

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

**Item No.** 5A.2  
**Date of Meeting** June 4, 2019

**DATE:** May 28, 2019

**TO:** Managing Members

**FROM:** John Wolfe, CEO

**Sponsor:** Don Esterbrook, Deputy CEO

**Project Manager:** Dustin Stoker, COO

**SUBJECT:** Gate Efficiency Program

**A. ACTION REQUESTED**

1. Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization to fund the Gate Efficiency Program to expand gate hours at the NWSA's international container terminals in an amount not to exceed \$2,000,000.
2. Request Managing Members authorization for the Chief Executive Officer or their delegate to enter into the Gate Efficiency Program (Program) with the International Marine Terminal Operators in the North and South Harbors.

**B. SYNOPSIS**

The international marine terminals across the gateway are experiencing periodic backups at the truck gates. These backups cause congestion on the surface streets in and around the Puget Sound Port complex. Volumes are forecast to grow with the recent additional vessel calls, rotation realignment in the gateway and the impending peak shipping season (starting in July and running through December). The anticipated shift and increase in volume will put further strain on the gate infrastructure and service delivery levels to the trucking and beneficial cargo owner (BCO) communities

The Program will run from July 1<sup>st</sup>, 2019 – December 31<sup>st</sup>, 2020. Program funds will be used to reimburse Marine Terminal Operators (MTOs) for a portion of actual costs incurred to operate off-hour gates. Three (3) reimbursement levels will be available to the MTOs based on the number of off-hour gates offered per week.

**Tier 1:** MTOs will be required to run three (3) off-hour gates per week during the peak shipping season in 2019 and 2020 (July – December) and two (2) off-hour gate per week during the non-peak shipping season (January 2020 – June 2020). Under Tier 1 the NWSA will reimburse each MTO up to a maximum of \$600,000 for actual cost incurred to run additional gates.

**Tier 2:** MTOs will be required to run three (3) off-hour gates per week during the peak shipping season in 2019 and 2020 (July – December). Under Tier 2 the NWSA will reimburse each MTO up to a maximum of \$300,000 for actual cost incurred to run additional gates.

**Tier 3:** MTOs will be required to run two (2) off-hour gates per week during the peak shipping season in 2019 and 2020 (July – December). Under Tier 3 the NWSA will reimburse each MTO up to a maximum of \$200,000 for actual cost incurred to run additional gates.

Based on verbal commitments from the MTOs the following table outlines the anticipated level of participation.

| <b>Marine Terminal</b>      | <b>Tier Commitment</b> | <b>Funding</b>     |
|-----------------------------|------------------------|--------------------|
| Terminal 18 – SSA           | Tier 1                 | \$600,000          |
| Terminal 30 – SSA           | -                      | -                  |
| Husky/ITS                   | Tier 2                 | \$300,000          |
| Washington United Terminals | Tier 3                 | \$200,000          |
| Everport                    | Tier 2                 | \$300,000          |
| Tacoma Container Terminal   | -                      | -                  |
|                             | <b>Total</b>           | <b>\$1,400,000</b> |

**C. PROGRAM DESCRIPTION AND DETAILS**

The NWSA will fund a Gate Efficiency Program at the International Container Terminals in the North and South Harbor. The Program’s purpose is to improve cargo service at the NWSA international terminal truck gates.

***Program Objectives***

Goal 1.B of the NWSA’s strategic business plan is to enhance the competitive position of the NWSA through improving efficiency and cost competitiveness of the supply chain. By expanding gate service hours, the following benefits will be achieved:

- Provide improved flexibility through additional service hours to the supply chain

- Improve performance of gateway operations (reduced truck wait times) → enhance gateway competitiveness
- Improved service leads to a reduction in truck idling, fuel consumption and associated emissions
- Reduce congestion in and around the port complex thus;
  - improve safety
  - reduce NWSA and other agency costs associated with congestion management
- Improve service and economics to the drayage driver and BCOs
  - Minimize congestion surcharges to BCOs
- Increase cargo volumes and related jobs by positively influence BCO's future cargo routing decisions
- Diminish overnight truck parking in local neighborhoods and along highways

### ***Program Scope***

The Program funds will be utilized to reimburse MTOs for a portion of actual cost incurred to provide extended service hours to the drayage community.

The program details are as follows:

- Tier 1 Participant:
  - MTO must operate at least three (3) off-hour gates per week during the 2019 and 2020 peak season and two (2) off-hour gate per week during the non-peak seasons.
  - NWSA will reimburse each MTO up to a maximum of \$600,000 for actual cost incurred to run off-hour gates
- Tier 2 Participant:
  - MTO must operate at least three (3) off-hour gates per week during the 2019 and 2020 peak seasons.
  - NWSA will reimburse each MTO up to a maximum of \$300,000 for actual cost incurred to run off-hour gates
- Tier 3 Participant:
  - MTO must operate at least two (2) off-hour gates per week during the 2019 and 2020 peak seasons.
  - NWSA will reimburse each MTO up to a maximum of \$200,000 for actual cost incurred to run off-hour gates.

- Peak Season is defined as July – December and non-peak season is January – June.
- Off-hour gates are defined as second shift (1800 – 0300) and third shift (0300-0800) Monday – Friday or any shift on Saturday or Sunday as outlined in the Pacific Coast Longshore Contract Document (“PCLCD”)
- If the MTO ceases offering off-hour gates during the Program Term, the MTO shall be required to reimburse the NWSA for all funds paid pursuant to the program.
- Reimbursement is expressly contingent on the NWSA receiving documentation that the targeted activities occurred.
- The NWSA reserves the right to cancel, modify or extend the Program at any time.

**Schedule**

|                           |                                  |
|---------------------------|----------------------------------|
| MM Authorization          | June 4, 2019                     |
| MTO Agreements            | June 30, 2019                    |
| Proposed Program Duration | July 1, 2019 – December 31, 2020 |
| Program Evaluation        | Weekly During Program            |
| Program Closeout          | January 31, 2021                 |

**D. FINANCIAL IMPLICATIONS**

**Source of Funds**

Program funds will be generated through normal NWSA operations. Staff has identified over \$2 million in budgeted spending for other projects that will not occur in 2019. The forecasted operating income for 2019, including this program, is anticipated to meet or exceed the budgeted operating income. Although this program will operate for 18 months, it is expected that the funds will be expended in 2019 during the first few months of the program.

**E. ENVIRONMENTAL IMPACTS / REVIEW**

Permitting: Not Applicable

Remediation: Not Applicable

Stormwater: Not Applicable

Air Quality: Reduction of fuel consumption and associated emissions due to reduced drayage truck idling

**F. ATTACHMENTS TO THIS REQUEST**

- Power point presentation.
- Appendix A: Gate Efficiency Program Agreement
- Appendix B: Extended Hours Payroll Tracking Template