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PierPass Alert: Marine Terminal Operators at the Ports of Los Angeles and Long Beach Raise TMF to Sustain Continued OffPeak Operations

The West Coast MTO Agreement (WCMTOA) yesterday announced it will raise the current Traffic Mitigation Fee (TMF) at the Ports of Los Angeles and Long Beach to \$60 per TEU in order to sustain continued operation of PierPass OffPeak gates. The TMF adjustment is effective July 4, 2011.

This is the first increase in the TMF since 2006. Since then, labor costs have increased 31 percent. The terminals have operated the OffPeak shifts at a loss since the program's start in 2005. The shortfall between TMF revenues and OffPeak gate costs was \$52.3 million in 2010.

Adding the night shifts in 2005 substantially increased costs for terminal operators. The immediate effect of opening the night shifts was to spread the same amount of volume over twice the number of hours. Additionally, nighttime labor rates are significantly higher than daytime rates.

While OffPeak was never intended to be a profit-making venture, the terminal operators can't continue sustaining operational deficits at the current levels. A number of options were evaluated by marine terminal operators to cut the losses, including adjusting the TMF, decreasing the services offered, or instituting a fee on OffPeak cargo.

Adjusting the rate was determined by the marine terminal operators to be the most effective and least disruptive way to reduce the losses.

The new rate of \$60 per TEU (twenty-foot equivalent unit) translates to a TMF of \$120 per FEU (forty-foot equivalent unit).

Beginning in mid-2012, the TMF will be adjusted annually based on changes in Pacific Maritime Association maritime labor costs.

With 55 percent of cargo movements taking place during OffPeak hours, the program has become an important element of port operations. The OffPeak program makes better use of valuable port assets without waiting for additional infrastructure to be built, gives shippers more flexibility in their schedules, creates more capacity through higher cargo velocity, and creates more work opportunity for the expensive clean trucks now required by the port authorities.

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