

Major Changes in PierPass Pricing Structure

Transportation Costs to Rise at Socal Port Complex

November 29, 2018

2018 will be a year to remember for stakeholders in Southern California's Good Movement Industry, a Charles Dickens novel for sure, "The Best of Times", "The Worst of Times". Yes, we will set another record in 2018 for inbound loaded containers; estimated record net absorption for industrial real estate, record pricing for industrial sellers, record lease rates for landlords, all good news right? Well, what if you're a shipper, not such great news as costs continue to rise and they just got hit with a 100% pass thru from the Federal Maritime Commission (FMC). The FMC has cleared PierPass 2.0, resetting the OffPeak program for extended gate hours at the Ports of Los Angeles and Long Beach effective Monday November 19th.

PierPass 2.0 replaces the original OffPeak pricing model. The current Traffic Mitigation Fee (TMF) of \$72.09 per TEU will be reduced to \$31.52 per TEU or \$63.04 for all other sizes of containers. The TMF will be charged during all shifts.

PierPass was originally set up in 2005 to relieve peak hour congestion within the ports and surrounding freeways. The TMF fee was waived if shippers and carriers arranged for cargo to move after 6:00 PM.

Major retailers fought the new 2018 initiative as they would be hit with a significant financial burden. One client estimated an additional \$5,000,000 hit to their bottom line with the new program.

What's the rationale for PierPass 2.0? The new charges are in response to requests from port users who seek increased flexibility and a resolution in the bunching up of trucks that occur before the off peak night gates open.

It's been a tough year for shippers who occupy warehouses specifically in Southern California. Shippers have dealt with double digit rent growth, driver shortages, increased carrier rates for over the road transportation, spikes in intermodal contract and spot rates to the Midwest, increasing bunker fuel, rising Trans-Pacific Ocean carrier rates, a near term 25% increase in tariffed goods, ELD legislation, supply chain distribution with east coast hurricanes and now the new challenge on the west coast. With PierPass 2.0 we will now see an automatic charge of \$31 to \$63 per TEU/FEU respectively on all inbound containers coming out of the Southern California port complex. The issue, how much more can the retailer pass-thru to the consumer? Time will tell.

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