CILTNA (18 September 2013)

Good morning everyone and thank you for inviting me to present my views about the port interface and my perspective of where I believe the port is going.

I have advocated for this Port for over 50 years and still bear the scars from leading the battle to rid the Port from the shackles of the container clause, which, until 1987, was a barrier to the development of the port's container business.

My efforts resulted in huge retaliatory action by the ILWU and cost me my job.

The good thing is - the removal of the container clause opened the Vancouver Gateway to be a successful competitor within the geographic region of the Gateway's container market.

My association with the Port of Vancouver commenced in the late fifties when I was a seafarer and continued as an immigrant in 1962 when I started on the waterfront as a water-boy.

Through the years I rose through the ranks and along the way garnered knowledge and experience at all levels and in all aspects of port activities, especially the container sector. So I feel that what I have to say today is supported by a solid background and a broad understanding of all aspects of the port's container interface and its supply chain.

I will start by stating that the Port – in my opinion - is well managed and is rated highly by container shipping lines to be an efficient and reliable world class gateway - albeit - it continues to be by far the highest cost port in the PNW for container shipping lines to call.

This is something that Vancouver must be very mindful of, and why PMV and its stakeholders must strive to maximize the utilization of existing facilities and to continue to improve operational efficiency.

I would like to speak more about this and the positive things being done by PMV to improve the port interface - but my task today is to discuss the port interface from a truck carrier's perspective, which I will now do.

I'm often teased by my contemporaries for leaving the port sector to enter the container drayage business. They allude to its controversial reputation and they think I am nuts to get involved at this late stage of my life.

Well, I have always enjoyed challenges and working towards raising the bar of industry standards for others to want to follow.

As a generalization, yes, there is some validity to my colleague's claims – however – Harbour Link's approach is very different.

By different - I mean - our business model adheres to high ethical business practices and uses leading edge technology developed by the Company to differentiate Harbour Link as a provider of reliable

drayage services modeled for customers that rely on "just-in-time" supply chains.

Our systems integrate the dispatch and back room tasks, such as, wage capture and billing functions with the real time tracking of all trucks, chassis and container's in Harbour Links care using PDA, GPS, Geo-Fencing and bar coding technology.

We also work closely with all members of the supply chain to achieve transportation solutions for customers that depend on the seamless transfer of containers between the Port and their premises, no matter what obstacles may be encountered to achieve same.

For those of you interested in finding out more about Harbour Link and our systems technology, I invite you to contact one of Harbour Link's attendees at this event and/or to visit our web site.

So What Are a Truck Carrier's Expectations of The Port Interface:

They are:

1. To achieve congestion free access and the prompt turnaround of their trucks at the port

2. To achieve two-way container moves at the port whenever possible. i.e.

    a. To use the same truck to move an export or empty container into the terminal, and while at the terminal
    b. To move an import or empty container out of the terminal

3. To secure timely port reservations that match with the requirements of the Customer's supply chain

And how is Vancouver measuring up to these expectations?

In a nutshell: **POORLY**

In the case of my first point, i.e. *To achieve congestion free access and the fast turnaround of trucks at the port.*

Harbour Link is a regular visitor to all container terminals in Vancouver, Seattle and Tacoma. All of the terminals within these ports have been geo fenced by Harbour Link to enable us to monitor and track truck turn times commencing from the time a truck arrives at the terminal through until the time of departure from the terminal.

*   The turn times for trucks that call **Seattle and Tacoma average less than 30 minutes per container**.

*   The turn times for trucks at **Vancouver are presently averaging more than an hour per container**.

So, in the case of a truck that delivers and/or picks up a container at Vancouver, it is taking twice as long

to complete the same transaction compared to Seattle or Tacoma.

Why is this when the port's container terminals are operated by two world class terminal operators - and they each deploy modern operating and management systems that put them at the forefront with global competitors?

Well, the right party to answer this is of course the terminal operators themselves.

Based on my broad knowledge of container terminal operations and my observations - in my opinion - the longer turn times at Vancouver has a lot to do with the challenges being encountered by the terminal operators in being able to adjust their daily operations to the changes in the traffic flows that evolve daily for the transit of containers between ships at berth, the Rail Intermodal Yard (IY) and between trucks to/from the gate.

The only certain container flow **IN THE PIECE** is that for truck traffic as this is controlled by the terminal operator through the use of a reservation system.

This is not the case for ship and rail traffic. These flows depend on ships arriving according to their planned work schedule and rail carriers positioning the rolling stock needed to accommodate the transfer of containers to/from rail, which is not always possible for reasons beyond the control of the shipping lines and the rail carriers respectively.

Despite the exhaustive planning by the terminal operators to prevent conflicting traffic flows - the changing dynamics of daily container activities often results in operational conflicts that prevent the terminal operator's ability to achieve the timely transfer of containers on and off of trucks as intended.

In fact - the changing operational dynamics of ship and rail activities is the driving reason why many high volume container ports have chosen to relocate rail activities to nearby intermodal rail facilities and to establish satellite port facilities.

Simply put, the removal of rail from terminal traffic flows substantially reduces terminal congestion. It also increases operational performance and overall port capacity.

In the case of my second point: That is- *To achieve the two-way movement of containers by truck whenever possible.*

Vancouver's existing reservation system is modeled to enable truck carriers to select from the list of available reservations posted by each terminal - the reservations they need to fit their customers supply chain requirements.

The problem with this reservation methodology - it is extremely difficult for a truck carrier to match available reservations (which are listed separately) for import, export and MT containers to achieve productive two-way truck movements.

Because of the difficulty being encountered by truck carriers to match reservations to achieve two-way truck moves - 80% of the truck traffic that visits the port today completes one way container trips. That ladies and gentlemen creates a lot of additional truck traffic at the port interface.

The vast majority of trucks either bobtail with an empty chassis to the port to pick up an import container - and in the case of trucks that deliver export container's - the truck leaves the port empty to begin their next assignment elsewhere.

So how do you fix this?

I believe the fix will be found by changing the fundamental methodology of the existing reservation system, which I will speak to in a moment.

Onto my third point: That is - *To secure timely reservations to match the requirements of the Customer's supply chain*

I'm not sure there is a simply solution to this one. What I can say is that it presently requires a lot of resources and forward planning by the trucking sector to secure the reservations needed to match the "just in time" supply chain requirements of the Port's customers.

And - notwithstanding the best efforts of all parties and the good cooperation and efforts by the terminal operators to accommodate reservations, it is regularly taking up to 3 working days to obtain reservations to pick-up or deliver containers for the port's most important customer of all, "THE INTERNATIONAL TRADING COMMUNITY" that the Port and most of us in this room depend on for our business.

This is surely something that must be corrected if Vancouver is to retain its good reputation as a world class container gateway.

So let me now address the reservation system.

Reservation systems are rapidly becoming the norm at high volume container terminals that handle large volumes of truck traffic. In fact – having a good reservation system is an essential tool used by modern terminals to manage the flow of truck traffic.

I think it would be fair to say that the reservation system used by most ports has evolved through cooperative open dialogue between the terminal operators and the supply chain service providers to match the unique dynamics of the business operating practices at their gateway.

Whether this process occurred in Vancouver I do not know. I can state, during the past 4 years of my direct involvement in the drayage sector, there has been growing recognition by all parties that Vancouver's reservation system has serious weaknesses that are impeding the ability of Vancouver to efficiently service truck traffic.

The good thing flowing from this recognition has been the coming together of the container terminal

operators, the BCTA and other stakeholders within the supply chain to work collectively to find solutions to improve the reservation system.

The key objective is to shorten truck turn time and to accommodate the daily market requirements of the port's customers in a timely and expeditious manner.

At this stage it would be fair to say a panacea has not yet been found. The excessive waiting time that is being incurred by trucks to receive service within the reservation time window given by the terminal operators to pick up or to deliver a container is a regular occurrence, which, invariable results in truck carriers being unable to keep subsequent terminal reservations and penalty fees of $25 per missed reservation being levied by terminal operators against truck carriers.

This is a strange outcome, given that the missed reservations by truckers are mostly created by the terminal operator's own failure to perform services within the time window specified by the terminal operator for earlier reservations.

Given the fact that terminal operators do impose a penalty on truckers for missing reservation windows - then surely compensation must be paid to truck carriers when the terminal operator fails to match their service with the reservation time window given by them, which is not presently the case.

I believe I echo the view of all drayage carriers in stating that Quid-Pro-Quo accountability must be incorporated into the reservation system – Truck carriers should rightly pay for missed and unused reservations and terminal operators should rightly pay for truck waiting time that exceeds the reservation time window.

As previously said, now that everyone is working together to resolve the reservation and turn time issues, hopefully the port interface for truck traffic is on its way to reinstating the 35 minute turn times that were previously the norm at this gateway.

On this point - I would like to say - that based on my experience and involvement in helping to develop truck reservation systems at other global ports - the foremost criterion of a workable reservation system is for the system to be managed by the container terminal operator. This is necessary to enable reservations to be allocated in a manner to harmonize traffic flows within the terminal – ship operations – rail operations - and truck/gate operations - with the terminal's daily operating plan to minimize traffic conflicts and to optimize overall operational efficiency.

It also enables the terminal to match reservations for import, export and empty containers to fit the supply chain requirements of the Port's customers and to optimize the two way utilization of trucks at the terminal to reduce traffic volume.

So now that I have presented - in the limited time available – my perspective of where the port interface is at from a truck carrier's perspective - my next task is to present my views as to where I think the port is going.

As most of your know - the success of Vancouver as a container gateway has been built on having a direct interface with Canada's two transcontinental railways (CN & CP).

In my opinion - on dock rail works well when a terminal has a very large foot print and can easily segregate rail from truck areas. It also works well when all containers are handled by rail, such as at the Port of Prince Rupert.

The caveat however is: It only works well when rail carriers have sufficient rolling stock available to seamlessly accommodate the flow of containers between ships at berth on/off of railcars.

On dock rail becomes a huge setback for the terminal when rail carriers are unable to provide sufficient railcars to match container flows.

A railcar shortage rapidly causes the terminal to become congested with rail traffic occupying space urgently required to handle containers for other modes of transport.

It is not unusual at Vancouver to encounter a back log of import containers ranging between 2 – 4 double stack trains occupying space on the terminal which is needed to accommodate other container flows.

On dock rail also increases the volume of MT containers that must be stored at the terminal ex rail for subsequent redelivery out the gate by truck carriers to exporters, trans-loaders and to off dock container depots.

And let's not overlook the fact that on dock rail also requires the terminal to receive export containers from rail well ahead of the preferred earliest receiving date (ERD) of the vessel, thus elongating the dwell period for export containers, which reduces the overall throughput capacity of the terminal.

Conversely, In the case of Off Dock Rail: Foremost it significantly reduces the port dwell time of import and export containers

It also substantially reduces the volume of MT containers needed to be staged at the terminal.

And, as container volume grows:

The need to progressively transform a greater portion of the terminal area into rail infrastructure is negated.

On this point, let us not lose sight of the fact that - as container volumes grow - terminals like Deltaport that are connected by a causeway will ultimately become bottle-necked by the funnel effect of rail and road traffic that links the Port with the geographic region of its growing market.

This is why I believe the use of port nodes provides a solution to minimize port congestion and to add significant additional throughput capacity to existing port facilities.

What I am saying is - the use of off dock rail facilities and port nodes will evolve to become an essential

component of the supply chain and provides a viable solution to accommodate continued growth in the Port's container traffic.

With the forgoing in mind, it is reasonable to foresee the following evolving developments as container volumes continue to grow:

- The CN & CP intermodal yards are both located on the Fraser River.

- To optimize port utilization and the ability to handle significantly larger container volumes, rail containers will probably be shuttled directly between ships at berth and barges moored at an inset barge slip spanned by RMG's.

- Barges will be used to shuttle containers to the CN & CP railheads respectively.

- The barges will return from the railhead with export containers for assembly by the terminal operator within the window of the Earliest Receiving Date of the designated ship.

- Shipping Lines presently store large inventories of MT containers at the port's container terminals. The MT's largely flow from the return of MT's by rail westbound.

  If rail traffic was handled at an off-dock location, most MT containers will remain at the off-dock for pick-up by truck carriers for direct relay to exporters/trans-loaders facilities, freeing up terminal space to increase the throughput capacity of the port and to reduce truck traffic at the port.

  I also believe it is reasonable to foresee:
- The creation of port nodes along the Fraser River and at TFN's planned port industrial zone, and also at places like Ashcroft as future inland hubs to substantially increase the throughput capacity of Vancouver and its container terminals.

Port nodes will enable:

Import Containers to be moved by barge "In Bond" to the nodes as an extension of the port gateway.

The nodes will become distribution and consolidation centers for Import, Export and Empty Containers to greatly increase existing port capacity.

In a nutshell, the use of nodes will reduce port dwell time, reduce the storage of MT containers at the port and prevent terminal backlogs and bottlenecks that are predominantly caused by unforeseen disruptions in the transport supply chain.