

CONTAINERS



The B.C. Container Trucking Commissioner

A single key performance indicator

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The performance of the drayage sector is vital to the cargo fluidity of Canada's dominant container trade served by Port Metro Vancouver (PMV) as the conduit through the Asia-Pacific Gateway. Given this importance, it's not surprising that 2014's disruption in trucking service caused significant concern amongst shippers, businesses and government.

To address the issues, the B.C. Government appointed a B.C. Container Trucking Commissioner in early February 2015 to support better working conditions for container truckers and to ensure efficient and reliable operations at Port Metro Vancouver. The appointment of Andy Smith, who remains President and CEO of the B.C. Maritime Employers Association, has drawn some criticism from trucking industry representatives as a potential conflict of interest however, Smith's record in successfully negotiating two historic eight-year collective agreements

>>>British Columbia Container Trucking Commissioner

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on the West Coast waterfront has established his reputation for fairness while bringing reliability to Canada's Asia-Pacific Gateway.

With no less than two lawsuits launched by the trucking industry (one by Unifor which asks the court to enforce new provincially-imposed minimum rates that were previously promised as well as the removal of Smith from the Commissioner role; and the other by the United Truckers Association addressing the new licensing system and the resulting loss of jobs for hundreds of truckers), Smith remains focussed on the task of ensuring long-term stability for Canada's largest port.

The importance of trucks

Thirty one per cent of laden import containers at PMV's marine container terminals were transferred to truck in 2014. Based on 2009 data, 70 per cent of the containers loaded to truck were destined for import transload facilities where the contents are transferred to larger domestic containers or trucks, and 77 per cent of this traffic is moved to local rail intermodal terminals for shipment to destinations outside of B.C. On the export side, 73 per cent of export containers were loaded in the Lower Mainland by truck and then moved to marine terminals in 2014. To support this container traffic movement, Port Metro Vancouver currently has 97 local trucking companies and 29 long-haul trucking companies licensed to provide drayage service. The drayage industry is composed of a variety of firms that service the needs of major retail importers such as Canadian Tire and Walmart; exporters of grain and forest products; and others who provide a more specialized project cargo-related logistic service.

We're not alone

With a wide variety of client interests, supply chain professionals commonly manage a dashboard of key performance indicators (KPIs) to respond to customer requirements and one would perhaps expect a wide variety of KPIs to monitor the performance of the drayage sector. Yet, British Columbia Container Trucking Commissioner Andy Smith has only a single KPI: no more work stoppages in the Port Metro Vancouver drayage sector.



Recognizing the importance of the drayage industry as a vital component of Canada's supply chain, the B.C. Government has tasked the B.C. Container Trucking Commission with solving long-standing issues.

In contrast, in 2014, the Port of New York and New Jersey Port Performance Task Force established goals for drayage operations: Improve turn times and reduce delays at all waypoints so drayage truck operators can make multiple turns a day; ensure that timely and accurate information is available to facilitate routing decisions; and stage arrivals and provide an adequate work force and fleet to meet demand.

More recent developments in the ports of Los Angeles-Long Beach signalled to the Journal of Commerce that the Southern California marketplace may be moving slowly toward a dual system of drayage in which some drivers are unionized employees while others prefer to remain independent contractors. Eventually, the result could be a sufficient pool of drivers to service the 13 container terminals in the largest U.S. port complex, resulting in service and pricing consistency for shippers that depend on harbour drivers.

The above examples illustrate the fact that Canada's largest port is not alone in exploring new approaches to the drayage sector or facing continuous competitive pressure from beneficial cargo owners. Industry eyes across North America are intensely watching Smith's progress on the drayage file to see if local developments will impact the market share of container traffic. Thus, this article will explore the mandate of the Commissioner and his approach and progress to date.

The Commissioner's mandate

In discussing his mandate, Smith noted that his immediate priorities were to deal with pressure points identified in the March 2014 Joint Action Plan. However, he firmly recognized that there would be no quick fixes in addressing the issues inherent in the sector. To that end, Smith has the task of:

- Assuming responsibility for all Truck Licensing System licences in place following the licence reform undertaken by Port Metro Vancouver;
- establishing, and then consulting with an Industry Advisory Committee on issues relevant to the sector;
- setting any future rates moving forward based on consultations with industry and the Industry Advisory Committee; and
- having oversight of the whistle-blower line, investigations and enhanced auditing and enforcement.

The Commissioner's approach

The fundamental principles Smith used to describe how he approached his role were "consultation, accessibility, and above all else, a willingness to listen." He firmly believes that one of the keys to long-term stability in the sector lies with licencees and their drivers being fully aware of his decision-making process.

One of the ways Smith has been upholding this philosophy has been through site visits to licence holders' facilities. While he has made a significant number of site visits so far, he believes he has a way to go to reach his objective of visiting the premises of all licence holders at least once before this calendar year is over. Stakeholders include both employers and owner operators.

Meeting with industry stakeholders to learn about the business first hand is highly informative for Smith who readily acknowledged his relative unfamiliarity with the nuances of various segments of the drayage industry. The site visits "have helped transform what were previously names on a spreadsheet to tangible operations, each with a unique story and experience behind them." He recognizes that there are a "variety of market segments within the drayage industry. Those operating in the spot market are subject to more intense rate competition. At



B.C.'s Trucking Commissioner, Andy Smith, is tasked with ensuring long-term stability for B.C.'s drayage industry.

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the other end of the spectrum is the specialized and dedicated drayage companies who work directly for the beneficial cargo owner."

Learning from experience, Smith understands that situations are often more complicated than what they may initially appear. Hence, he stressed the need to be trustworthy, direct and personal in his approach to developing solutions.

Progress to date

When asked about progress to date, Smith observed that a number of milestones had been reached. Most importantly, he referred to establishing "a general level of credibility and good will with industry — which is essential to change management."

On a more tangible level, the Industry Advisory Committee, consisting of a cross-section of voices, has been struck. Members' roles are strictly advisory in nature and the input Smith receives is used for guidance.

In May 2015, amendments made to the *Container Trucking Regulation* gave the industry more certainty regarding rates going forward. Smith acknowledged that the time it took to go through the government process to publish the rate was longer than he initially anticipated and the contentious issue of rate retroactivity is still a work in progress (referencing the aforementioned legal action). He advised that a small number of players (carriers and drivers) have signalled that they are in discussions and that others are watching. Smith recognizes that there are a wide variety of views, and considers settlement as the more preferable course of action. With this in mind, he would rather allow more time for a negotiated agreement rather than implementation by edict.

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Smith's small team has also made some technical adjustments to the suite of agreements which make up the licence package and have established general guidelines on the audit process. Thus, he is now placing additional emphasis on dealing with day-to-day operational issues — for example, truck tags which would ensure fluid access.

Since 2005 the federal government required Port Metro Vancouver to introduce a Truck Licensing System. The program required all drayage companies and trucks draying marine containers (both local and long haul) to/from the port to enter into an Access Agreement. The term "tag" refers to the equipment or number of trucks that are registered. The Commissioner now issues the tags, hence, the number of trucks that make up the size of the drayage fleet.

Smith has determined that tag utilization, determined by examining GPS data, is the most accurate and effective gauge for managing the total licensed tag population. He will be assessing business activity as the key determinant of how effectively tags are servicing the marketplace. To this end, the licence amendments will ensure that greater tag fluidity supports economic considerations, both in terms of business necessity and driver earnings.

The Commission is also introducing procedural changes to licences. Smith

has become aware of situations where the actions of both Full Service and Independent Operators are causing tags to become idle, or at the very least, underutilized.

Smith recently called for applications from specialized and/or dedicated drayage companies who were not issued licences in the recent Port Metro Vancouver Truck Licensing System application process. This segment of the market is generally characterized by rate stability and is essential to enhancing the efficiency of the export supply chain. The Commission received a limited number of applicants in keeping with the intent and expectation of this application process.

Conclusions

One year after the last major work stoppage in the drayage sector, some progress has been made to flesh out details of a process to keep cargo flowing efficiently. In fact, PMV data suggests that current drayage truck turn times (an important productivity measure) at Vancouver container terminals are among the best in North America. During the course of 2014, truck turn times were reduced by 20 per cent through industry initiatives, including Port Metro Vancouver's Smart Fleet program.

Yet, discussions with drayage industry stakeholders also point to the important

role that PMV officials and marine container terminal operators play. Learning to adapt to the new rules has meant learning on the fly in many instances as the nuances and needs of the different segments of the drayage sector come more fully to light. In some instances reported to this writer, players involved in either making or applying the new rules cause certain situations to arise that result in additional costs or a reduction in service levels, or take more time to resolve issues than under the previous system. In a statement that perhaps indicates he has received similar feedback, Smith openly pondered the future of the industry. "I wonder whether the drayage industry needs to operate with prescribed regulation over the long term," said Smith. "Perhaps there is a way for the industry to become self-regulating."

While still early days for the office of the Commissioner, the direction and tone Smith has established foreshadows a willingness to openly engage all stakeholders with a common goal of "no more work stoppages in the Port Metro Vancouver drayage sector." Whether this attitude is reciprocated, remains to be seen.

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