

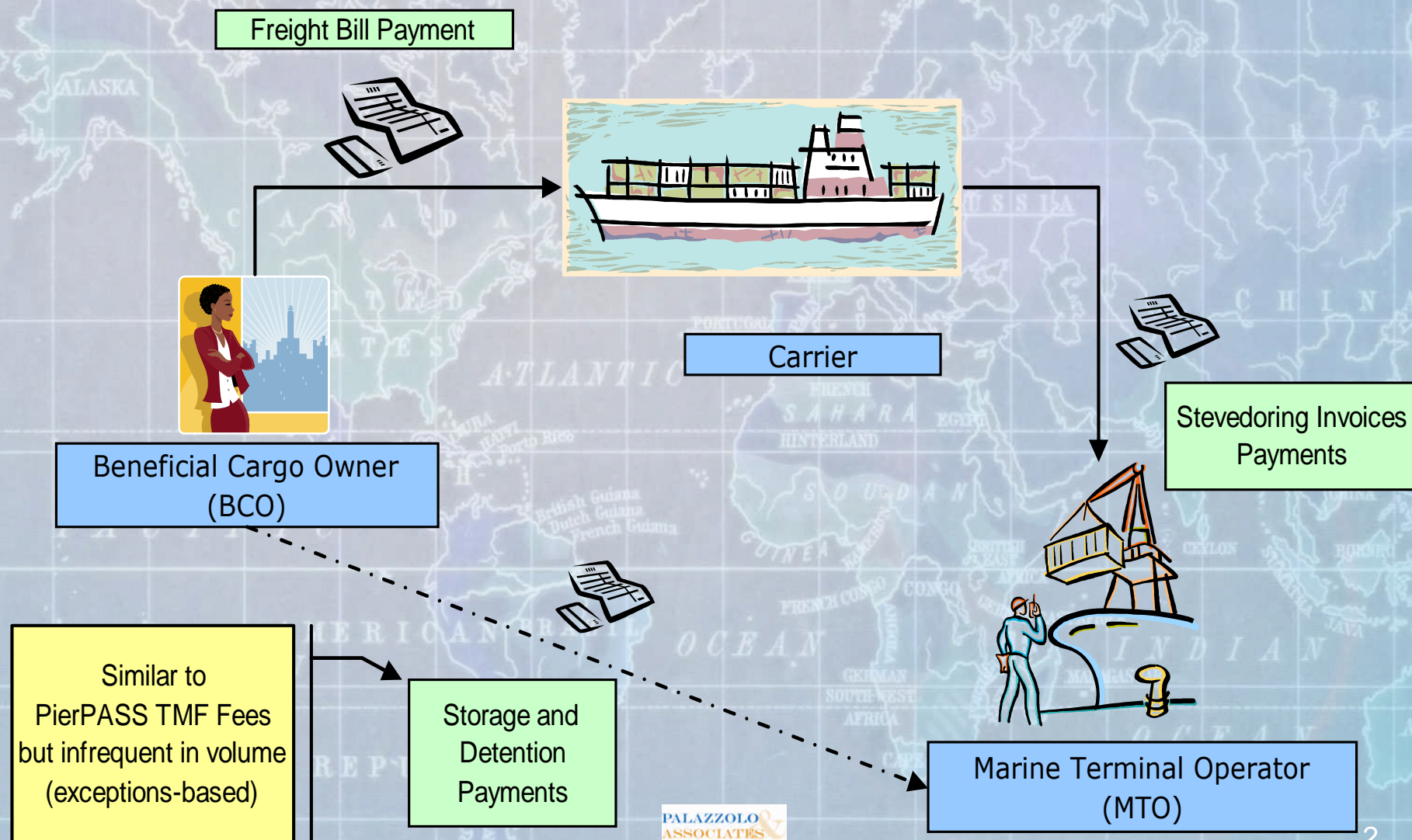


PierPASS: the inside story

- What is PierPASS?
- Why was PierPASS necessary?
- How did it come into existence?
- What were the challenges?
- Why should you care?

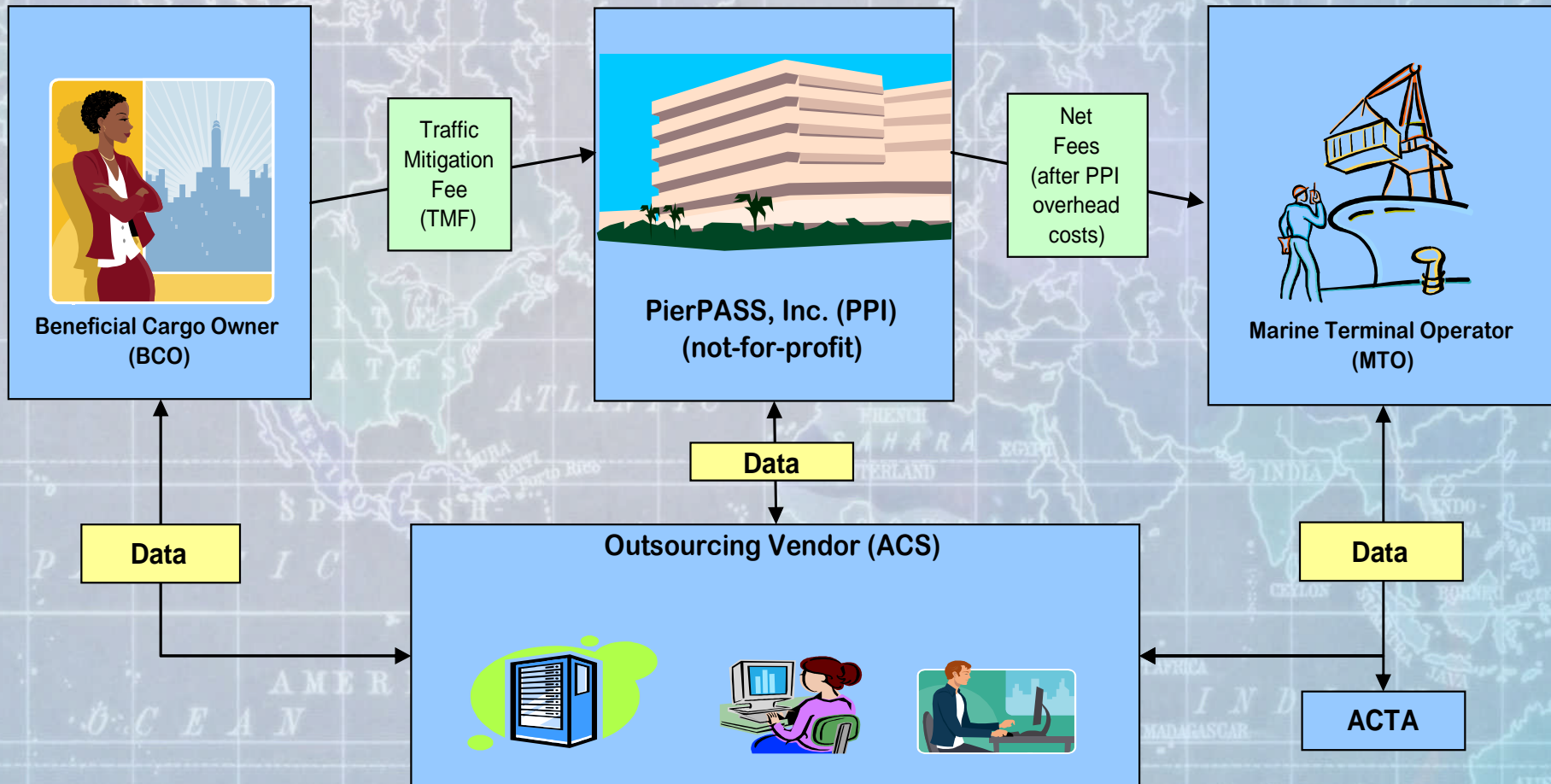
PierPASS: the inside story

Terminal Payment Mechanisms “Before”



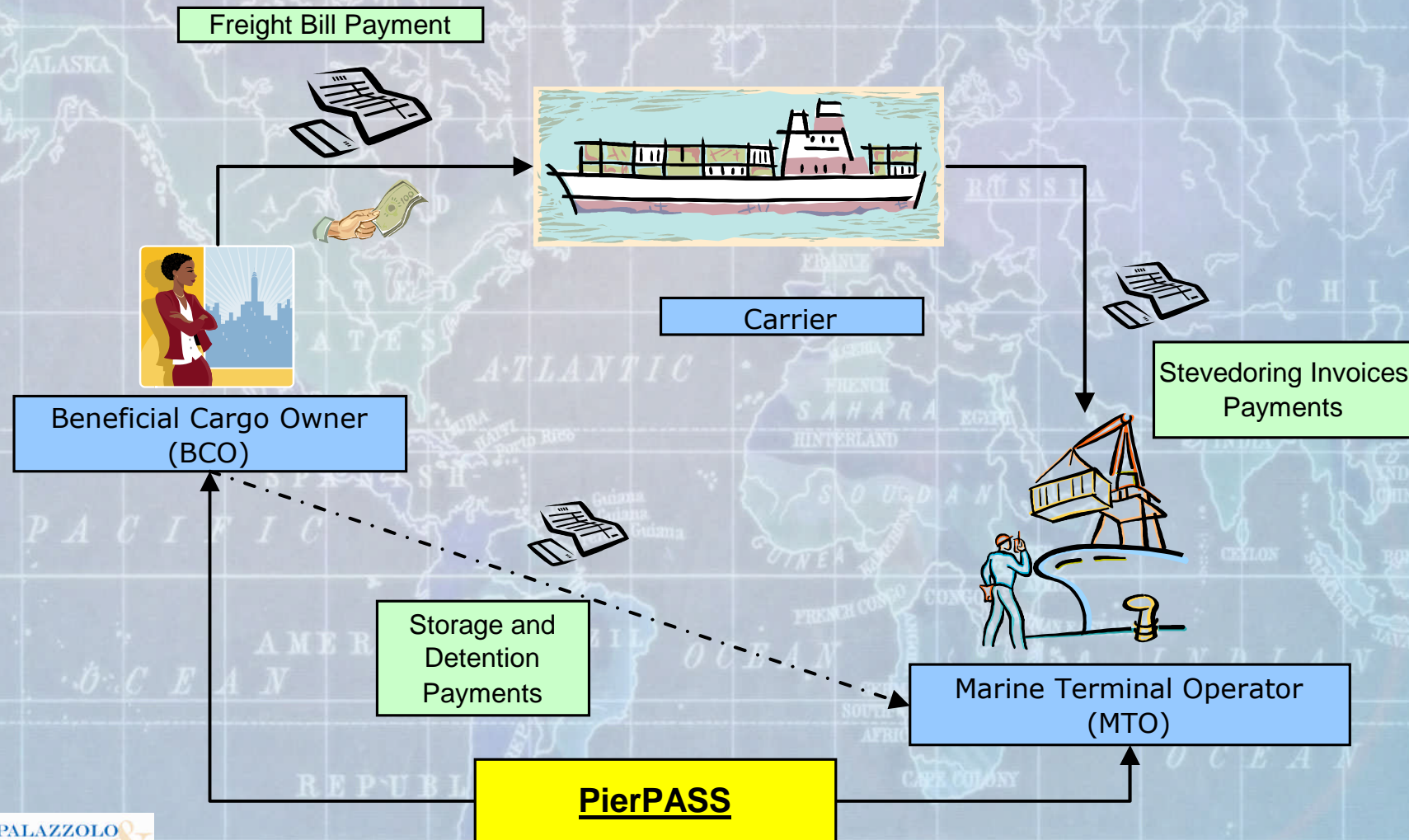
PierPASS: the inside story

PierPASS Data & Funds Flows



PierPASS: the inside story

Terminal Payment Mechanisms "After"



PierPASS: the inside story

What is PierPASS?

- **PierPASS is a system to:**
 - Collect fees
 - On a large scale
 - From cargo owners
 - To pay terminal operators/stevedores
 - Directly
- **In order to:**
 - Extend hours of operation, port wide
 - Reduce port congestion / pollution
 - Provide market-based solutions to public problems

PierPASS: the inside story

What is PierPASS, continued:

- **Details:**
 - **Traffic Mitigation Fee (TMF) charged for “peak period” gate moves**
 - **TMF compensates cost of program**
 - **Only on loaded containers**
 - **TMF is cost-based and subject to adjustment**
 - **All rail moves are exempt**
 - **“Off-Peak” is 2nd shift Monday through Thursday, and Saturday**

PierPASS: the inside story

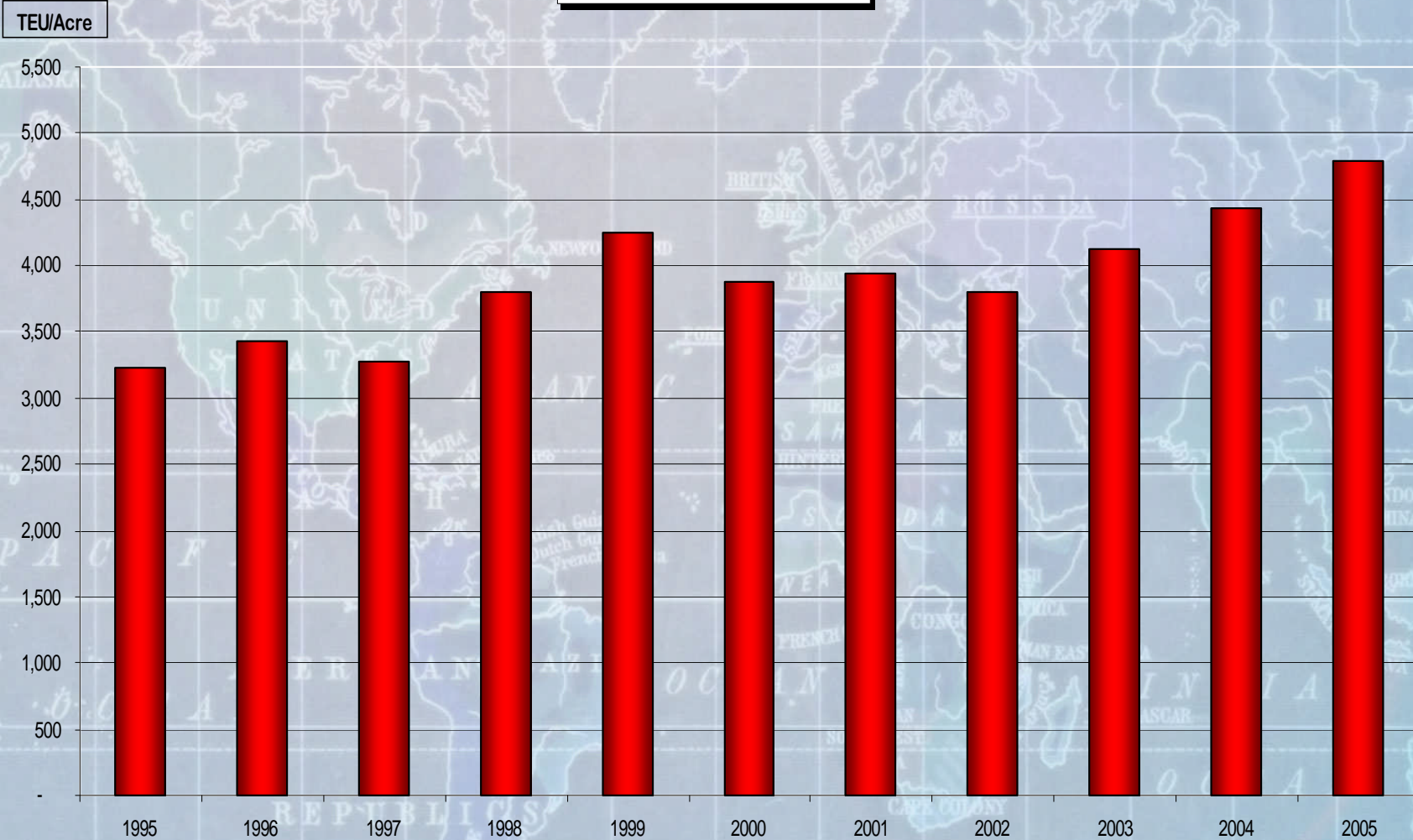
Why was PierPASS necessary?

- 2004 LA/Long Beach “melt-down”
 - Supply chain disruption
 - Labor shortages/land limitations
 - Larger vessels
- The situation was only going to get *worse!*
- Port communities in an uproar
 - Threat of political intervention
- No means to pay for night gates



PierPASS: the inside story

Ports of Los Angeles and Long Beach
Cargo Density (TEU/Acre)
1995 to 2005



PierPASS: the inside story

•Project Challenges

- 12 Different MTO
- BCO Volume unknown
- In vs. Outsourcing
- No COTS solution
- Time pressures
- No Industry knowledge
- Huge volumes and paperless requirement
- Legal constraints

•Resolution

- EDI Audit
- Scenario modeling
- Business Modeling
- Technology evaluation
- Proj. Mgt. Assistance
- Outside Expertise
- Thorough requirements writing

PierPASS: the inside story

Success!

- PierPASS projected 20% shift to off peak
- Actual shift exceeded 30% at start
- Currently at 40% off peak

"In Southern California, the PierPASS system has performed better than anyone expected, shifting 40% of all the containers moving through Los Angeles-Long Beach to off-peak hours and causing terminal operators to wonder if 45% can be achieved. 'PierPASS was a major change in the way we do business. It created system capacity,' Tilden¹ said"

-Tirschwell, Peter. "A Mixed Picture" Journal of Commerce

March 13, 2006: page 54

¹ Doug Tilden, Chief Executive, Marine Terminals Corp.

PierPASS: the inside story

Why should you care?



Photos provided by
Port of Long Beach



**PALAZZOLO &
ASSOCIATES**

PierPASS: the inside story

Why should you care?

- **Port congestion spreading to other U.S. ports**
 - Trade growing 5 to 8% per year
 - Environmental, “NIMBY” and other community pressures limit port growth
- **BCO interest in “round-the-clock” operations**
- **Port Security and other cost recoveries**

PierPASS: the inside story

About Palazzolo & Associates:

- **Financial and Management Consulting Firm**
- **Specialized in the Transportation Industry**
- **Services include:**

<ul style="list-style-type: none">• IT Services including System Design, Requirements, Software Selection, Contract Negotiation, and Implementation	<ul style="list-style-type: none">• Mergers and Acquisitions (M&A) including Assessment of Acquisition/Merger Candidates, Due Diligence Examinations and Post-Acquisition/Merger Integration
<ul style="list-style-type: none">• Profit and Process Improvement Projects	<ul style="list-style-type: none">• Project Management
<ul style="list-style-type: none">• Business Strategy and Planning	<ul style="list-style-type: none">• Temporary CFO and Controllership Assignments
<ul style="list-style-type: none">• "Turn-Around" & Reorganization Projects	<ul style="list-style-type: none">• Litigation Consulting and Alternative Dispute Resolution (ADR) Services

PierPASS: the inside story

About Palazzolo & Associates (continued):

- **3 CPA's and 1 CMC with over 50 years of transportation industry experience**
- **Clients include:**
 - PierPASS
 - Matson Navigation Company and Matson Terminals
 - Marine Terminals Corporation
 - Pacific Maritime Association (PMA)
 - Coastal Transportation, Inc.
 - Foss Maritime