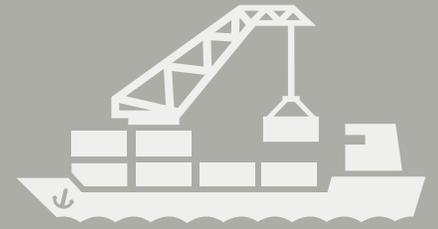


ACCOUNTABILITY

TRANSITION

EFFICIENCY



# STANDARDS



PERFORMANCE



## COMMUNICATION

SMART FLEET

ACCESS

COMPLIANCE

RESERVATIONS



RELIABILITY



DRAYAGE

## PORT METRO VANCOUVER TRUCK LICENSING SYSTEM

Phase 2 Consultation: November 4 -17, 2014

Participant Discussion Guide



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Port Metro Vancouver is Canada's largest and busiest port, a dynamic gateway for domestic and international trade and tourism, and a major economic force that strengthens the Canadian economy. Port Metro Vancouver's overall vision is to be the most efficient and sustainable Gateway for the customers we serve, benefiting communities locally and across the nation. A key goal in support of that vision is to be a world leader in supply chain competitiveness and sustainability. This goal is supported by Port Metro Vancouver's Smart Fleet Strategy.



## What is Smart Fleet?

Port Metro Vancouver's Smart Fleet Strategy is designed to deliver a long-term sustainable drayage sector, contributing to our vibrant local economy and a healthy environment. Smart Fleet includes four key initiatives:

- GPS Tracking to generate better information
- Reservation System and Data Sharing Improvements including a common reservation system
- Drayage Model to support decision-making for planning and new initiatives
- New Truck Licensing System (TLS) to improve stability and accountability

## About This Consultation

Port Metro Vancouver has been planning changes to the current TLS policy for about two years. This final phase of consultation (Phase 2) builds on Phase 1 consultation undertaken in Spring 2014. Results from Phase 1 are available at [porttalk.ca/tls](http://porttalk.ca/tls).

Phase 2 Consultation includes:

- Meetings with stakeholder group representatives including trucking companies, importers and exporters, beneficial cargo owners and driver representatives. These meetings are by invitation only, due to space limitations
- An online Feedback Form, open to anyone interested in participating
- Online Q&A

## We want to hear from you.

Please go to [porttalk.ca/tls](http://porttalk.ca/tls) to read the consultation materials and complete the online Feedback Form.

This consultation is **open until 5 p.m. on November 17, 2014.**

## Introduction to TLS Reform

TLS reform enables a number of key outcomes and operating principles established by Port Metro Vancouver for our **Smart Fleet Strategy** (see inset on page 1). It is intended to deliver *long-term stability to the drayage sector* with fewer trucks and *more efficient, financially invested trucking companies*. Through TLS Reform, the drayage sector will also benefit from *improved service consistency*, and *improved quality and operating standards*. The expanded enforcement and reporting are also designed to *improve transparency* and *accountability* for all stakeholders in the drayage sector.

Port authorities around the world, from China to Chile to Long Beach, California are struggling to achieve balance and stability within their drayage trucking community. Port Metro Vancouver's Smart Fleet program, including TLS reform, is designed to address the root causes of unrest, resulting in improved safety, quality and profitability for everyone in the supply chain, contributing to our vibrant local economy and a healthy environment.

Port Metro Vancouver's current TLS is not responsive to normal fluctuations of supply and demand in the marketplace. We've heard from all stakeholders in the sector that there are too many trucks for the work required, resulting in intense competition, not enough work for truckers and reports of undercutting of agreed rates.

Instead of the current system of company licences and driver permits, the new TLS will require a Contractual Agreement between trucking companies and the Port. Each Contractual Agreement will authorize the trucking company to access port facilities with a defined number of trucks, which can be made up of company drivers, sponsored owner operators or a combination of the two. The total number of trucks authorized to access the port will be reduced to achieve a more optimal size in the port drayage fleet.

## Progress Update

Following completion of the Phase I Consultation with industry stakeholders, Port Metro Vancouver completed an extensive review and analysis of the input received as well as financial, technical and operational considerations, and developed the new TLS framework. This framework also reflects recent federal and provincial regulatory changes that have a significant impact on truck licensing and related factors such as performance standards, rate audits and enforcement. One of the most significant changes noted is pending legislation to create a new authority with a Commissioner's Office that will oversee rate enforcement and matters related to truck licensing for all port drayage. Achieving full compliance with regulatory rates and applying consistent performance standards will significantly improve accountability and responsibility within the drayage sector.

It is also anticipated that the Commissioner's Office will be responsible for truck licensing starting in February 2015. Port Metro Vancouver will continue to have overall responsibility for port access while the Province, through the Commissioner's Office, will take responsibility for licensing and rate enforcement.

The transition from existing licences to the new Contractual Agreement process is anticipated to begin the week of November 24, 2014. The new TLS policy will take effect on February 1, 2015 to coincide with expiry of existing TLS licences and permits across the current drayage fleet.



# Proposed TLS Reform Framework – Key Components

The following section outlines the new TLS framework. In this phase of consultation, we are seeking feedback on the framework outlined below, and input on some remaining TLS reform components to help finalize the details needed to transition to the new Contractual Agreement.

- Annual Agreement Charge**

- o Calculated based on cost-recovery for operations that encompass port access and provincial licencing costs; the minimum Contractual Agreement charge is \$45,000. This charge applies to approved Truck Tags to a maximum of 20 trucks.
- o Additional charge of \$2,250 for each Truck Tag in excess of the initial 20.
- o The charge includes:

	Item	% of Total Program Costs
Port Access Costs	Operations	16%
	Efficiency Improvement Initiatives*	10%
	Ongoing System Maintenance and Support	23%
	Land Lease Opportunities	9%
Provincial Licencing Costs	Commissioner's Office	7%
	Administration and Management	24%
	Auditor's Office*	11%

\*Averaged over 5 year period

- Entry Standards**

- o A minimum of five trucks per company is required to qualify for application review.
- o Up to three companies can co-sign one Contractual Agreement where each party is jointly liable for each other's TLS activities.
- o Acceptance of contract applications will be based on minimum entrance requirements including safety and environmental standards, and acceptance of contractual terms.
- o Additional quality-based entrance requirements are being considered.

- Implementation of a Maximum Truck-Model Age of 10 years**

- o A new maximum truck age of 10 years old at the time of application. This will apply to all trucks being added to the system. However, currently approved trucks between 11 and 15 years old will be granted a period of gradual transition to meet the new requirement. Trucks with a model year of 1999 or older will not be eligible.
- o The new truck age requirement supports a professional, reliable and stable drayage sector along with our long-standing goal to be a gateway recognized for its economically, environmentally and socially responsible operations.
- o Existing environmental requirements continue to apply and take precedence until a truck reaches the maximum permissible age of 10 years.

- **Performance Bond to Guarantee Regulatory Compliance and Rate Adherence**
  - The amount required for performance bonds will be based on the number of Truck Tags. The minimum performance bond will be \$300,000, plus an additional \$150,000 for every increment of 10 Truck Tags.
  - Companies will be required to secure a bond through a financing company identified by Port Metro Vancouver. Cost of the bond will be market driven, but is expected to be in the range of 1% to 3% of the face value of the bond annually, depending on a company's financial credit rating.
- **Damage Deposits**
  - For the first contract, Agreement holders will be required to maintain a refundable Damage Deposit ranging from \$10,000 to \$15,000 depending on fleet size as a means of fair and reliable cost recovery for losses incurred by Port Metro Vancouver such as replacement and repair costs for damages to Port property.
  - On renewal of contract, the amount will be negotiable depending on the company's past damage history.
- **Regulatory Rate Consistency – *under consideration by the Province***
  - Principals of all trucking companies in the new TLS will be required to submit a Statutory Declaration certifying that they have and will continue to remunerate drivers in accordance with regulated rates, including waiting time fees.
  - Unionized companies must be certified and be subject to a binding Collective Agreement, filed with the applicable Labour Board and the Commissioner's Office.
- **Expanded Rate Audit & Compliance Program**
  - The Province will introduce legislation to support rate auditing and compliance, which will apply to all TLS-licensed companies, for all moves to and from a Marine Container Terminal and secondary off-dock moves.
  - The cost of the new Commissioner's Office, responsible for expanded audits and the whistle-blower program, will be included in the new TLS. As performance improves, these costs are expected to decline over time.
- **A Drayage Balanced Scorecard**
  - A balanced scorecard approach will be used to evaluate and report on operating standards, operational metrics and performance metrics.
  - This scorecard will be used as an evaluation component for determining the number of Truck Tags issued to the trucking company and to maintain ongoing licensing.
  - High performing companies may be eligible to apply for additional Truck Tags where justifiable business needs are demonstrated and additional Truck Tag allocation is available.
  - Companies will have access to their own scorecard and the sector average but not other companies' information.
- **Owner Operators Sponsorship**
  - Under the new TLS, trucking companies will apply for a number of Truck Tags, or truck allotments.
  - Owner operators must be "sponsored" by a trucking company with a Contractual Agreement.
  - The sponsoring trucking company and the owner operator will be required to co-sign a Joint Agreement with Port Metro Vancouver, which will grant access to port lands.
  - The approved trucking companies can allocate their Truck Tags to either an employee-driven company truck or to the truck of its sponsored owner operator.

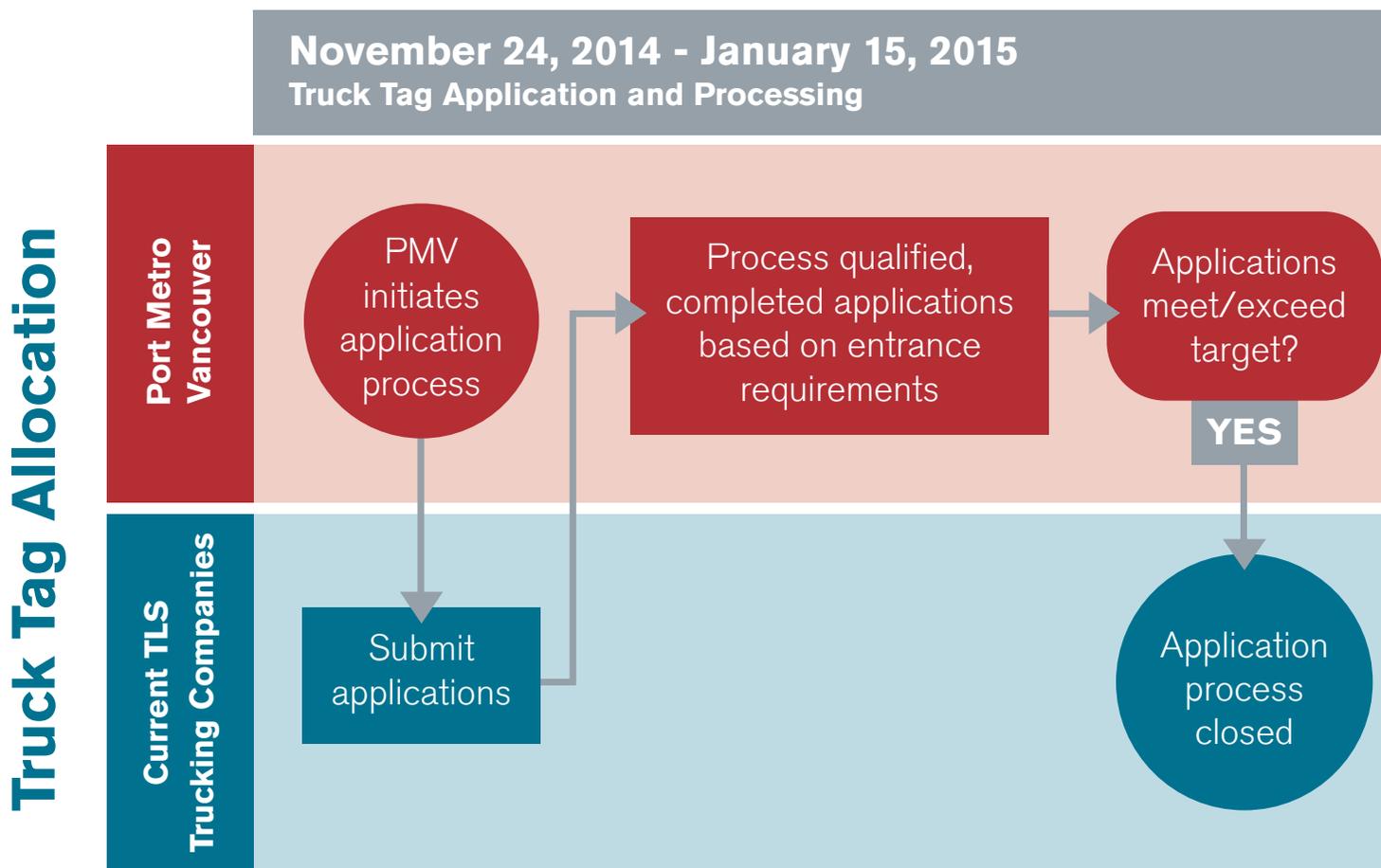
- The owner operators will not pay a truck access fee. If a Joint Agreement is severed, the party severing the Agreement will lose the Truck Tag allocation. The other party will retain “rights” to that Truck Tag allocation for 30 days to fill the allocation.
- Owner operators may hold only one Joint Agreement at a time, even if they own more than one truck.

- **TLS Independent Operator Transition Support Program**

It is recognized that currently-approved TLS independent operators will be displaced as a result of TLS reform. Provided that there is no disruption of services to the Port during the reform process, Port Metro Vancouver will implement a transition support program, which will provide an alternate funding source for up to three months, calculated based on their port activity levels over a six-month period.

## For Discussion

While many aspects of the TLS reform are finalized, some components are still being considered, as discussed in each module below. Please use the Feedback Form and Q&A Card/Online Tool to provide your input.



# Module 1: Supply Management

Getting to the right number of trucks in the drayage sector is key to achieving improved profitability for trucking companies, drivers and other stakeholders. TLS reform provides an essential mechanism to provide fair and measurable management of a reliable truck supply. A detailed analysis of the industry using the Drayage Model in combination with GPS history (two other Smart Fleet initiatives) suggests the current optimum number of drayage trucks to be between 1,250 and 1,500 trucks.

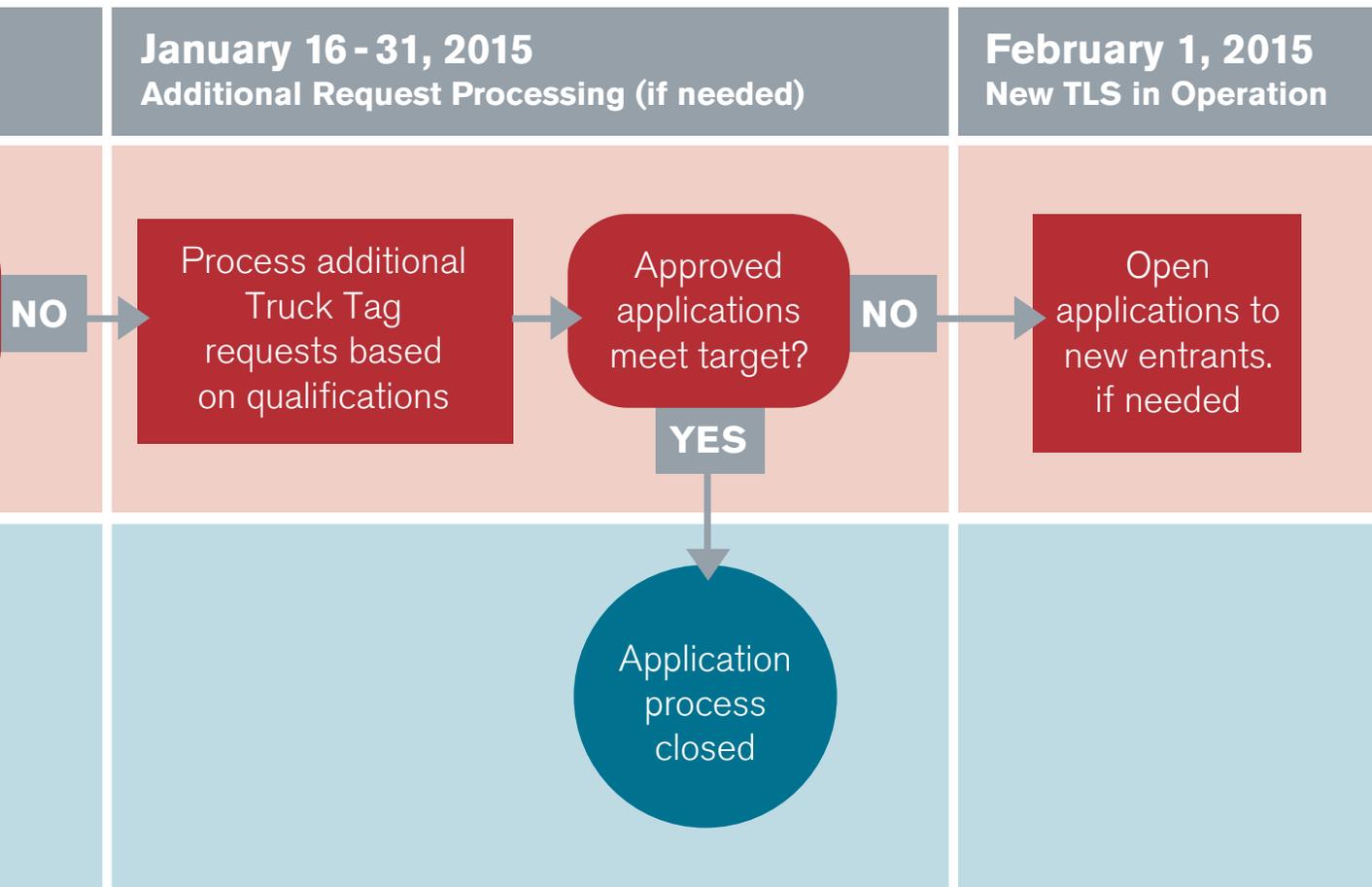
All current TLS Licence holders will be given the first opportunity to apply or to decline their right to apply for Truck Tags. Trucking companies can apply for Truck Tags based on the number of approved trucks in their existing fleet (including company trucks and currently "claimed" owner operator trucks). At the time of application, companies will also be asked to indicate their interest in being considered for additional Truck Tags. Companies requesting additional allocation would be required to provide a written submission indicating how they would fulfill the additional Truck Tags they have requested.

Strategies to Support Supply Management include:

## 1. Licence/Truck Tag Expiration

- Provide trucking companies with an email warning of potential expiry for all Truck Tags that have not been used in 20 days, with automatic cancellation for any Truck Tag not used in 30 days.
- Expired Truck Tags are returned to the Commissioner's Office for future allocation.
- Sponsored owner operators who have not accessed port facilities in the designated time frame may be unsponsored and will have to reapply, under the minimum entry requirements, if they wish to access the port again at a later date.

*Please see question 1 on the Feedback Form to provide your input.*



## 2. Truck Age Transition

- Achieve the 10-year maximum age requirement over a four-year transition period:
  - Year 1 – existing approved TLS trucks up to 15 years of age (2000 model year) permitted; these trucks must continue to meet the existing environmental requirements.
  - Year 2 – existing approved TLS trucks up to 14 years of age (2002) permitted; these trucks must continue to meet the existing environmental requirements.
  - Year 3 – existing approved TLS trucks up to 12 years of age (2005) permitted; these trucks must continue to meet the existing environmental requirements.
  - Year 4 – all existing approved TLS trucks must meet minimum environmental requirements and must be 10 years or newer.

*Please see question 2 on the Feedback Form to provide your input.*

## 3. Truck Tag Application Process

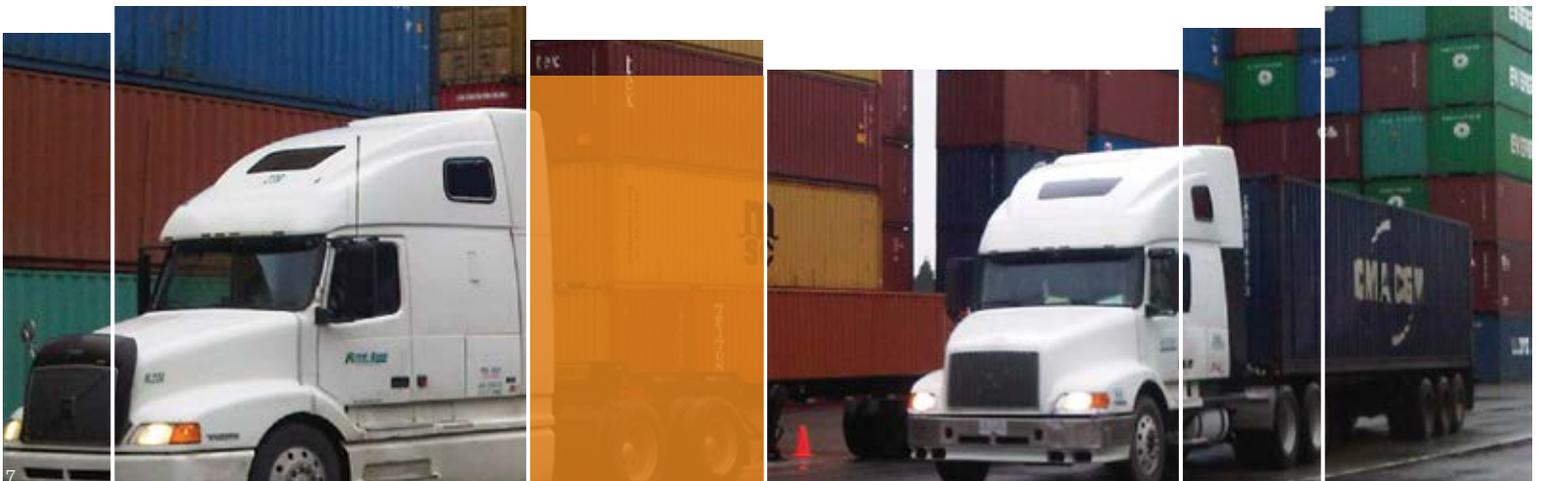
- Allow trucking companies to request temporary replacement Truck Tags for extenuating circumstances such as:
  - Temporarily replacing a truck that is undergoing extraordinary service or repair
  - Temporarily replacing an owner operator away on temporary medical or other leave

*Please see question 3 on the Feedback Form to provide your input.*

## 4. Driver Sponsorship Process

- Require trucking companies and owner operators to co-sign a Joint Agreement with Port Metro Vancouver before issuing non-company Truck Tags.
- Maintain a list of interested companies and available drivers to support matching supply and demand.
- Require trucking companies to provide proof of cancellation to the Commissioner's Office within 2 business days.
- Consider applications from either party for a replacement Truck Tag under new the new requirements, provided that a Truck Tag allocation is available.

*Please see question 4 on the Feedback Form to provide your input.*





## 5. TLS Independent Operator Transition Support Program

- The Transition Support Program will be provided over a period of three months at the conclusion of uninterrupted TLS Reform.
- Provide financial support based on the independent operator's activity at port terminals between July 1 and December 31, 2014. For example, if the independent operator worked 75% of the operating days in that period, he/she would receive 75% of the maximum per-owner support payment available.
- Currently-approved TLS independent operators must opt in to the transition support program by January 31, 2015. The detailed application process and procedures will be released at the end of November 2014.
- The program is only open to currently-approved TLS owner operators, not companies or company drivers. Company drivers displaced through TLS Reform may be entitled to apply for unemployment insurance.

*Please see question 5 on the Feedback Form to provide your input.*

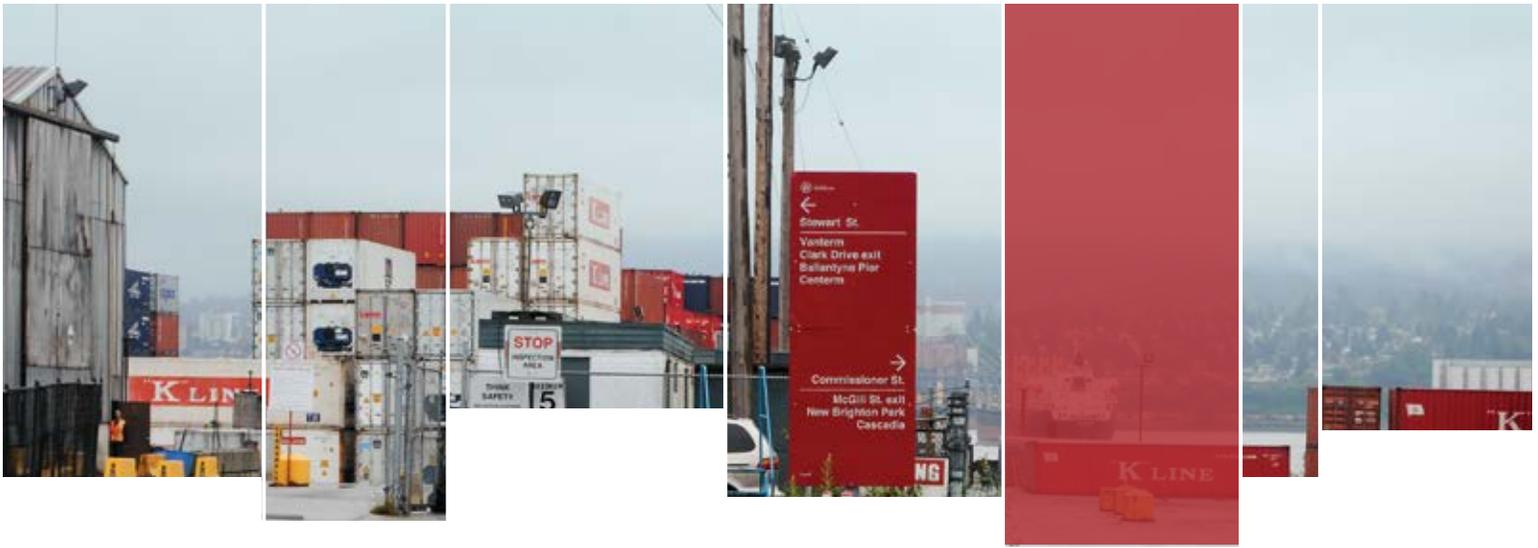
## **Module 2: Entry and Performance Standards**

To help improve safety, quality and operating standards for a reliable and professional drayage sector, the TLS Reform includes clearly defined entry and performance standards. These standards include a requirement for a minimum of five trucks per trucking company to qualify for application review, and acceptance of Contractual Agreement terms, and the company must meet or exceed safety and environmental requirements.

Trucking companies will also be evaluated based on their past TLS record and average fleet age. To measure and track performance standards, a balanced scorecard approach will be applied. Strategies to support Entry and Performance Standards include:

### 6. Entry Standards

- For the purposes of TLS reform, only existing, licensed currently-approved TLS companies may apply at this time
- Contractual terms (e.g. TLS license charge, damage deposit etc.)
- Truck age
- Environmental standards
- National Safety Code (NSC) compliance and safety standards



- Additional requirements under consideration include:
  - Past compliance with TLS requirements, including rate remuneration, safety, security, cooperation and record-keeping
  - The ownership or availability of land assets or a defined plan for the purposes of providing a secure parking facility for truck, trailer and chassis assets after hours to mitigate liability upon company and owner operator drivers
  - Minimum of 2.5 chassis (owned or leased) per Truck Tag
  - Average truck age of applicant's fleet
  - Business need

*Please see question 6 on the Feedback Form to provide your input.*

## **7. Balanced Scorecard Performance Standards**

The following are the performance standards currently being considered:

- Asset (Truck Tag) utilization as compared with the TLS fleet average
- Rate and compliance history
- Average age of entire fleet
- Safety compliance (NSC standing, WCB, etc.)
- Operational performance metrics based on the Reservation System

*Please see question 7 on the Feedback Form to provide your input.*



## **Module 3: Financial Structure**

The established Annual Agreement charge and the requirements for the Performance Bond and Damage Deposit are in place to support cost recovery and improved safety, consistency and fairness for sustainable operations (see page 3 for a breakdown of costs).

Strategies to support the proposed Financial Structure include:

### **8. Performance Bond**

- Require a Performance Bond, which will ensure funds are available to pay wages for all affected drivers if a non-compliant company's license is revoked or ceases operations.

*Please see question 8 on the Feedback Form to provide your input.*

### **9. Damage Deposit/Liquidated Damages**

- Require a Damage Deposit to pay for replacement and/or repairs due to damage caused by trucks on port property.
- Examples of Liquidated Damages are:
  - Gate Arm or Rail Control damage
  - Tow truck rental for a container truck
  - Crane truck to remove container from chassis
  - Security personnel in the event that a truck requires security or flagging (e.g. broken down truck)
- Consider alternate arrangements in subsequent terms on a company-basis based on performance (e.g. if a company has no or a small number of infractions, the damage deposit could be lower, while if a company has had several infractions, it could be higher).

*Please see question 9 on the Feedback Form to provide your input.*



PORT METRO  
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## Your input is important to us.

For more information or to provide  
feedback please contact:

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