

[ISSUES contributing to port congestion]

1) Chassis shortage/imbalance --> in my opinion, the chassis shortage imbalance continues to have the most significant impact to port congestion ... since the Ocean Carriers operationally exited the chassis business, there has been a lot of finger pointing between the Ocean Carriers and Chassis Leasing Companies (aka IEP-Intermodal Equipment Providers) ... finger pointing on items like:

a) Chassis allocations – the IEPs claim the Ocean Carriers are operating at levels that far exceed the required chassis volumes outlined in their agreements ... the Ocean Carriers claim the IEPs do not have enough chassis to support the current business/market ... the IEPs claim the Ocean Carriers use of additional marine terminal locations is causing an artificial imbalance of chassis and the creation of a 'chassis chase' which is required to support vessel operations at the additional/incremental marine terminals ... the IEPs claim the 'average' dwell time on a chassis in the LA-LB port complex is nearly 2+ days longer than information provided by the Ocean Carriers

b) Chassis reposition – the IEPs feel the cost of chassis repositioning should be the burden of the Ocean Carrier and/or Drayage Provider ... the IEPs only feel they have a responsibility to reposition when it is below an Ocean Carrier's marine terminal commitment ... in many cases, Drayage Companies are directly contacting the IEPs for chassis release at locations other than the location of the loaded container that needs to be picked up ... besides not being paid (or reimbursed) for this cost/service by the IEP, it causes a significant impact to Driver HOS-Hours of service, as well as, the balancing of empty container-chassis terminations (example: if there are no chassis on terminal for a loaded container pick up at an appointment terminal and the Driver does not have enough time to return the empty container-chassis set up prior to picking up the needed chassis and continuing to the appointment terminal where the loaded container is domiciled, the empty container-chassis set-up is left in a secure off dock container yard and returned at a later date – thus, possibly incurring accessorial/per diem charges)

c) Chassis repair/M&R and 'Bad-order' chassis – there are 1000s of bad-order chassis stacked at the various marine terminals in the LA-LB port complex ... IEPs do not want to incur the cost (ie: ILWU labor wage versus general mechanic labor wage) and risk (IEPs do not have oversight over repair/M&R performed by the ILWU – thus, creating exposure to risk if a repair/M&R is not completed properly) of using ILWU labor to repair bad-order chassis on marine terminals ... prior to IEPs taking over the servicing of chassis (versus the supply of chassis), Ocean Carriers were mandated to use ILWU labor for all chassis repair/M&R ... for the

bad-order chassis that are located in off dock yards, the IEPs claim there is not enough qualified mechanics to keep up with the necessary repair/M&R and required routine inspections

d) Miscellaneous chassis items contributing to the overall chassis issue at the LA-LB port complex –

i) Ocean Carriers are having to dray more inland intermodal cargo (ie: Chicago, Memphis, etc.) to the local rail ramps because of a shortage of rail cars and/or the lack of marine terminal space to operate/build on-terminal unit rail trains ... this is absorbing chassis asset and creating an imbalance because chassis are moving on a 1-way basis to the near-dock rail ramp

ii) MTOs determining not to accept dual-transactions (ie: return of an empty container-chassis set up and the pick-up of a loaded import container) in the middle of a work shift ... the MTOs do this to limit marine terminal congestion, but it causes empty container-chassis set ups to remain off-dock until a later date because picking up a load is more important than terminating an empty in this environment

2) Appointment flexibility --> the MTO-Marine Terminal Operators continue to use appointment systems in an attempt to meter truck traffic at the terminals ... MTOs routinely review appointment data and determine whether or not to open an area of the terminal during a specific work shift (example: if there are limited appointments in a certain trans-container stack row, the MTO will not order ILWU labor and operate cranes in that area of the yard if the 'cost-benefit' analysis is not in its favor) ... MTOs also have been known to limit the number of appointments during select higher ILWU labor work shifts (ie: ILWU labor costs are 1.0 times during 1st-shift Mon thru Fri work shifts and 1.33 times during 2nd-shift Mon thru Fri and Sat work shifts) ... there are several MTOs with somewhat flexible appointment systems (ie: 15-30 minute grace periods on either side of the appointment window), but several appointment systems are inflexible (ie: zero tolerance, check to make sure the container is actually on a chassis before coming or we won't deliver the container from the ground, etc.) ... it is important to note that the drayage community will always struggle with appointment systems (even in an efficient working environment) because only the 1st appointment is based on fact – all subsequent appointments for the same Driver are based on calculated guesses

3) On-terminal congestion & Longer/delayed container 'Flip-lines' -->

a) Terminal Congestion – marine terminals are increasingly overcrowded and MTOs are having to deal with less-and-less acreage each week due to the lack of productivity and the increased time it takes to turnover a container ... this has resulted in MTOs working vessels with less cranes than normal in an effort to help balance the IN containers with those that the drayage community is able to get OUT of the terminal ... MTOs have begun stacking/storing loaded containers in on-terminal locations that cannot be serviced by the trans-container row cranes (aka RTG cranes) ... there have been instances where a loaded container has discharged a vessel and not been in a deliverable location for over 10 days

b) Flip-lines – since there is limited chassis availability, many Drivers decide to wait in the on-terminal flip line to insure they have a chassis for their next container movement (especially if their next container movement is at a marine terminal that is known to be out of chassis or has the current reputation for being out of chassis ... since the MTO does not have an abundance of acreage at its disposal, it is not easy to add more flip-lines to support the increased need (note: it is also difficult to predict the need for additional flip-line equipment given the inconsistency of when/where a chassis imbalance is going to happen)

4) Driver HOS --> due to a lack of productivity, Drayage companies are routinely running into daily and weekly HOS issues ... there have been several instances where Drivers have reached their maximum 70 hours in 5 days, thus causing the loss of that driver(s) for 1 full work day at the LA-LB port complex ... in addition, the lack of productivity has resulted in Drivers only being able to cover dispatches on 1 work shift – prior to the slowdown that started in JUN2014, Drivers routinely were able to get 1-2 containers on one shift and complete the dispatched work on their main work shift at the LA-LB port complex

5) High percentage of 'non-skilled (casual)' ILWU labor --> less skilled ILWU labor being placed in skilled Ops or Clerk positions only adds strain to an already inefficient system

6) Less Drivers as a result of the Ports of LA-LB 'Clean Truck Program (CTP)' --> the percentages vary depending on who you are talking with, but we feel there is approximately 30% less trucks active on a daily basis in the LA-LB port complex versus that prior to the implementation of the CTP ... this said, the overall volumes are not any larger than the peak previous years and the current compliment of trucks should be able to handle the volumes in an efficient marine terminal environment

[FIXES]

1) Restructure PierPASS --> PierPASS is currently set-up on a penalty basis ... further, it forces the concentration of dispatched loaded container pick-ups into 45% of the available total marine terminal gate hours (ie: 4 shifts are non-penalty out of 9 total shifts the MTOs are mandated to operate today) ... Drayage Companies need access to the full complement of available terminal gate hours ... we feel and it has been recommended that PierPASS should assess the costs as a 'user tax' and apply over all loaded container volumes transiting the LA-LB port complex ... I do not know this to be true, but it has been said the math would equate to a \$20.00 per TEU (\$40.00 per FEU+) charge ... obviously, this is much more manageable than a \$66.50 per TEU (\$133.00 per FEU+) charge to a Cargo Interest

2) Develop a 'common user' chassis pool covering the entire LA-LB port complex --> today, MTOs do not have the space on terminal to allow all of the various chassis pools (ie: WCCP, DCLI, LABP, GACP, Evergreen, G6, etc.) to have their own 'chassis pit/location' ... this causes clear and distinct rules on chassis (or the Drayage Company will be charged a mis-usage fee) regardless of the fact that the Ocean Carriers and their Vessel Alliance partners are randomly

chasing available marine terminals able to service their next vessel ... with a common user pool, all start-stop locations would be allowed for any chassis type ... it is our understanding that the Big 3 IEPs (ie: Trac, FlexiVan and DCLI) have already structured such a program and it has received sign-off from the DOJ-Department of Justice ... the key now is implementation: which is rumored to be on-hold and will not take place until the ILWU and PMA finalize their current labor agreement (note: because of the jurisdictional issue on chassis M&R that is a hot topic on these labor negotiations)

3) Determine how to 'bridge' the current 2-hour gap between 1st and 2nd shift operations at the marine terminals --> today, there is a clear & distinct 2-hour gap between the end of the 1st shift and the start of the 2nd shift ... this significantly impacts the daily Driver HOS ... it is our understanding that the reason for the distinct break is the result of the current ILWU labor agreement ... it is our hope that the PMA and ILWU address this issue at the current negotiations ... eliminating this gap combined with the other 2 items above will significantly and positively impact the current pinch on Driver HOS

Overall in LA-LB, the math is simple: container TEU volumes at/near/exceeding Y2006 highs and the Ports of LA-LB 'Clean Truck Program' trimming collective drayage capacity by a significant percentage combined with less access to non-fee PierPASS gates (versus Y2006 prior to the PierPASS program), bigger vessel discharges in the same acreage and a chassis dynamic that results in daily chassis shortages/imbances and lost Driver HOS shuttling/shagging chassis between allowed yards-terminals makes it difficult to forecast day-to-day production (let alone adjust on the fly to accommodate unforeseen issues).

Whether it be, inflexible appointment systems, excessive queuing outside marine terminal entry/exit pedestals, limited marine terminal acreage and resulting closed areas, chassis availability-shortage-imbalance, peak/off-peak 'penalty' type programs, the fact remains that drayage companies are not getting the same productivity from the Ocean Carrier-Marine Terminal Operator partnerships that existed in the 'old world' ... it appears the present circumstances may best represent the 'new world' – and, it is this uncertainty/inconsistency that is a major concern.

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