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# The Current

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## ***PierPASS Fee Increase Effective July 4, 2011 Marine Terminal Operators at the Ports of Los Angeles and Long Beach Raise TMF to Sustain Continued Operations***

Dear Valued Customer:

On June 7, 2011 the West Coast MTO Agreement (WCMTOA) announced it will raise the current Traffic Mitigation Fee (TMF) at the Ports of Los Angeles and Long Beach effective July 4, 2011 to \$60 per TEU (\$60/20' or \$120/40' container) in order to sustain continued operation of PierPASS OffPeak gates.

This is the first increase in the TMF since 2006. Since then, hourly labor costs have increased 31 percent. The terminals have operated the OffPeak gates 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. In addition, nighttime labor rates are significantly higher than daytime rates.

A number of options were evaluated by marine terminal operators to cut the losses, including adjusting the rate, 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.

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

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## About PierPASS

PierPASS is a not-for-profit company created by marine terminal operators at the ports of Los Angeles and Long Beach in 2005 to address multi-terminal issues such as congestion, security and air quality. Under the program, all international container terminals in the two ports established five new shifts per week. As an incentive to use the new OffPeak shifts and to cover the added cost of the 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.). The West Coast Marine Terminal Operator Agreement is filed with the Federal Maritime Commission, and comprises the 13 international MTOs serving the Ports of Los Angeles and Long Beach.

We thank you very much for your time and should you require any assistance or if you have any questions, please consult with your local James J. Boyle & Co. office listed below.

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