during the specified hours.*

To the extent that these requirements would impose additional duties upon local governmental entities, the bill would establish a state-mandated local program.

The bill would provide that if the Secretary determines on January 1, 2005, that a local transportation agency or authority that has jurisdiction at, or near, the ports, has established a fee on container cargo moving through those ports and that at least 20% of inbound cargo transported on commercial motor vehicles at the ports occurs at times other than during the hours of 8 a.m. to 5 p.m., inclusive, on Monday to Friday, inclusive, the provisions of the bill would not become operative.

The bill would require the *Secretary*, if that determination is made, to notify the Secretary of State of that determination.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

For information purposes:

The METRANS Transportation Center a joint effort of the University of Southern California and California State University Long Beach are finishing up a study due out in July "Evaluation of Extended Gate Operations at the Ports of Los Angeles and Long Beach". The principal author of this study, Dr. Tom O'Brien will be attending the

hearing and available for questions should the members of the sub-committee wish to ask about his work.

Project Objective:

The purpose of this research is to conduct a comprehensive evaluation of extended gate operations at the Los Angeles/Long Beach ports. Under continued pressure to adjust operations in ways that mitigate traffic and air quality impacts of port operations and in response to threatened regulatory legislation, terminal operators have agreed to implement a voluntary program of extended gate hours.

The extended gate evaluation will include the following: 1) descriptive analysis of extended gate operations and their role in the supply chain; 2) analysis of the use of extended hours by truckers and their clients; 3) assessment of extended hours impact on terminal throughput and queuing; 4) estimation of traffic impacts of PierPass; 5) institutional analysis of the development, implementation and use of the PierPass program; 6) overall assessment.

PierPass is the second major attempt within an 18-month period to mitigate the impacts of truck traffic and emissions on the surrounding community. A truck appointment system designed to limit vehicle idling at the terminal gates began in July 2003, also in response to legislative initiative. Both appointments and extended gates are expected to contribute to improved port efficiency, an issue of growing regional and national concern. Experiences at the Los Angeles/Long Beach ports will provide insight on whether operational strategies are effective in solving goods movement related impacts in metropolitan areas.

The proposed project builds on Metrans project 04-06, which has evaluated the truck appointment system. Research conducted under 04-06 provides both extensive background material and a baseline for a before/after analysis of the PierPass program. As with 04-06, selected members of the CITT Policy Steering Committee will serve on a project advisory panel. This project falls within the goods movement and international trade focus area.