OffPeak Frequently Asked Questions

About OffPeak and PierPass

Why was the OffPeak program created?

- Community and elected leaders demanded that the terminals in the ports begin operating night shifts for container pick-ups and drop-offs.
- Elected officials were prepared to impose a solution that included a container fee on daytime port use collected by the state and the use of which would be decided in Sacramento.
- The goods movement industry came together and proposed an industry-driven solution that provided a financial incentive to move cargo outside of peak hours and a funding mechanism for new shifts on weeknights and Saturdays.
- This solution became the OffPeak program, launched on July 23, 2005, and run by PierPass Inc.

What is PierPass and what is OffPeak?

- PierPass is a not-for-profit company created by marine terminal operators (MTOs) at the Ports of Los Angeles and Long Beach in 2005 to address multi-terminal issues such as congestion, air quality and security.
- The OffPeak program was launched by PierPass in July 2005 with the support of state and local elected officials, local communities and cargo owners to reduce congestion in and around the Ports of Los Angeles and Long Beach.
- Under the OffPeak program, all international container terminals in the two ports established additional shifts to deliver and receive containers.
- As an incentive to use the OffPeak shifts and to cover the added cost of the shifts, a Traffic Mitigation Fee is required for most cargo movement during peak hours (Monday through Friday, 3 a.m. to 6 p.m.).
- PierPass operates under the West Coast Marine Terminal Operator Agreement (WCMT OA), which is filed with the Federal Maritime Commission and comprises the 13 international MTOs serving the Ports of Los Angeles and Long Beach. Marine Terminal Operator Schedule No. 1 is available here.
Impact of OffPeak

How does OffPeak help move cargo more efficiently?

- On an average OffPeak weeknight, 17,000 trucks visit the marine container terminals at the Port of Los Angeles and Port of Long Beach. If all of these trucks were lined up bumper-to-bumper, they would form a line 170 miles long, half the distance from Los Angeles to San Jose.
- Without the OffPeak program, this cargo would be crammed into a single day shift, more than doubling daytime volumes and causing major congestion.
- Since the program began in 2005, PierPass OffPeak gates have grown to handle roughly half of daily truck-borne container traffic at the port complex.

How much traffic does the OffPeak program shift out of peak daytime hours?

- Since the program began in 2005, OffPeak has greatly eased congestion on city streets and nearby freeways, and reduced emissions from trucks idling outside of terminals and in traffic.
- More than 35 million truck trips have been diverted out of peak daytime hours since the start of the program.

How does the OffPeak program help improve air quality around the ports?

- Taking a truck out of gridlocked traffic and allowing it to travel at higher speeds by driving at night reduces air pollution.
- According to the air quality model used by the California Air Resources Board (ARB) to project the state’s emission inventory:
  - A truck that travels 10 miles at 5 mph produces 5x more pollution than the same truck traveling those same 10 miles at 55 mph.
  - A truck that idles for an hour produces as much pollution as a truck that travels 23.8 miles at 55 mph.
  - A truck produces about a quarter pound of pollution every hour it idles. Thus, every hour that a truck does not sit in a line idling reduces pollution by that amount.

Source: California Air Resources Board, EMFAC2011. EMFAC2011 is the emission factor model approved by the United States Environmental Protection Agency (EPA) for use in estimating emissions for on-road vehicles in California. It was used by ARB to project the official estimate of the amount of pollution put into the state’s air by all sources during a given time period (the emission inventory). EMFAC was also used by the Port of Los Angeles to estimate its emissions inventory.
The Traffic Mitigation Fee (TMF) and Financial Issues

Why is the Traffic Mitigation Fee (TMF) Charged?

- The TMF helps pay for the night and Saturday marine terminal shifts created by the PierPass OffPeak program to relieve daytime congestion in and around the ports.
- It also provides a financial incentive to move cargo during less-congested times.
- The TMF is charged for non-exempt containers moving during peak hours (Monday through Friday, 3 a.m. to 6 p.m.).

How much is the Traffic Mitigation Fee (TMF)?

- As of August 8, 2016, the TMF is $70.49 per twenty-foot container or $140.98 per forty-foot container.

Is PierPass Inc. making money from the TMF?

- PierPass, a not-for-profit-company, does not make money from the TMF.
- All fees collected, minus the administrative and overhead costs incurred by PierPass to implement and manage the program, are allocated to the terminal operators to finance the labor and operational costs of the additional OffPeak program shifts.
- An analysis by KPMG LLP released in March 2017 validated the methodology PierPass Inc. uses to calculate the cost of operating the OffPeak program.
- The report, “Analysis of PierPass’ OffPeak program cost calculation,” is available on the Financials page of PierPass.org, along with extensive additional financial information.

Are the marine terminal operators (MTOs) making money from the TMF?

- No, the terminals have operated the OffPeak gates at a loss since the program’s inception in 2005.
- Each year since 2005, the MTOs at the ports have made up the shortfall in TMF revenue to ensure that the traffic mitigation and air quality benefits of the OffPeak program continue to be realized.
- The revenue from the TMF is not covering the added costs of operating a second shift. This has been determined through a quarterly review of terminal costs by an independent third party analyst.
- The TMF has never fully paid for the OffPeak Program. When the terminals nearly doubled the number of gate hours per week with OffPeak in 2005, container volume was expected to grow rapidly to fill the new second shift. However, by 2016 volume was less than 10 percent higher than it was in 2005 (15.6 million TEUs in 2016 vs. 14.2 million TEUs in 2005).
• In other words, in 2016 terminal operators ran nearly twice the number of shifts to move a slightly higher volume of cargo than they did in 2005.

• As a result, the terminals have never recovered the full costs of the night gate operations. The shortfall between TMF revenue and estimated OffPeak gate costs was $42.0 million in 2016 and $67.3 million in 2015. The terminal operators have paid the balance every year since 2005.

**What is the per TEU cost to run the OffPeak program?**

• In 2016, the estimated cost of OffPeak gates was $83 per TEU compared to the TMF fee of $70.49 per TEU.

**What are PierPass’s administrative expenses?**

• PierPass operating expenses were $10.6 million in 2016 and $9.9 million in 2015.

• Major categories of operating expenses include computer software, bank transaction processing fees, and administrative support.

• The OffPeak program’s computer systems and software are used to collect the TMF payments and manage the notification of TMF payment status to the terminal operators.

• The excess of revenues over expenses are distributed by management to marine terminal operator members as cash flow permits.

**How are net proceeds from the TMF distributed among terminal operators?**

• Net proceeds of the TMF are allocated according to container volume at each terminal.

**Is the TMF a subsidy for inefficient operations at the terminals? If the terminals are being reimbursed for their costs of running the night shifts, isn’t that an incentive for the terminals to let their costs keep rising?**

• Not at all. Net proceeds of the TMF are allocated according to container volume at each terminal, not according to their individual costs. The more efficient the terminals are, the more likely they are to avoid operating their night gates in the red.

**Why not just let market demand drive the supply of night shift operations?**

• That was the situation before the OffPeak program began, and it wasn’t working. The large majority of shippers wanted to pick up their cargo during peak hours and built their business models around that. It was only when a general program was established by all the terminal operators – with a fee component as an incentive – that many shippers were motivated to move their cargo deliveries to off-peak hours.

• Community and political leaders demanded that the terminals operate a full-service second shift, and that all terminals be open for the full second shift.