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”

- Beneficial Cargo Owner (BCO)
- Carrier
- Marine Terminal Operator (MTO)
- Freight Bill Payment
- Stevedoring Invoices Payments
- Similar to PierPASS TMF Fees but infrequent in volume (exceptions-based)
- Storage and Detention Payments

Exceptional, infrequent payments, exceptions-based
PierPASS: the inside story

PierPASS Data & Funds Flows

Beneficial Cargo Owner (BCO) -> Traffic Mitigation Fee (TMF) -> PierPASS, Inc. (PPI) (not-for-profit) -> Net Fees (after PPI overhead costs) -> Marine Terminal Operator (MTO)

Outsourcing Vendor (ACS) -> Data

ACTA
PierPASS: the inside story

Terminal Payment Mechanisms “After”

- Beneficial Cargo Owner (BCO)
- Carrier
- Stevedoring Invoices Payments
- Marine Terminal Operator (MTO)
- Storage and Detention Payments
- Freight Bill Payment

PierPASS
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

TEU/Acre

## 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

¹Doug 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:

<table>
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<tr>
<th>IT Services including System Design, Requirements, Software Selection, Contract Negotiation, and Implementation</th>
<th>Mergers and Acquisitions (M&amp;A) including Assessment of Acquisition/Merger Candidates, Due Diligence Examinations and Post-Acquisition/Merger Integration</th>
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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