

Port trucking off the rails

By Darryl Anderson, Wave Point Consulting & Phil Davies, Davies Transportation Consulting Inc.

The results of the *Surface Transportation Annual Review* 2014 survey revealed that problems at marine container terminals and in the drayage sector have impacted perceptions of logistics service quality. The withdrawals of service by port truckers in 1999, 2005 and 2014 are the most visible manifestations of problems with container operations at Port Metro Vancouver (PMV). However, Vancouver is not the only port where problems have occurred.

Truckers' actions at the ports of New York and New Jersey also resulted in disruptions in February this year. Truckers staged similar actions at Georgia Port Authority's Garden City Terminal and the Port of Oakland in November 2013, and at the Port of Seattle in 2012. Los Angeles and Long Beach are not immune from action by truckers in their ports, with drivers going on strike in late April 2014. The disruption in Los Angeles is the third in the last year.

A high degree of public visibility and angst when container drayage service is withdrawn does not imply that port trucking strikes are the root cause of the problem, nor does a return to work provide a clue as to whether there is a lasting solution. This article will provide some perspective by exploring answers to the following questions: (a) What were the most significant factors that led to the truckers strike? (b) What items in Vancouver's 15-point *Joint Action Plan* were most important for settling the strike? (c) What signs indicate that the agreement is working; or are there any lingering areas of concern?

The reason why port trucking has gone off the rails

Gordon Payne, chair of Harbour Link Container Services Inc., observed that the PMV work stoppage "resulted solely from the continuing long waiting times being encountered by truckers to access the port and by the elongated turn times being incurred by truckers to complete a transaction when inside the terminals." Figure 1 shows the "turn times" -- the amount of time it takes a truck to load or unload a container at the terminal.

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Since the dominant model for port trucking in North America is the use of owner/operators paid by the trip, the short-run costs of container terminal congestion are born primarily by the truck drivers themselves and not the terminal operator/owner, long-shore labour, container lines, importers, exporters or the port authority.

Factors impacting marine container terminal productivity at PMV

The following three factors contributed to the strike by truckers at PMV: insufficient commercial pressures to improve turn times on marine terminal operators; operational complexity of container terminals; and the impact of larger container vessels.

In Vancouver, shipping lines contract directly for only a small percentage of drayage trucking because they purposely got out of such commercial arrangements after the 1999 strike. All of the Vancouver container terminals are "common user" terminals, owned by third parties and serving multiple shipping lines. As a result, the shipping lines have limited, if any, control over land operations and in fact may contribute to supply chain volatility by having their ships arrive and depart outside their scheduled windows. In contrast, at some U.S. ports, the marine container terminals are proprietary and the shipping lines control a major portion of the customer experience.

Marine container terminals at PMV are relatively logistically complex compared to some other North American port operations due to the large share of container volume handled by on-dock rail, local drayage requirements and off-dock storage of empty containers. The implications of such operational complexity may

have inadvertently been overlooked when the ownership of container terminals last changed hands. Operators such as TSI (whose present owners purchased assets near the peak of the market) may now be under extreme cost pressure to achieve the financial returns expected by their owners. The commercial market is now very different from the pre-recession-boom period. Since the recession, many ocean carriers have been losing money and using all tactics to reduce their costs. Higher wharfage payments by shipping lines and increases in fixed rent paid by the terminal operator to the port authority are expenses not easily passed on to shippers. Consequently, marine container terminal operators are highly reluctant to absorb additional operating costs from servicing drayage truck drivers. In addition, there are no financial incentives for terminal operators to maintain service levels for trucks. In contrast, in Port Botany, Australia, a system of mandatory performance standards for truckers and terminal operators, supported by financial penalties, has reduced turn times (including queuing) to 30 minutes or less.

Mercator International analysis reveals that of the 12 weekly services operating from Asia to the Puget Sound and B.C., 33 per cent use ships with capacities greater than 7,000 TEUs and provide about 45 per cent of the capacity in the trade. The use of larger container vessels concentrates cargo-handling activity within a shorter time period and can result in terminal congestion. The last agreement with the International Longshore and Warehouse Union (ILWU) in British Columbia opted for long-term labour certainty rather than increased port productivity. Lack of flexibility in the collective agreement with the (ILWU) only adds to the challenge of providing acceptable levels of service in a cost-effective way. As a result, PMV container

terminals, like their North American counterparts, typically operate their truck gates for a single shift, usually around eight hours. North American terminals are reluctant to offer extended gate hours because rigid shift structures and overtime premiums in current long-shore collective agreements make it expensive to add an additional shift. Terminal operators at the Ports of Los Angeles and Long Beach created an organization called PierPass in 2005 which finances the cost of a second shift through fees paid by shippers on day-time moves. Truckers are now calling on the Southern California terminal operators to further extend operations to 24 hours to alleviate long turn times.

Most important factors in settling the PMV strike

Two factors were most important for settling the trucking strike. Both items deal with the knock-on impacts of container terminal inefficiency and not the root causes.

Increasing the minimum remuneration rates for container truck movements, to, from and within Port Metro Vancouver, by 12 per cent as well as doubling the current fuel surcharge.

Strengthening the scope of the audit function and increasing the severity of the penalties for non-compliance with regulated rates of remuneration.

Since trucking operations are surprisingly complex it will take significant leadership and time for industry to define exactly what the 15-point plan will mean in practical operational terms. Other aspects of the 15-point *Joint Action Plan*, including the restructuring of the PMV truck licensing system, the implementation of an extended-gate-hours pilot project at container terminals and the enhanced common reservation system, might well determine if the root problems of container drayage logistic performance are being adequately addressed.

Signs to watch that the 15-point Joint Action Plan is working

Sensitivity to both the approach and substance of the discussions is required at this time. Louise Yako, president and CEO of the British Columbia Trucking Association, advised that, because many of the issues related to the 15-point plan are currently being clarified and discussed, she preferred to speak about the issues once things have settled. Discussions with other

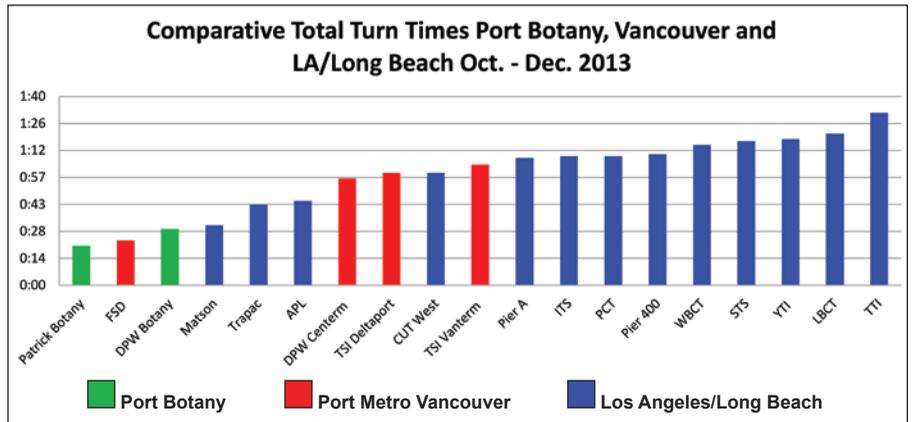


Figure 1: Comparative total turn times.

industry participants revealed a variety of perspectives on the 15-point plan. Some shippers, trucking companies and terminal operators have lingering concerns.

With average container drayage trip rates increasing to about \$147 from the previous level of \$131 (and the prospect of increased fuel surcharges) it is not hard to see why shippers may feel they are the ones being required to pay to fix the problems.

Pro West Trucking Ltd. and a group of 32 other trucking firms commenced legal action against PMV by filing a notice of civil claim in Vancouver Supreme Court on April 25, 2014. Based on a constitutional challenge, the claim asserts that the port and federal government do not have

jurisdiction to set the container remuneration rates to the extent that they require provincially regulated trucking companies involved in the local container trucking industry to pay minimum load (or haulage) rates.

Interestingly enough, on April 28, 2014, container terminal operators TSI and DP World applied for a judicial review in Federal Court. The outcome of this review will be watched closely since it will consider administrative law principles in regard to decisions arising from the 15-point plan. Yet, the Supreme Court has ruled that marine terminal operations are the subject of Canadian maritime law and are subject to federal legislation but it



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CARGO LOGISTICS

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is unclear if this broader issue of federal jurisdiction will be considered.

Peter Xotta, Vice President, Planning and Operations, Port Metro Vancouver, emphasizes that they are one of the most transparent ports in North America with respect to the issue of marine container terminal drayage sector performance and supply chain fluidity as a result of the Smart Fleet action plan and GPS program. Xotta acknowledged the need for container terminal operators to extend their gate hours.

On April 2, 2014, Harbour Link Services announced their new Richmond Container Terminal (RCT). Payne commented: "The reason for opening RCT is to provide a solution-driven alternative to the container sector." RCT removes the limitations imposed on supply chains caused by changes in estimated vessel arrivals and/or departures for the assembly of export cargo; the problems associated with securing matching reservations for import and export containers to fit with customer supply-chain need; and removes the problems created by the limited gate hours at the Port for land-side operations. Initially, the transfer of containers between the PMV's container terminals and RCT will be performed using trucks. However,

the operating plan is to establish a barge service to perform the container relay supplemented by trucks for special situations such as the transfer of reefer and time-sensitive cargoes.

Conclusions

It remains to be seen if the content in the 15-point Joint Action Plan will be sufficient to provide a long-lasting solution to the root problems experienced by the drayage sector in Vancouver, much less serve as a template for other North American ports.

The above analysis raises important questions. The first issue is whether PMV's structural rigidity in container terminal operations will come at a cost of the Pacific Gateway's long-term competitiveness. If so, then the ILWU and members of the British Columbia Maritime Employers Association may face a more intense round of bargaining on issues related to labour flexibility and productivity for the next collective agreement as shippers place more accountability on supply-chain performance in their direction rather than on the backs of port truckers.

The actions of those impacted, or directly involved in the port trucking strike,

also highlights the issue of whether shippers, 3PLs, transload facilities, trucking companies and the drayage drivers are also willing to be part of a solution that will lead to improved supply-chain performance for the Vancouver gateway. Perhaps the business case for change is too weak and the periodic disruption of drayage service is something we should continue to expect.

The issues outlined in this article suggest that the various parties will need to balance both their short-term commercial interests with customer expectations. PMV's Xotta, stated: "The current emphasis on increased accountability could be a catalyst for everyone to improve performance provided there is a will to move forward in an equitable fashion." *BC Shipping News* readers will know that change management will be a difficult task. With leadership at all levels, the root causes of the current problems can be addressed for the benefit of everyone.



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