



March 21, 2017

Dear Supply Chain Colleagues,

As the San Pedro Bay ports continued to show positive growth in 2016, the container terminal operators responded by providing congestion-free operations. Efficiency tools, such as the OffPeak program, automation, peel-off programs, and appointment systems allowed the terminals to stay ahead of the growth. The enclosed financial analysis of the OffPeak program provides insight to the OffPeak program.

The OffPeak program was launched in 2005 as a private-sector solution to address the congestion and pollution caused by trucks picking up and delivering containers at the Ports of Los Angeles and Long Beach primarily during the dayshift only. By adding the second shift, known as the OffPeak shift, to a fixed schedule, the supply chain was able to spread out their pickup and deliveries. The successful results continue today as approximately half of the daily truck traffic calling at the container terminals does so during the day; the remaining during the OffPeak shift from 6:00 P.M. until 3:00 A.M. and on weekends.

The OffPeak program collects a Traffic Mitigation Fee (TMF) for loaded containers picked up and delivered during the daytime, or Peak, shift. The TMF provides the incentive to use the OffPeak shifts. Although the fees collected do not fully cover the costs of the OffPeak program, they do help towards subsidizing its costs.

Two financial reports for 2016 are attached. The first, from accounting firm Windes, is a summary of the annual independent financial audit of PierPass Inc. The second report from maritime industry consultants SC Analytics reviews the costs incurred by the terminals to operate the OffPeak shifts. The reports show that the PierPass distribution to its members totaled \$182.7 million in 2016 while the costs of the program were \$224.7million.

In addition to these financial reports, detailed financial cost and methodology information is provided on our website at www.pierpass.org. Please do not hesitate to contact us with any questions you may have.

Sincerely,

John Cushing
President & CEO
PierPass Inc.

March 20, 2017

PierPASS, LLC
444 W. Ocean Blvd., Ste 700
Long Beach, CA 90802-4581

To the Members of PierPASS, LLC:

We are submitting this letter in response to your request for a summary of financial highlights for the year ended December 30, 2016. The following information has been taken from the combined financial statements of PierPASS, LLC and PierPASS, Inc. (collectively, PierPASS) for which we have rendered an unmodified audit opinion dated March 16, 2017.

PierPASS Financial Performance

Traffic mitigation fee revenues for PierPASS' year ended December 30, 2016 totaled \$191,814,026. PierPASS operating expenditures for the year totaled \$10,556,804. Major categories of operating expenses include computer software, bank transaction processing fees, and administrative support. The excess of revenues over expenses are distributed by management to marine terminal operator members as cash flow permits. Distributions to members totaled \$182,657,857 for the year ended December 30, 2016.

Combined Financial Results of PierPASS, LLC and PierPASS, Inc.

A summary of the combined financial results for 2016 and 2015 follows:

Year Ended	December 30, 2016	December 25, 2015
Total Combined Operating Revenues	\$ 191,910,033	\$ 176,182,112
Total Combined Operating Expenses	\$ 10,556,804	\$ 9,863,579
Excess of Revenues over Expenses	\$ 181,353,229	\$ 166,318,533
Total Distributions to Members	\$ (182,657,857)	\$ (168,887,272)
Members' Equity	\$ 237,778	\$ 1,542,406

Sincerely,





March 3, 2017

Mr. John Cushing, President
PIERPASS, Inc.
444 West Ocean Blvd., Suite 700
Long Beach, CA 90802

Mr. Cushing:

At the request of PIERPASS, Inc., we have prepared the attached executive summary of our fourth quarter 2016, PIERPASS OffPeak Program gate and yard cost calculation. This calculation is used, in turn, to help determine a traffic mitigation fee (TMF) to fund the Program.

Since the inception of the OffPeak Program in July 2005, PIERPASS has engaged outside, independent consultants to determine these costs.

The result of this calculation for the fourth quarter 2016, conducted by our firm on a basis consistent with prior periods, is described in the following executive summary.

Attachment: Executive Summary

PIERPASS 4th Quarter 2016 OffPeak Program Gate & Yard Cost Calculation Executive Summary

This executive summary describes the fourth quarter, 2016 (Q4-2016) calculation of gate and yard costs used to help determine the Traffic Mitigation Fee, for the members of the West Coast Marine Terminal Operators Agreement (WCMTOA), as it relates to the PIERPASS OffPeak Program under Federal Maritime Commission Agreement No. 201143. This report was prepared to summarize the findings of our full report dated March 3, 2017.

The Program's Q4-2016 costs and volumes were determined, on a consistent basis since Program inception, for the period between September 24, 2016, and December 23, 2016¹. PIERPASS administrative costs and a credit for day shift cost savings are included.

The cost of the PIERPASS OffPeak Program is divided by Twenty Foot Equivalent Units (TEUs) subject to the Traffic Mitigation Fee (TMF). The resultant calculation for Q4-2016 is in Table 1 below:

Table 1: Q4-2016 Calculation of OffPeak Program costs

Item	Q4-2016	2016 Full Year
Terminal OffPeak Program costs	77,871,509	292,712,846
PierPASS OffPeak Program administrative costs	2,619,308	9,599,375
Less: Day shift savings	(19,468,794)	(77,594,993)
Net OffPeak Program costs	61,022,023	\$224,717,228
TEUs subject to TMF	748,397	2,693,303
OffPeak Program cost per TEU subject to TMF (rounded)	\$82/TEU	\$83/TEU

The Terminal OffPeak Program costs for Q4-2016 are \$77,871,509. When the PIERPASS administrative costs of \$2,619,308 for the period are combined with terminal operating costs, the total PIERPASS cost is \$80,490,817.

The difference between the cost of off-peak operations and the TMF rate is partially mitigated by savings from reductions in peak period shift costs. The peak period savings is \$19,468,794².

It is important to note that, while the cost of off-peak gates was \$82/TEU, the TMF charged to cargo owners was only \$70.49/TEU (per 20 foot container) during the period. In other words, the Program was not fully compensated for its costs during Q4-2016.

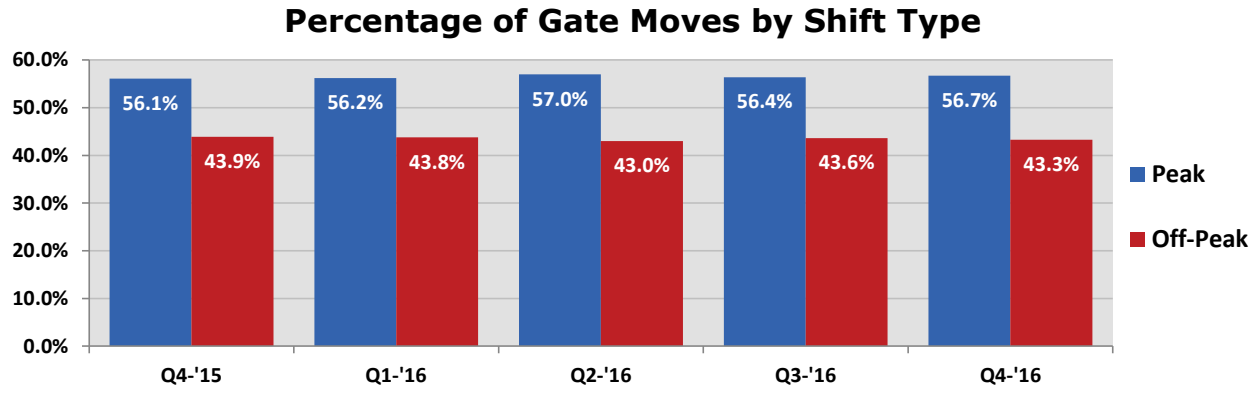
¹ These dates are the Q4-2016 beginning and ending dates for WCMTOA member ILWU payrolls, as determined by the Pacific Maritime Association. The PMA 2016 payroll calendar has 52 weeks.

² Off-Peak cost calculations are reduced by the estimated peak period savings from the shift of cargo from peak to off-peak periods.

Percentage of Gate Moves by Shift Type

PierPASS exempt and non-exempt containers include import, export and empty containers that pass through a marine terminal's gate. Chart 1 below, shows the percentage of peak and off-peak gate moves as compared to prior periods.

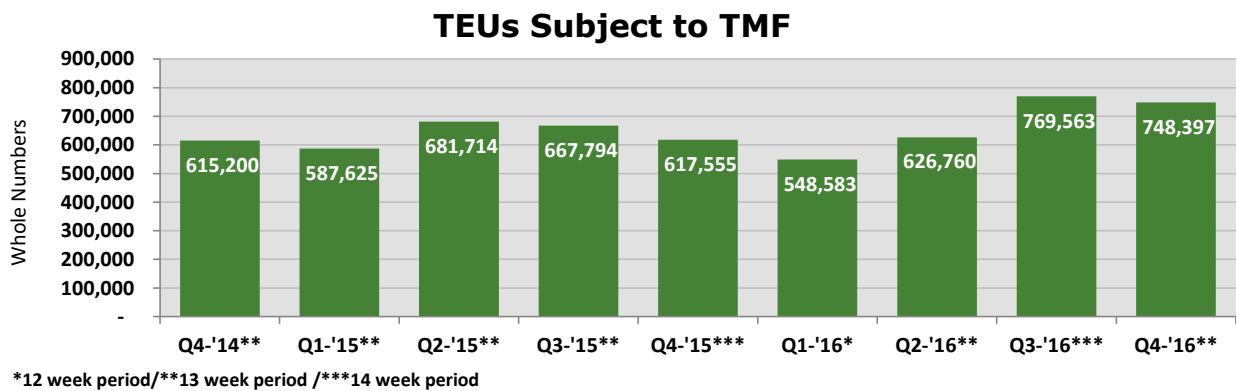
Chart 1: Percentage of Gate Moves by Shift Type (includes empty containers)



TEUs Subject To TMF

TEUs subject to TMF are the number of non-exempt laden containers, expressed in twenty foot equivalent units (TEUs), that have in-gated or out-gated during peak shifts. Chart 2 below presents the Q4-2016 TEUs subject to TMF as compared to prior periods.

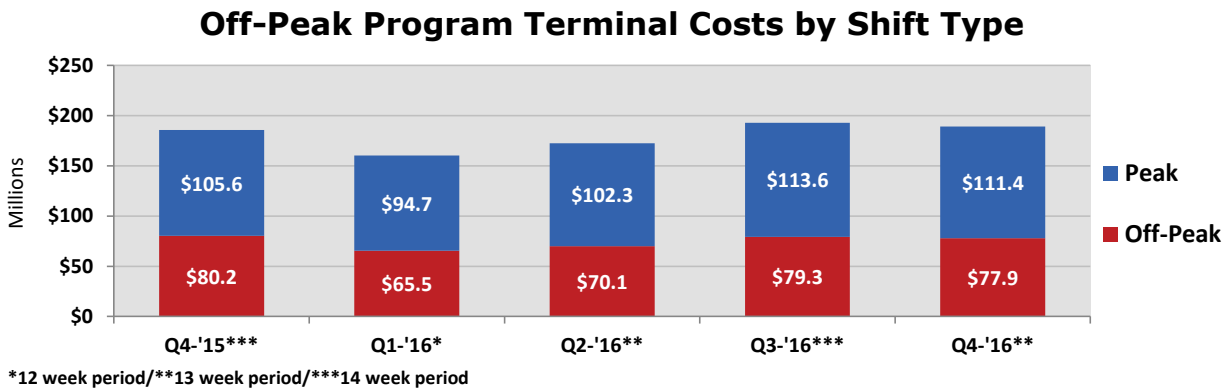
Chart 2: TEUs Subject to TMF



Terminal Costs by Shift Type

The terminal costs of peak and off-peak shifts for the last five quarters are presented in Chart 3 below.

Chart 3: Off-Peak Program Terminal Costs by Shift Type



The terminal costs of peak and off-peak shifts include gate and yard activity only. Vessel and rail costs are excluded from the analysis because these are not the costs of off-peak cargo receipt and delivery. Gate and yard costs include three cost types: ILWU payroll, non-ILWU payroll and equipment.

Increases in ILWU labor costs are due in part to contractual increases in wage rates, benefit assessment rates and payroll taxes. Table 2 presents the rate increases that have affected ILWU payroll, benefit assessments and taxes since June 2004.

Table 2: ILWU Base Wage Rates, Assessments & Taxes by Period

As of:	Wage Rates & Assessments				Payroll Taxes		
	Base Hourly Wage Rates	Hourly Rate Adjustments	Hourly Assessment Rates	Hourly Assessment Adjustments	Year	FICA Annual Limits	Percentage of Base Wage
06/28/04	\$28.68	N/A	\$17.02	N/A	2004	\$87,900	*7.65%
07/05/05	\$29.68	\$1.00	\$17.11	\$0.09	2005	\$90,000	*7.65%
07/01/06	\$30.18	\$0.50	\$17.60	\$0.49	2006	\$94,200	*7.65%
06/30/07	\$30.68	\$0.50	\$19.25	\$1.65	2007	\$97,500	9.95%
06/28/08	\$31.18	\$0.50	\$21.52	\$2.27	2008	\$102,000	9.95%
07/04/09	\$31.68	\$0.50	\$28.78	\$7.26	2009	\$106,800	10.15%
07/03/10	\$32.68	\$1.00	\$29.35	\$0.57	2010	\$106,800	10.15%
07/02/11	\$33.68	\$1.00	\$30.04	\$0.69	2011	\$106,800	10.15%
06/30/12	\$34.68	\$1.00	\$30.75	\$0.71	2012	\$110,100	10.15%
06/29/13	\$35.68	\$1.00	\$35.74	\$4.99	2013	\$113,700	10.15%
06/28/14	\$36.68	\$1.00	\$35.74	\$0.00	2014	\$117,000	10.15%
07/04/15	\$38.18	\$1.50	\$35.74	\$0.00	2015	\$118,500	10.15%
07/02/16	\$39.43	\$1.25	\$35.74	\$0.00	2016	\$118,500	10.15%

* SUI was not included in the OffPeak Program cost calculations prior to Q4-2007

Information Sources

PIERPASS OffPeak Program costs used in the determination of TMF are calculated from these sources:

- Pacific Maritime Association (PMA) ILWU payroll data files
- Member-prepared schedules of non-ILWU labor and ILWU labor cost allocations
- Equipment cost standards derived from the Army Corp of Engineers methodology calculated by SC Analytics
- Administrative cost data supplied by PierPASS, Inc.

Background

PIERPASS is a not-for-profit company created by the terminal operators of the Ports of Los Angeles and Long Beach that constitute the West Coast Marine Terminal Operators Agreement (WCMTOA). Their purpose is to address multi-terminal issues such as congestion, security and air quality. PIERPASS created its OffPeak Program as an incentive for cargo owners to receive and deliver cargo at night and on weekends, in order to reduce truck traffic and air pollution during peak daytime traffic hours and to alleviate port congestion.

To provide an incentive for cargo interests and truckers to use off-peak gates, beginning in July, 2005, a Traffic Mitigation Fee (TMF) was imposed on Beneficial Cargo Owners (BCO's) receiving and delivering cargo to and from the Ports of Los Angeles and Long Beach from Monday thru Friday, 3:00 a.m. to 5:59 p.m.