



Customer Advisory
March 17, 2006

Dear OffPeak Users:

Today we are announcing an adjustment to the current Traffic Mitigation Fee (TMF) assessed on container traffic using marine terminal day gates under the OffPeak program. This adjustment, which will go into **effect April 3, comes after the first regular review of program costs since OffPeak was launched in July of last year. The new TMF rate will be \$50.00 per TEU (twenty-foot equivalent unit), up from the original \$40.00 per TEU rate.** Those fees collected are used to finance the labor, operational and administrative costs of the very successful OffPeak night gate and Saturday gate operations at the Ports of Los Angeles and Long Beach.

From the kick-off of the OffPeak program, we have said PierPASS will regularly review the program costs and adjust the TMF as needed. As planned, PierPASS conducted its first audit of the OffPeak program, working with the independent industrial engineering firm the JWD Group. The initial \$40.00 per TEU rate was based on a 2004 market analysis and in-depth consultation with marine terminal management. It was the best estimate possible in the existing business and trade environment. However, as the review demonstrated, the realities of current labor costs, coupled with our increased understanding of the actual operations of the OffPeak program, establish that an adjusted fee is necessary to run a balanced operation.

It is equally significant to remember that our best estimate at the outset of OffPeak was that we would divert 15 to 20 percent of our daytime movements to nights and weekends by the end of the first year. Yet, during the first six months, between 30 and 35 percent of all gate activity went to OffPeak operations.

In the end, the fee adjustment is both a testament to the achievement of OffPeak to move container traffic in a new way and a challenge to marine terminals to improve operational efficiency and make every dollar count. We all have something at stake in this program's success. And I'm happy to say it is



**PierPASS Customer Service
Numbers**

1-877-863-3310 (from
inside the United
States)

1-973-355-3575 (from
outside the United
States)

working.

Additional information on the TMF adjustment may be found in the Q&A below and in the document "TMF Adjustment Overview" available on the PierPASS website, <http://www.pierpass.org>.

Thank you for your continuing support and cooperation. PierPASS is a success because of your good work.

Sincerely,

Bruce Wargo
President and CEO
PierPASS, Inc.

Traffic Mitigation Fee Adjustment - Questions & Answers

- What is the Traffic Mitigation Fee?

The Traffic Mitigation Fee (TMF) is a financial assessment administered through PierPASS Inc., a not-for-profit company, on loaded non-intermodal cargo containers entering or exiting the marine terminal gates at the Port of Los Angeles and the Port of Long Beach during the designated peak hours of 3:00 a.m. to 6:00 p.m., Monday through Friday.

- What is the Traffic Mitigation Fee used for?

Proceeds from the TMF (minus overhead costs of running the program) are allocated by PierPASS to finance the labor and operational costs of the OffPeak program gates, weeknights Monday through Thursday and Saturday at both the Port of Los Angeles and the Port of Long Beach.

OffPeak is an after-hours cargo shipping program administered by PierPASS that provides a financial incentive for cargo owners to move cargo at night and on weekends. The program was initiated to reduce truck traffic, alleviate port congestion and cut pollution from idling trucks during peak daytime traffic hours.

- Who pays the Traffic Mitigation Fee?

The TMF is paid for by beneficial cargo owners (shippers, consignees or their agents). The fee is not assessed against containers subject to the Alameda Corridor Transportation Authority (ACTA) fees, empty containers and chassis, domestic containers or trans-shipments. Trucking companies and water carriers are not responsible for TMF payments.

- How much is the Traffic Mitigation Fee?

As of April 3, 2006, the TMF will be set at \$50.00 per TEU

(twenty-foot unit equivalent). At the initiation of the OffPeak program, the TMF rate was set at \$40.00 per TEU. However, as a result of financial information gathered through the program's first audit, the fee required an adjustment to meet the costs of continuing the after-hours traffic program.

- Why is the TMF being increased?

Based on findings reported in an audit of the OffPeak program's operation by the JWD Group, an independent industrial engineering group, the actual TMF needed to fund the OffPeak program is higher than the originally established cost of \$40.00 per TEU. The current adjustment to \$50.00 per TEU reflects a reality in which PierPASS is moving to better cover the costs of the program while simultaneously supporting an increase in efficiency in the terminal operations.

- Is PierPASS going to make a profit from this new fee structure?

No. PierPASS is a not-for-profit company. The mission of the PierPASS is to administer a financially balanced and fully sustainable program. The upgrade in the TMF will allow this goal to be achieved.

- Was this fee increase planned?

The plan has always been to adjust the TMF up or down as needed to cover the cost of the program and ensure its operational success. An independent review was planned to assess the financial situation of the program after the first quarter of operation. This review showed that an adjustment of the TMF was needed to keep OffPeak viable and successful. PierPASS will continue to review the financial structure of the program on a regular basis.

- Has the OffPeak program been successful so far?

Yes. OffPeak has wildly exceeded expectations and promises to continue benefiting the import-export industry in Southern California, making growth more efficient and more manageable. Within the first six months of operation, night gate and weekend gate use for the two marine terminals skyrocketed to between 30 percent and 35 percent of all marine terminal gate activity. By way of comparison, our initial target was a shift of only 15 to 20 percent in the first year.

On December 10, PierPASS reached its million-truck milestone. In less than five months, one million trucks hauling shipping containers into or out of the marine terminals at Los Angeles and Long Beach had been removed from daytime traffic, reducing traffic congestion and alleviating port congestion.