Peering into PierPass

Noted writer Edward Abbey once observed that “there is science, logic, reason; there is thought verified by experience. And then there is California.” Abbey might as well have been writing about the Southern California ports — the largest container port complex in the U.S., and one of the largest in the world.

Abbey believed that the West was in danger of being developed to death, and that the only solution lay in the preservation of its wilderness. Recently, politicians in and around Los Angeles have adopted a similar belief system about their ports. Rather than celebrating a mighty engine of global trade and source of local jobs, surrounding communities have begun to voice concerns about traffic congestion and air quality arising from the ports.

Politicians have repeatedly pounced on port issues. Los Angeles City Councilwoman Janice Hahn has advocated increased use of off-peak gates. Hahn has applied influence through her relationship with the mayor (her brother) and the Goods Movement Task Force. Last year, Assemblyman (now state Sen.) Alan Lowenthal, introduced legislation proposing a peak-hour surcharge for laden containers transiting marine terminals between 8 a.m. and 5 p.m.

Faced with these Draconian measures, our industry responded in commendable fashion. Shippers, through associations such as the Waterfront Coalition and the Retail Industry Leaders Association, agreed to pay the costs of additional operations — if terminals would operate during off-peak hours.

Simultaneously, marine terminal operators sought — and received — Federal Maritime Commission recognition as a discussion agreement, allowing collective action to encourage off-peak pickup and delivery. They also accepted the shippers’ suggestion to open full-service operations portwide for five additional off-peak shifts. With acceptance from the International Longshore and Warehouse Union, Lowenthal withdrew his bill from legislative consideration.

The result is PierPass, which is due to start on June 1. Under the program, containers moving during peak hours will initially be charged a traffic-mitigation fee of $20 per TEU. The fee will be used to offset additional operating expenses. To date, the industry response has been exemplary. But some significant unanswered questions remain.

- **Will it work right — right away?** Our industry is rich with spectacular IT failures. And it is unusual to introduce change during the peak business period. (Unfortunately, the system was not ready for testing early this year.) Success here requires technical achievement on two levels. Not only must PierPass interface with each customer, but each marine terminal must successfully modify its systems to accommodate the new release transaction. (There are 13 marine terminals with nine different computer systems.) Is it possible that we will see a spectrum of results?

- **How will lines handle customer service?** Three releases will be required to pick up cargo. Only one — the steamship release (for freight payment and bill-of-lading surrender) — is controlled by the carrier. The broker processes customs release, and now the customer will handle the PierPass release. One wonders how lines will manage the exceptions, especially since problems will likely occur outside normal office hours. Terminals also must cope with exceptions in an effective manner, to avoid increasing trucker delay and gate congestion.

- **How will store-door appointments be handled?** Store-door deliveries may be even more complicated. Lines routinely schedule door delivery — but the containers cannot move without the PierPass release. This may make a troublesome process even more difficult.

- **Will there be sufficient labor?** Terminals must run full-fledged yard operations for at least five additional shifts. Will this cause a replay of last summer’s longshore labor shortage, or has new hiring truly solved the problem?

- **How will trucker hours-of-service rules be accommodated?** If extra shifts are not added for at least six days of the week, how will drivers benefit? (For example, if a driver works on Monday night’s extra shift, he is unable legally to work again until Tuesday night — when there may not be an extra shift.) Will there be sufficient work then? Or will drivers begin to migrate back to daylight hours — when there is seven-day demand? Or will the terminals need to offer night operations every day of the week?

Despite these questions, implementation of PierPass is encouraging. The transportation industry has come together and developed a practical application. Unlike other solutions that seek to transfer pain points, this one, if it works, is truly win-win. If PierPass can be proved to work, maybe other intractable problems, such as chassis, can be resolved by customers, truckers and carriers.

Ted Prince is senior vice president of Optimization Alternatives Ltd. He can be contacted at (804) 754-2291, or at ted@oax.com.