TRUCK TAG SYSTEM REVIEW & RECOMMENDATIONS

OFFICE OF THE
BRITISH COLUMBIA CONTAINER
TRUCKING COMMISSIONER

Prepared for:
Office of the British
Columbia Container
Trucking Commissioner

August 31st, 2017

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EXECUTIVE SUMMARY

In May of 2017, the Office of the BC Container Trucking Commissioner (OBCCTC) awarded Cascadia Partners a contract to undertake an independent, third party review of the Truck Tag System. The scope of the review consisted of research, consultation and analysis, with the goal of the study to assess the OBCCTC's current Truck Tag management system and develop options to increase the efficiency of the licenced drayage fleet.

Stakeholder consultation identified primary issues regarding the ability of independent owner/operators to actively move between Licence Holders, and the difficulty of Licence Holders to actively manage the risks and operations of their business.

Working within the existing framework of the Container Trucking Act, Container Trucking Regulation and the CTS Sponsorship Agreement, recommendations have been developed to improve industry operations for all stakeholders under the following guiding principles:

- Independent owner/operators should have the ability to move freely between TLS Licence Holders.
- TLS Licence Holders should have the ability to manage their independent owner/operators without reducing their capacity to serve their customers, assuming they do so within the confines of the law and their existing agreements.
- TLS Licence Holders should not be inhibited from growing their business and managing their own long-term business risks.

Based on these guiding principles, the recommendations were developed, with the core recommendations outlined in this report summarized as:

1. Increase mobility and business accountability for independent owner/operators
    1.A Maintain Truck Age Exemption through sponsorship change
    1.B Licence Holder to always retain Truck Tag through sponsorship change
    1.C Remove the 45-day requirement to re-assign a Truck Tag

2. Actively manage the total number of Truck Tags in the fleet
    2.A Ease Truck Tag Issuance
    2.B Proactive Truck Tag Withdrawal
    2.C Active Fleet Size Management

3. Actively manage the total number of independent owner/operators in the fleet
    3.A Set a maximum on the number of Independent Owner/Operators
    3.B Periodically review maximum number of Independent Owner/Operators
    3.C Allow new Independent Owner/Operators to join the industry by lottery

4. Various Recommendations to Improve Industry Practices

These core recommendations, along with supporting analysis, additional recommendations and implementation processes, are detailed within the report.

CONTENTS

1   INTRODUCTION

In May of 2017, the Office of the BC Container Trucking Commissioner (OBCCTC) awarded Cascadia Partners a contract to undertake an independent, third party review of the Truck Tag System. The scope of the review consisted of research, consultation and analysis, with the goal of the study to assess the OBCCTC's current Truck Tag management system and develop options to increase the efficiency of the licenced drayage fleet with a focus on:

- Section 8 of the Sponsorship Agreement;

- Enabling the movement of independent owner/operators (O/Os) between Licence Holders without increasing the overall size of the fleet;

- A continued adherence to existing Port of Vancouver (VFPA) truck standards including environmental requirements; and

- The use of performance metrics and demonstrated business need when assessing the number of Truck Tags allotted to each licence

Throughout the review, Cascadia Partners worked closely with industry stakeholders, including the OBCCTC, the Port of Vancouver, Terminal Operators, drayage facility operators, TLS Licence Holders, Industry organizations, independent owner/operator representatives, labour associations and trade associations. Data for analysis was provided by the Port of Vancouver, based on publicly available port operating metrics, as well as data collected for the VFPA performance review program.

The recommendations presented are intended to address the major issues identified by the broad cross-section of stakeholders who contributed thoughts and ideas to this study. The recommendations are intended to be treated as a group, in that they work together to address the major systemic issues that have been identified.

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2   CURRENT STATE

In order to make appropriate recommendations for changes to the local container trucking drayage industry, it is important to understand the current state of the industry, including the market forces impacting the industry, the effects of recently implemented legislation, and relevant industry metrics.

2.1   Container Trucking Act and the OBCCTC

In March 2014, following a 28-day work disruption at the Port of Vancouver, the governments of Canada and British Columbia, and VFPA reached an agreement with multiple labour representatives to resume full operations and begin negotiations on what would become the Container Trucking Act of 2014 (The Act). The Act included the creation of a Container Trucking Commissioner (CTC) who is responsible for investigating, auditing and enforcing compliance with the Act as well as issuing and managing Container Trucking Services Licences.

2.2   Drayage Industry Volumes and Fleet Size

The Port of Vancouver has seen steady growth in Gate Activity for 7 of the last 8 years. Following a reduction in truck-based Port gate activity from 2013 to 2014, the total volume grew 2.2% from 2014 to 2015, and 3.6% from 2015 to 2016.
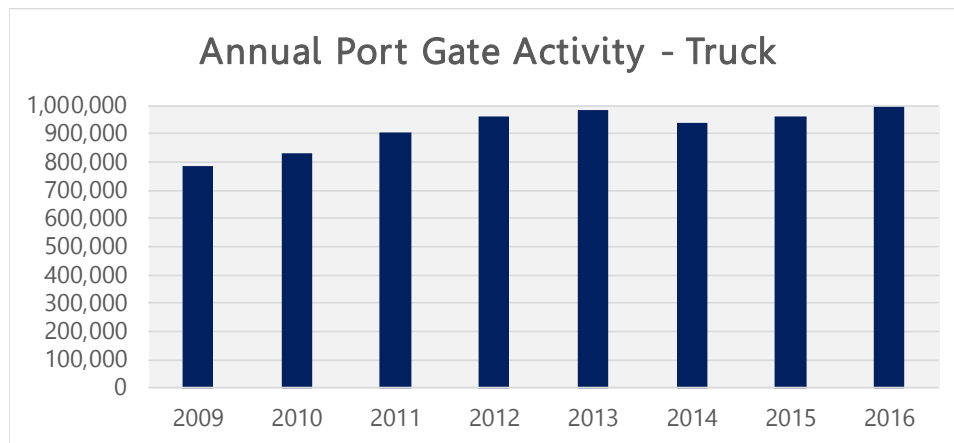
Figure 1: Annual Port Gate Activity - Truck[1]

Since the implementation of the Container Trucking Act in 2014, the drayage industry is now served by a constrained number of TLS Licence Holders, each operating with a limited number of trucks. Each truck in a Licence Holder's fleet, whether it is a company truck or independent owner/operator, must be assigned a unique Truck Tag. Truck Tag allotments are controlled by the OBCCTC and issued by the Port of Vancouver. Figure 2 indicates the number of Licence Holders and Truck Tags since the inception of the program in 2014, as well as the change in Licence Holders and Truck Tags over the past 3 years.

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[1] Based on data provided by Port of Vancouver- 2006 to 2016 Gate Activity by Month and Mode

Figure 2: TLS Licence Holders and Truck Tags

2.3   Limitations on Truck Tags

In October 2016, the OBCCTC issued an Interim Additional and Vacant Truck Tag Policy to accommodate Licence Holder requests for more tags and 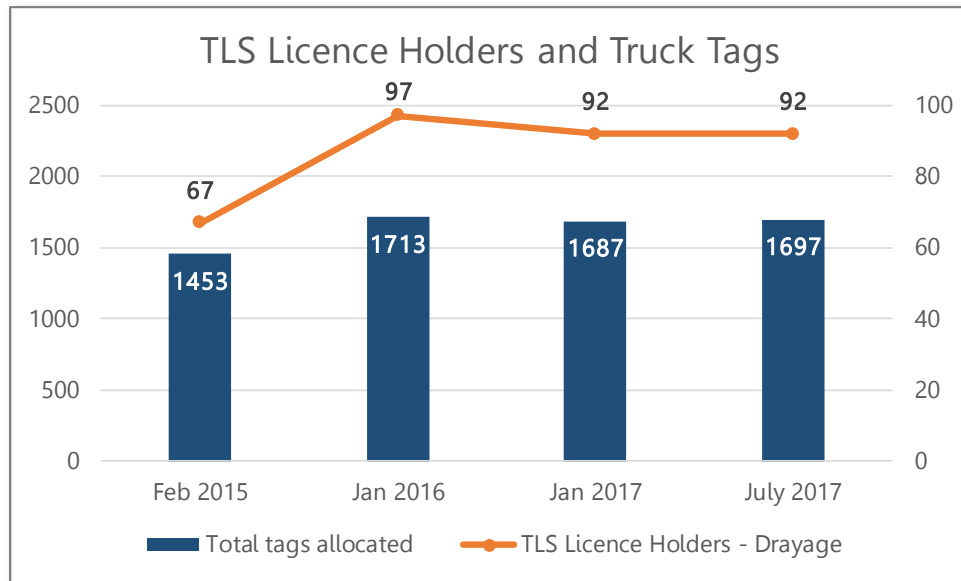retain the ability to reassign vacant Truck Tags. The OBCCTC accepts applications for additional tags which will only be granted in exceptional circumstances. Applicants are asked to demonstrate a strong business case for the issuance of additional tags which must include a demonstration that either existing business is difficult to service due to the high utilization of the current tag allotment, a current customer has increased its container movement volume, and/or new business is attracted necessitating additional capacity.

In assessing an application, the OBCCTC reviews VFPA Licence Holder performance metrics and utilization data prepared under the VFPA performance review program. The OBCCTC compares the Licence Holder's performance to the performance of all Licence Holders to validate their need for additional capacity.

As of July 31, 2017, 22 companies had requested additional Truck Tags with 4 companies being granted a combined total of 13 additional Truck Tags.

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2.4 Environmental Requirements

In 2008, the Port of Vancouver implemented a schedule of environmental standards for Port-authorized containers. As part of the scheduled standards, effective January 2015, all new TLS fleet additions must have a model and engine year unit of 2010 or newer. The environmental requirements initially set to take effect January 1, 2017 for existing 2007 or older model and engine year unit TLS vehicles to have a DPF installed has been postponed. The following is the revised environmental requirement deadlines to existing TLS fleet vehicles[2]:

Truck And Engine Year	Retrofit Deadline	Port Metro Vancouver Checks Begin
2005 & Older	January 1, 2015 (DOC or DPF installation)	March 15, 2016

Truck & Engine Year	Retrofit Deadline	Important Information	Port Metro Vancouver Checks Begin
2006 (Truck & Engine) and 2007 truck with 2006 or older engine	January 1, 2016 (DOC or DPF installation)	You must have an Approved Age Exception at the time of the re-application for a Port Metro Vancouver Access Agreement to be considered for approval, for the term starting June 1, 2016.	August 1, 2016

As a result of the environmental requirements, companies and independent owner/operators with vehicles older than model year 2007 (or 2007 with a 2006 engine year unit) have recently had to replace or retrofit their vehicles with, at minimum, a DOC or potentially replace their vehicles.

In addition to the additional up-front capital cost of replacement or retrofitting vehicles, there is the additional operating costs associated with DPFs, ranging from small increases such as higher fuel costs from a reduction in fuel economy, to large increases such as a complete repair if the DPF is not regenerated frequently or maintained properly. The impact of these effects varies depending on the specific truck, driver and operating conditions.

The impact on the industry is that the cost to add a truck to a fleet has increased (whether it is a company truck or an independent owner/operator), therefore the minimum revenue required by independent owner/operators to earn a living has also increased.

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[2] https://www.portvancouver.com/wp-content/uploads/2015/05/2016-02-16_TLS-General-Notice-Postponement-of-January-1-2017-Environmental-Requirements-Deadline-1.pdf

2.5 Independent Owner/Operator Mobility

The requirement for independent owner/operators to access the Port through TLS Licence Holders with an assigned Truck Tag was modified with the introduction of the Container Trucking Act. All O/Os must have an active sponsorship agreement with a Licence Holder, and can only receive work assignments from a Licence Holder with whom they have an active sponsorship agreement.

The ability for O/Os to move between Licence Holders is critical to finding enough work assignments to earn a living. The rules governing this mobility is outlined in the Sponsorship Agreement (Schedule 3 of the Container Trucking Services Licence). The following is an excerpt from that document, as of July 2017.

> 7) either the Sponsor or the Sponsored IO may terminate the Sponsorship at any time, upon notice to the other party, and to the Commissioner;
> 8) within forty-five (45) calendar days of termination:
>   a) if the Sponsor terminates, the Sponsored IO may secure an alternate Sponsor; and
>   b) if the Sponsored IO terminates, the Sponsor may either secure an alternate Owner Operator through Sponsorship or add an Approved Vehicle; and
>   c) if neither a) or b) occurs, the original Truck Tag is automatically subject to re-allocation by the Commissioner in his or her discretion;

Figure 3: Excerpt of Section 7 & 8 of the Sponsorship Agreement

While section 7 states that the Sponsor or Sponsored IO may terminate the Sponsorship at any time, section 8 outlines the impact of the termination. Section 8 dictates that:

- 8a – if the Sponsor (Licence Holder) terminates, the Sponsored IO (O/O) <u>retains the Truck Tag</u> and may secure an alternate Sponsor.
- 8b – if the Sponsored IO (O/O) terminates, the Sponsor (Licence Holder) <u>retains the Truck Tag</u> and may either secure an alternate O/O through Sponsorship or add an Approved Vehicle.

The retention of the Truck Tag and the need for O/Os with a truck age exemption to maintain a Truck Tag when transferring between Licence Holders is resulting in unintended consequences and limited movement of O/Os.

As per 8a, if the Sponsor (Licence Holder) terminates:

- The Licence Holder will lose the Truck Tag, which reduces the size of their fleet, thereby limiting their operating capacity.
- This may have a strong negative effect on their business, therefore Licence Holders are hesitant to terminate Sponsorship Agreements.
- Consultations by the OBCCTC have indicated the unwillingness of Licence Holders to terminate may be so strong that:

- o Licence Holders may be allowing unsafe O/O behaviour to occur with limited ramifications,
- o Licence Holders may be treating O/Os poorly to force them to quit.

Conversely, as per 8b, if the Sponsored IO (O/O) terminates, they may need to replace their truck with a newer model, because:

- When terminating their Sponsorship Agreement, the O/O's truck is no longer a TLS approved truck.
- The O/O must find an open Truck Tag and enter into a new sponsorship agreement, then re-apply for TLS approval.
- If the O/O's truck was operating under the truck age exemption and not the higher standards for new trucks entering the program, their truck will not be allowed to re-enter the TLS program *(see section 2.4 for additional detail)*
- Consultations by the OBCCTC have indicated the unwillingness of O/Os to terminate their sponsorship agreement may be resulting in O/Os operating unsafely, failing to show up to work or intentionally incurring penalties to force Licence Holders to terminate the agreement, because:
  - o By having Licence Holders terminate the agreement, O/Os would retain the Truck Tag, remain active in the TLS program and not need to re-apply for TLS approval when entering into a new Sponsorship Agreement
  - o Being terminated and retaining their Truck Tag is currently the only way for O/Os with truck age exempt vehicles to move to a new Licence Holder without purchasing a newer truck.

In addition to the unwillingness of both parties to terminate Sponsorship Agreements, the limitations placed by the OBCCTC in issuing new Truck Tags has limited the number of vacant tags which O/Os can move to (the number of vacant tags is approximately 1% at any given time, 20 out of ~1700). In some cases, even if an O/O has a truck that meets all TLS requirements, they may not be able to move to a new Licence Holder without providing their own Truck Tag.

Overall, the low availability of vacant Truck Tags and the unwillingness of both Licence Holders and O/Os to terminate Sponsorship Agreements has led to low mobility of O/Os, and unintended negative behaviours.

2.6 Terminal Capacity & Reservation Systems

The reservation systems currently in use at Port of Vancouver terminals are <u>outside the scope</u> of assessment and recommendations for this study, however the benefits, effects and limitations of the reservation systems are closely coupled to the issues affecting Truck Tag volumes.

TLS Licence Holders can book available timeslots for inbound and outbound containers, if they have a confirmed container for that timeslot. They can later assign the reservation to a TLS approved vehicle within their internal operations. The terminals make reservations available based on capacity, and provide TLS Licence Holders access to book reservations on a first-come, first served basis, at a fixed time prior to the reservation's day and time.

Through consultations by the OBCCTC, TLS Licence Holders have indicated that the limited number of available reservations, and the first-come, first-serve nature of the bookings make it difficult to obtain an 'optimized' set of reservation time slots which would allow them to maximize the number of turns per day and minimize their required fleet size. The availability of both day and night gates at the terminals has increased terminal capacity, however it has also increased the length of work days for some independent owner/operators, and in some cases, has increased vehicle idle time during the day. Instead of waiting in line at the terminals, they may be waiting outside of the terminals until their timeslot. Despite the availability of reservations for up to 16 hours in a day, independent owner/operators are limited by commercial vehicle safety rules for hours of service[3], and can not leverage the extended hours in the same way as a company truck staffed with multiple drivers.

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[3] http://www.cvse.ca/national_safety_code/pdf/HOS_Service_Rules.pdf

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3 GLOBAL PRACTICES

A review of global practices was conducted to develop a comparative baseline to understand the current state of the Vancouver Gateway and the individual impacts of recent legislative changes, as well as to inform and validate the recommendations. The review was focused on comparable ports and terminals which have recently implemented structural or legislative changes to their industry and operations, which may provide insight through successes, lessons learned and unresolved issues.

Based on our knowledge of the global drayage industry and the input from the OBCCTC, the research was focused on 4 ports:

a. Port of Seattle
b. Port of New York and New Jersey
c. Port of Los Angeles / Long Beach
d. Port Botany (New South Wales, Australia)

The purpose of the research was to identify the effects of the industry as a result of:

1. Limiting the total number of Trucks or Owner-operators
2. Placing Environmental Restrictions on Trucks
3. Use of a Reservation System at Terminals

3.1 Industry Limits on Drayage Trucks

The Container Trucking Services Licence in the Port of Vancouver requires that all Container Trucking Services conducted by the Licence Holder be undertaken using trucks with Truck Tags allocated by the Commissioner. The Commissioner reserves to his or her entire discretion the determination of the number of Truck Tags allocated to the Licence[4].

Industry Limits on Drayage Trucks		
Port of Vancouver	Limited by Truck Tags	No limits on Owner-operators
Port of Seattle	No limits on Total Trucks	No limits on Owner-operators
Port of NY/NJ	No limits on Total Trucks	No limits on Owner-operators
Port of LA/LB	No limits on Total Trucks	No limits on Owner-operators
Port Botany	No limits on Total Trucks	No limits on Owner-operators

Of the jurisdictions reviewed, only the Port of Vancouver limits the number of trucks accessing the Port. All jurisdictions reviewed include registration requirements for any company or vehicle to access the port, which may include, but are not limited to, fees, security checks, technology

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[4] http://obcctc.ca/wp-content/uploads/2016/12/2016-04-01-SAMPLE-Container-Trucking-Services-Licence-1.pdf

requirements and environmental requirements. Once all requirements are met, access to the terminals are granted.

Within all jurisdictions reviewed, including the Port of Vancouver, there are no formal limitations on the total number of Owner-operators in the industry. However, jurisdictions which have implemented environmental restrictions on vehicles have seen an impact on the entrance of new Owner-operators to the industry, due to the higher cost of compliant vehicles.

3.2   Environmental Restrictions

The high volume of drayage activities in urban centers has prompted local and regional governments to implement environmental restrictions on vehicles used for drayage. Restrictions are typically in the form of truck age requirements, which align to existing federal requirements for emission limits.

Environmental Restrictions on Drayage Trucks	
Port of Vancouver[5]	New Trucks: 2010 or newer Existing Trucks: Must be retrofitted with a DPF or DOC
Port of Seattle[6]	2007 or newer by January 1, 2018
Port of NY/NJ[7]	1996 or newer by January 1, 2018 All new entrants, 2007 or newer * Postponed requirement for 2007 or newer by January 1, 2017
Port of LA/LB[8]	2007 or newer by January 1, 2014
Port Botany	No environmental regulations for drayage trucks

In 2016, the Port of NY/NJ postponed their requirement for all trucks to be an engine model year 2007 or newer by January 1st, 2017. The high volume of trucks (over 6,000 in 2016) which would need to be replaced and the high cost of replacement caused concern for the continuity of the industry. To continue improvement, truckers are supported by a Truck Replacement Program[9] grant which helps to subsidize some of the replacement cost, and no new trucks with pre-2007 engines can join the registry.

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[5] https://www.portvancouver.com/wp-content/uploads/2015/05/TLS-Environmental-Requirements-Program-Package-1.pdf
[6] https://www.portseattle.org/Environmental/Air/Seaport-Air-Quality/Documents/Drayage_Truck_Scrapping_Program_FAQ.pdf
[7] http://www.panynj.gov/dtr/
[8] https://www.arb.ca.gov/msprog/onroad/porttruck/arbdoc/sumreg.pdf
[9] https://www.panynj.gov/truckers-resources/truck-replacement.html

Port of Seattle has a similar program, SCRAPS2[10], to help truck owners meet the January 2018 requirement. Leading up to 2014, multiple jurisdictions in California offered grants to support the replacement of older vehicles to meet emissions requirements. These programs offer various levels of financial support which helps to subsidize some of the replacement cost.

Since the 2007 age restriction in California was enforced in 2014, the industry has seen a rise in "Leased Driver". The cost of purchasing a new or used truck which meets the emissions requirements is too high for aspiring Owner-operators to join the drayage industry. Instead, the trucks are purchased by Licensed Motor Carriers (equivalent to TLS Licence Holder) which then lease the truck to Owner-operators.

In some cases, the "Leased Driver" agreement works well for both parties, however in other cases it results in significant restrictions being placed on Owner-operators. A recent article in the USA Today[11] detailed stories of "Leased Drivers" who can not terminate their relationship with their lessor, are forced to work long hours and are not given enough work to earn a substantial salary.

3.3   Use of Reservation Systems

As stated earlier in the report, the effectiveness of and operation of the reservation systems are outside the scope of the assessment and recommendations for this study, however it is important to understand comparable jurisdictions and their key operating differences, which includes the use of reservation systems to reduce wait time and terminal congestion.

Reservation Systems for Port Access	
Port of Vancouver	Reservation system in use at all terminals
Port of Seattle	No reservation system
Port of NY/NJ	Newly implemented at 1 of 4 main terminals[12]
Port of LA/LB	10 of 13 container terminals as of 2016[13]
Port Botany	Implemented in 2014

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[10] https://www.portseattle.org/Environmental/Air/Seaport-Air-Quality/Documents/ScRAPS2_Handout_Web.pdf
[11] https://www.usatoday.com/pages/interactives/news/rigged-forced-into-debt-worked-past-exhaustion-left-with-nothing/
[12] http://www.joc.com/port-news/us-ports/port-authority-new-york-new-jersey/ny-nj%E2%80%99s-gct-bayonne-boosts-appointment-slots_20170623.html
[13] http://www.pierpass.org/appointment-systems/

Port of the Seattle does not currently use a reservation system, though they launched a data sharing application in 2016, which includes real-time information about terminal wait times and traffic[14]. However, recent surges in business has increased terminal traffic and increased wait times to as much as a day on rare occasions[15].

Port of NY/NJ implemented a pilot program for a reservation system at one of it's main terminals (GCT Bayonne) in January 2017, which initially required a reservation to enter the terminal from 6am to 8am. Given the level of participation and demand, as of June 2017, trucks entering between 6am and 11am require a reservation (the terminal is open until 4pm). The terminal plans to continue growing their window for reservations as participation and demand for reservations increase. Statistics from April 2017 show average turnaround time for pick-ups with a reservation is 45% lower than turnaround time for pick-ups without a reservation.

Following updates to their reservation system in 2014, terminals at the Port of LA/LB measured improvements in wait times and turnaround times. As a result, PierPass (a not-for-profit company created by terminal operators of LA/LB) announced the expansion of reservation systems from 7 of 13 terminals to 10 of 13 terminals in 2016.

Port Botany implemented their Vehicle Book System in November of 2014.

3.4   Comparative Summary

Based on our review of other relevant major jurisdictions, the following table summarizes the Port of Vancouver's position in contrast to comparable ports.

	Fleet Size Limitations	Environmental Restrictions	Reservation Systems
Port of Vancouver	Unique	Industry Aligned	Leader
Major Differences	VFPA is the only major port reviewed which limits the number of trucks accessing the port.	VFPA environmental restrictions on trucks are aligned with most other major ports reviewed.	VFPA is an early adopter in the use of reservation systems. Reservations are used for nearly all gate activities.

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[14] http://www.joc.com/port-news/terminal-operators/seattle-tacoma-ports-flex-apps-reduce-terminal-time-waits_20161021.html
[15] http://www.joc.com/port-news/us-ports/port-seattle/new-alliance-business-overwhelms-seattle%E2%80%99s-largest-terminal_20170531.html

4   STAKEHOLDER CONSULTATIONS

4.1   Call for Submissions

Prior to engaging a third-party to undertake a review of the Truck Tag System, the OBCCTC issued a bulletin calling for submissions as part of its Truck Tag System Consultation, which closed on March 31, 2017.

The OBCCTC received 15 submissions from industry participants and stakeholders, which ranged from short informal emails to highly detailed surveys, analysis and recommendations. The submission format was free form and submissions were not required to submit comments on any specific content. Submissions were categorized by the type of organization which submitted, including:

- O/Os - Owner-operators and Organizations representing Owner-operators
- License Holders – License Holders and Organizations representing License Holders
- 3rd Party – Industry stakeholders, such as the Ministry of Transportation, Port of Vancouver

The submissions were reviewed and analyzed to identify which issues/ideas were most prevalent in the industry, and which organization type supported them

4.1.1   Identified by all organization types

Issues related to the free movement of O/Os between Licence Holders were raised by all organization types.

- The restrictions placed on O/O movement by Section 8 of the Sponsorship Agreement is resulting in harmful behaviour by both Owner-operators and License Holders.

> 7)   either the Sponsor or the Sponsored IO may terminate the Sponsorship at any time, upon notice to the other party, and to the Commissioner;
> 8)   within forty-five (45) calendar days of termination:
>   a) if the Sponsor terminates, the Sponsored IO may secure an alternate Sponsor; and
>   b) if the Sponsored IO terminates, the Sponsor may either secure an alternate Owner Operator through Sponsorship or add an Approved Vehicle; and
>   c) if neither a) or b) occurs, the original Truck Tag is automatically subject to re-allocation by the Commissioner in his or her discretion;

As per the formal submissions, given that the Truck Tag vacancy rate is approximately 1%[16], O/Os are unwilling to terminate a sponsorship agreement voluntarily, because they are unlikely to find a vacant Truck Tag with another Licence Holder. Conversely, License Holders are unwilling to terminate the sponsorship of an O/O because it will result in the loss of the Truck Tag, and they will be unable to add a new O/O to their fleet.

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[16] Statistics provided by Port of Vancouver

From our interviews, there were allegations that each side is engaging in behaviour which encourages the other to terminate the sponsorship agreement.

- Allow a TLS approved truck to move with its O/O owner to a new License Holder

Further limiting the movement of O/Os is the VFPA environmental and truck age standard. Current VFPA policy, which is controlled by VFPA and not the OBCCTC requires O/Os who voluntarily terminate their relationship to meet current standards when moving to a new License Holder. Those O/Os operating trucks with a truck age exemption based on their existing TLS approval would be required to upgrade to a newer truck, which may not be financially viable. This issue was raised by O/Os and License Holders, as well as the Port, as a limiting factor in O/O mobility.

4.1.2   Identified by License Holders

Submissions from License Holders focused strongly on the timing and criteria for additional Truck Tag Issuance.

- Criteria for Truck Tag allocation should consider business type and operating models
- Performance levels or criteria required to be granted additional Truck Tags is unclear

Many License Holders were concerned with their perceived ability to obtain additional Truck Tags under the current approval process. As per one submission to the OBCCTC's consultation, "The VFPA's balanced scorecard plays a critical part in the OBCCTC's role in determining whether applications to expand fleets are granted….it does not accurately represent efficiency or productivity because it compares individual company performance against an industry average." Variations in business models may include the location of customers, customer operating hours, import trips vs. export trips, use of company trucks or independent owner/operators, length of shifts and use of trucks for non-port work.

Additionally, there is a timing issue regarding the evidence needed to demonstrate exceptional circumstances. Potential customers may be unwilling to award a contract to a Licence Holder without the proof they have sufficient Truck Tags to fulfill the contract, meanwhile the OBCCTC will not issue additional Truck Tags until a Licence Holder has been awarded a contract which will require additional Truck Tags to fulfill.

- Ability to utilize a Truck Tag when a truck is unavailable

There are many scenarios which result in a truck being unavailable for work, primary being maintenance & repair and vacation time for independent owner/operators. Section 9 of the Sponsorship Agreement provides a framework for an unplanned absence of a Sponsored IO, however this does not apply legislatively or operationally to many situations for Truck Tag unavailability.

4.1.3 Identified only by O/Os

The only issue identified solely by representatives of O/Os is the desire to limit the total fleet size of O/Os.

- The number of O/Os should be limited, with no additional entrants

No additional rationale was provided to the OBCCTC during the initial consultation period for why number of independent owner/operators should be limited.

4.1.4 Conflicting between O/Os and License Holders

The ownership of the Truck Tag to access the Port is one point of disagreement between independent owner/operators and Licence Holders, as:

- Independent owner/operators indicate they should be able to retain Truck Tags and
- Licence Holders indicate they should always retain Truck Tags

The primary argument by independent owner/operators is that they should retain their tag (or an equivalent approval) so that they can move freely between Licence Holders, without risk of losing their VFPA approval.

Conversely, the primary argument by Licence Holders is that they should retain the Truck Tag because it was issued to them based on their volume of business, they paid for the Truck Tag and related security deposit, and it is needed to continue serving their customers.

4.2   Follow-up Consultations

Based on the review and analysis of the OBCCTC's initial call for submission, a further round of consultations was conducted in person to discuss the consolidated issues and possible solutions. An increased number of stakeholders from a broader range of groups were invited to participate in consultations. Consultations occurred between June 5th and July 14th, 2017

Direct Stakeholders	Indirect Stakeholders
TLS Licence Holders – 8	Industry Associations – 3
Labour Associations – 2	Port, Terminals, Container Facilities – 3

For each consultation, the organization we met with was provided with the consolidated issues and the group was facilitated through a discussion of the issues presented, as well as a discussion of possible solutions. A standard presentation was used for these meetings, a copy of which can be referenced in Appendix A.

The discussions during the consultations were consistent in both content and tone with the initial consultations submitted to the OBCCTC; participants were neither surprised nor opposed to the findings and opinions that were shared. However, there were significant differences in the various means for resolving issues within the Truck Tag Management system. Depending on the stakeholder group, solution options ranged from reduction in scope of legislation (such as a complete elimination of the Truck Tag system), to increasing the scope of legislation (such as a new class of licence for independent owner/operators) and various modifications to existing legislation.

Throughout the consultation process, solution ideas were discussed and refined independently, as well as in aggregate. Following the consultation process, the complete set of solutions proposed and discussed were compiled, reviewed and evaluated, leveraging the Truck Tag system analysis to validate claims and anecdotal evidence provided by stakeholders. Combining the consultations, jurisdictional research, Truck Tag system analysis and scenario planning exercises were used to determine the final compilation of recommendations found in section 6 of the report.

5 TRUCK TAG SYSTEM ANALYSIS

Prior to developing recommendations, data was used whenever possible to better understand the dynamics of the industry, operations of individual companies and trends in company trucks vs. independent owner/operators. The analysis was further used to discuss potential recommendations and future state scenarios.

5.1 Business Types in the Industry

Through our consultations we identified 3 primary business models that are in operation in the Vancouver Gateway, though variations exist within these business models as well. Each is identified below by a title, a description of the operations, and the variants that exist. The business types will be used throughout the analysis to describe various scenarios and comparisons of company performance.

5.1.1 Large Drayage Primary (LDP)

The first category of business are larger operators for whom Drayage services – both export and import - are the primary business. Operators of this type are characterized by larger fleets, most frequently with a bias towards use of owner operators over company owned trucks. Large Drayage Primary fleets are on average about 75% owner operator vs. company driver and in many cases are almost entirely owner operator.

These fleets are successful by developing efficient dispatch practices, as well as focussing on reservation efficiency. They have numerous contracts with Beneficial Cargo Owners for primarily local haul of goods to and from the Port, or to/from off-dock facilities. In some cases, Large Drayage Primary operators will have additional business operations that supplement their core drayage offering, including off-dock storage, container trans-loading, as well as empty container storage.

In the event of a decrease in work volumes Large Drayage Primary operators will tend to share the work between drivers in the fleet, resulting in reduced volumes across the fleet, or will see a group of owner-operators step away for extended vacation, or to pursue secondary employment. In the event of additional work volumes, these operators will either expect greater effort (hours) from their existing driver pool or will subcontract work to other operators.

Collectively, a small group of companies (~10% of fleet) make up about 50% of the total truck volume.

5.1.2 Small Drayage Operators (SDO)

The second category of businesses are small operators wholly focussed on the Drayage space. These operators have tags for less than 20 (and in some cases less than 10) trucks. Operators of this type are similar in size – a mix of owner/operator or company drivers – but get their business in multiple ways.

In some cases, these operators are effectively subsidiaries of large drayage primary companies. This is occurring for two reasons, first, because the reservation log-ins for the terminals are

limited by company and this provides larger firms with greater reservation access. The second reason is that the provincial legislation limits the abilities of the companies to merge business, so a near arm's-length arrangement is seen as most effective. For some of the Large Primary Drayage firms they are controlling or associated with multiple small drayage operators.

Other small drayage operators are focussed on serving a small set of Beneficial Cargo Owners. They provide dedicated service to these firms, and are able to secure enough work to support their fleets. Others are finding some of their business through Large Primary Drayage firms acting as sub-contractors for overflow work. These companies would obviously be at risk of greater impacts from industry wide slow-downs as presumably larger companies will prioritize their own fleets over sub-contracted labour.

Collectively the small drayage operators make up about half the companies in the fleet, but are a smaller percentage of the total Truck Tags.

5.1.3   Integrated Logistics Providers (ILP)

The third company type are Integrated Logistics Providers. These companies provide a broad cross-section of services to their clients including: end-to-end logistics services whether by rail, air, sea or truck; warehousing, transloading and custom brokerage services. For these providers, the ability to provide dray services to and from the Port of Vancouver is a necessary component of their business. ILPs typically have smaller fleets, and primarily employ company drivers. Drayage services are generally a smaller portion of the operations of these businesses and as such metrics surrounding performance, number of turns, or volume of moves will be less indicative of overall company performance than for a drayage specific business.

5.2   Ranges in Demand and Trucking Efficiencies

As discussed earlier in this document, the annual growth in Port Gate Activity has ranged between 2% and 4% since 2014.
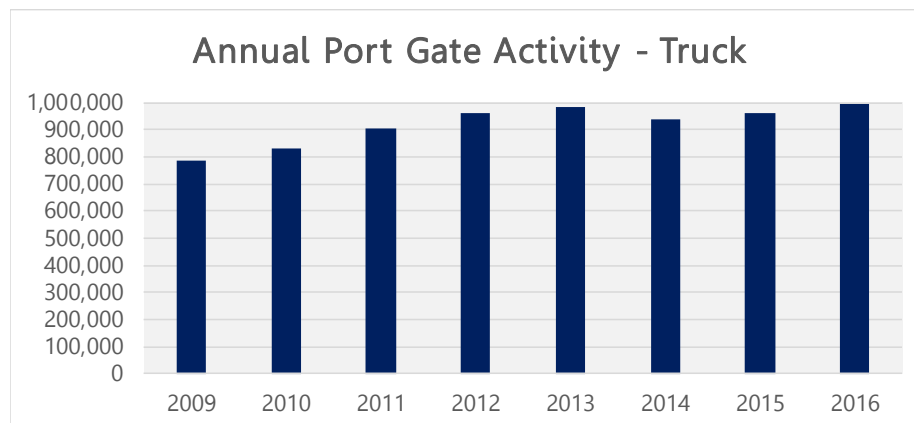

Figure 4: Annual Port Gate Activity

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The data used for this analysis was provided by the Port of Vancouver and only includes on-dock moves. Off-dock moves would be in addition, and increase the total number of trips per day per truck. The total volume of off-dock moves increases and decreases in relation to the on-dock moves, and the variation in total workload per company is expected to be similar when including off-dock moves as well.

While the growth rate of 2% to 4% annually is quite stable for an industry, monthly gate activity shows a much higher fluctuation in operations, because of seasonality, economic trends and market competition.
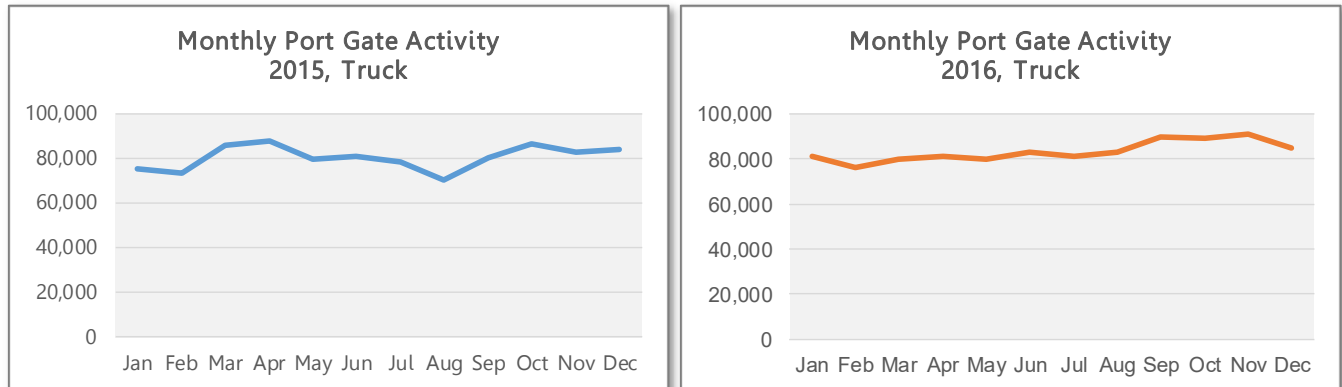

Figure 5: Monthly Port Gate Activity

In the past 2 years, monthly volumes have peaked at significant levels above the minimum volumes, 25% in 2015 and 20% in 2016, which is a significant difference in operating volume for a fixed size of fleet. This issue is exacerbated at the company level. The following examples were selected from actual data to demonstrate the range in operating performance that exist across Licence Holders of a similar business types.
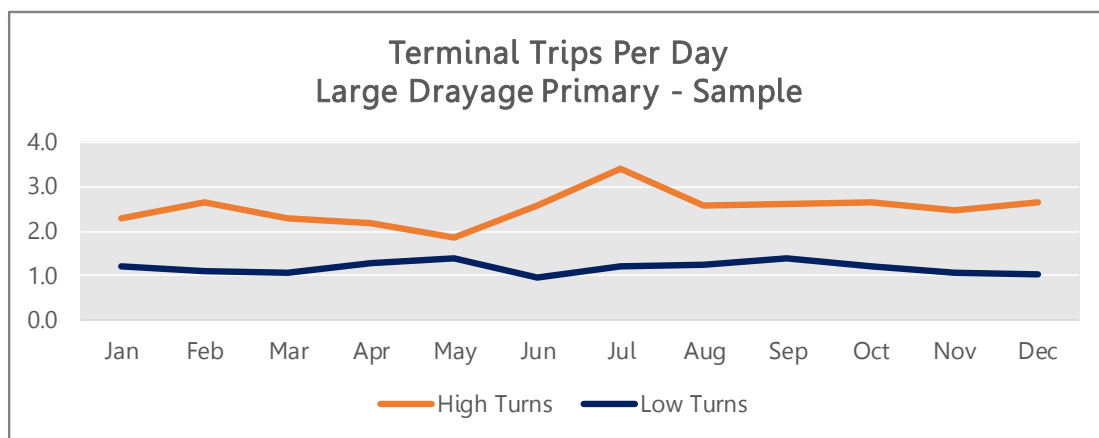

Figure 6: Large Drayage Primary - Terminal Trips Per Day

For large companies operating over 40 trucks, the monthly terminal trips per day can range from less than 1 to greater than 3, a 200% difference in number of terminal trips.

The figure above illustrates the operating efficiency of 2 large drayage primary (LDP) companies. The more efficient company averaged 1.9 to 3.4 trips per day, while the less efficient company averaged 1.0 to 1.4 trips per day.

For the more efficient company, their peak level represents a volume of 34% above their average and 81% above their low. For the less efficient company, their peak level represents a volume of 17% above their average and 44% above their low.
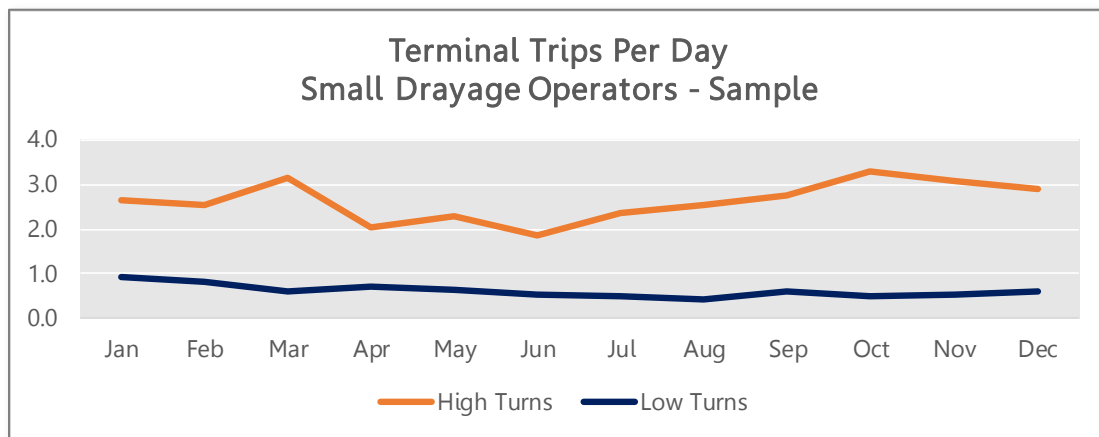

*Figure 7: Small Drayage Operators - Terminal Trips Per Day*

For smaller operators, operating between 10 and 20 trucks, the monthly terminal trips per day can range from 0.3 to 3.4, a 1000% difference in number of terminal trips.

The figure above illustrates the operating efficiency of 2 small drayage operators (SDO). The more efficient company averaged 1.8 to 3.3 trips per day, while the less efficient company averaged 0.4 to 0.9 trips per day.

For the more efficient company, their peak level represents a volume of 26% above their average and 79% above their low. For the less efficient company, their peak level represents a volume of 48% above their average and 122% above their low.

5.3   Managing an Increase or Decrease in Volume

From consultations with stakeholders, there is a belief that O/Os and company trucks are treated differently. Due to the per trip compensation of O/Os and uncertainty in turn times at the terminals, it is believed that O/Os are preferred over company trucks for on-dock moves. The figure below, which represents on-dock moves only, indicates that this may be true. When the total volume of on-dock moves increased, beginning in June of 2016, the number of trips per day undertaken by O/Os increased first, but it appears once they hit capacity, License Holders began using more company drivers to meet the increasing demand beginning in August. In December, when demand began to drop, O/Os maintained their volumes, while company trucks saw a decrease in volume.
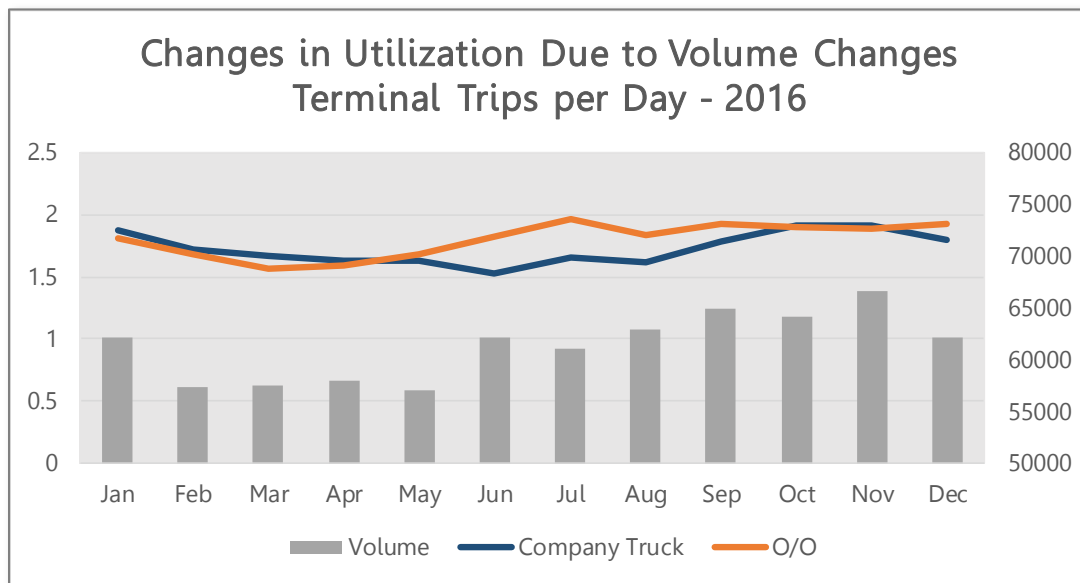
Figure 8: Changes in Truck Type Utilization

The data shown supports the belief that under current compensation structures, independent owner operators are generally preferred over company trucks for on-dock container moves, however each organization manages their mix and allotment of vehicles differently, depending on their specific operating constraints, which are discussed in the following section.

5.4 Levers and Limitations of Trucking Efficiencies

The analysis in section 5.1 shows the wide-ranging capabilities of companies in their trucking efficiencies, which is significantly impacted by their operating model and their capabilities in dispatching. The following is a partial list of operating modes/constraints which directly affect a company's ability to increase its terminal trips per truck.

Lever / Limitation	Detail
Hours of Service (Type of ownership – company truck or independent owner/operator)	A company truck can operate for a longer period in a single day by assigning multiple drivers. Independent Operators generally resist putting another driver in the truck and are therefore limited by Hours of Service regulation and personal limitations on working hours.
Operational Capabilities (Ex: Reservations, Dispatching and Monitoring)	Dedicated, specialized resources for dispatching can improve a fleet's efficiency, including aligning double-ended moves and real-time adjustments to assignments. This can be further optimized with improved ability to capture available reservations from the reservation systems.
Customer Profile (Ex: Location and Hours of Operation)	Companies serving customers with short distance drop-offs and longer hours of operations have higher flexibility and predictability when planning and dispatching vehicles. Longer trips, traffic issues, and shorter days limit a company's ability to maximize their fleet.

Due to the significant variation in TLS Licence Holder company sizes, make-up of fleet ownership, customer profile and operations capabilities, the significant ranges seen in average trips per day is expected.

While the efficiency of the overall industry fleet and individual company fleets can be improved, it is expected that some companies will always perform below average; not necessarily because of operational capabilities, but because of structural elements of their business such as the ownership structure of their fleet and the profile of their customers.

5.5 Limitations in Data and Metrics for Evaluation

Currently, the OBCCTC uses TLS Scorecards provided by the Port of Vancouver to assess Licence Holder performance. The data included in the TLS Scorecards includes company wide performance, not separated to see the number of trips per day for company trucks or independent owner/operators. See the sample below.
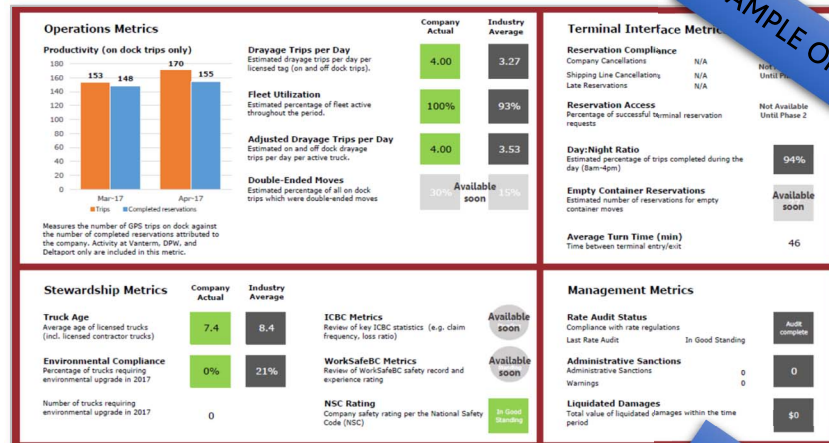
It is also important to note, as described in section 5.2, the data used for the analysis in this report as provided by the Port of Vancouver only includes on-dock moves. While the data for on-dock moves is based on specific events at Port Terminals, the data for off-dock moves is based on events at non-port facilities. The OBCCTC's oversight includes both on-dock and off-dock moves, and their review of Licence Holders should include additional details for both.

5.6 Effects of Oversupply or Undersupply of Trucking Capacity

In a typical, free market industry, with no limits on the number of participating companies or their fleet, we would expect to see the industry behaviour aligned to **either** an oversupply of trucking capacity **OR** an undersupply of trucking capacity. However, given the current regulations we are seeing industry behaviours aligned to **both an oversupply of trucking capacity and an undersupply of trucking capacity.**

The reason the industry is experiencing these behaviours simultaneously is that both of these scenarios are occurring simultaneously. By limiting O/O mobility and tightly controlling the Truck Tags, individual Licence Holders may either:

a. have too many Truck Tags, which they are unwilling to give up out of fear they will not be able to get them back, causing them to have an oversupply of trucking capacity

b. not have enough Truck Tags because they had a sudden or temporary surge in business, causing them to have an undersupply of trucking capacity
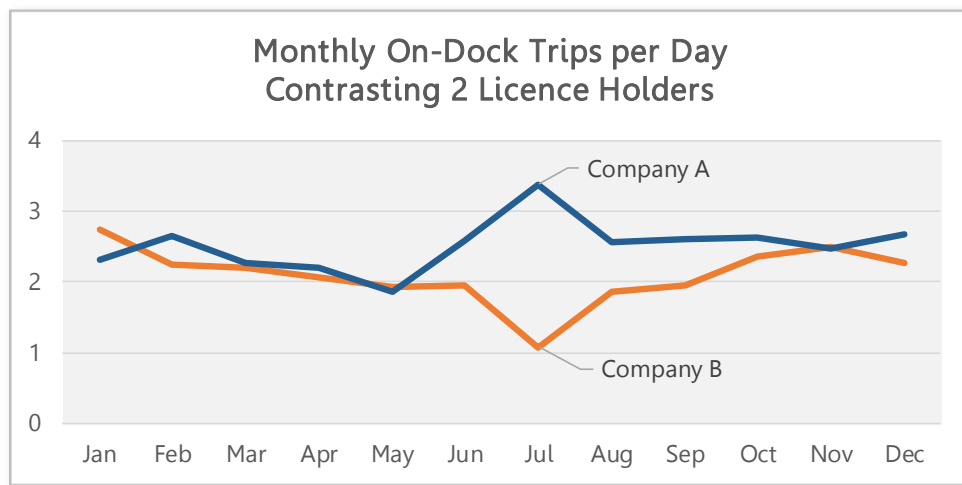
Figure 9: Contrasting Performance of 2 Licence Holders

The figure above represents actual 2016 data from 2 comparable Licence Holders, both with greater than 25 Truck Tags, a constant number of Truck Tags throughout the year, and a similar annual average for on-dock trips per day. However, the major difference was their workload in July. Company A saw their on-dock workload surge in July by 34% over their annual average, while Company B saw their on-dock workload plummet in July by 49% below their annual average.

These companies faced opposite trucking capacity problems at the exact same time of year, however Company A was unable to hire any additional operators (if they wanted to) without additional Truck Tags, and operators for Company B may not able to leave and find a new sponsor if they would lose their TLS approval status or if there were no vacant Truck Tags to move to.

5.6.1   Explanation 1: Potential behaviours if there are not enough trucks

When a company has a surge or growth in business, and can not increase their fleet size to meet their operating needs, we may see various positive or negative effects, depending on the situation and capabilities of the company.

Increasing their business without increasing their fleet size may have positive effects, such as:

- ✓ Increased Fleet Efficiency: Dispatchers are forced to be more efficient with their available fleet, such as double-ended moves and faster turnaround times
- ✓ Higher Turns per Day: Independent owner/operators increase their trips per day, which increases their daily revenue

However, availability of reservations, dispatching availability and hours of service rules of drivers may impede those possible positive effects. As a result, companies may sub-contract their work to TLS Licence Holders, which lowers their own profitability, or they may engage in operating behaviour with negatives effects, such as:

- ✘ Hours of Service Violations: Companies may encourage drivers to violate hours of service rules to increase capacity
- ✘ Unapproved Trucks for Off-Dock Moves: Companies may choose to use untagged trucks for off-dock moves, which is against regulations and difficult to enforce
- ✘ Missed Reservations: Companies are unable to make their reservation times, which reduces terminal efficiency

5.6.2   Explanation 2: Potential behaviours if there are too many trucks

Conversely, when a company sees a reduction in their business, whether permanent or temporary, we expect to see different positive or negative effects, depending on the company's willingness to manage their fleet.

A decrease in business may:

- ✓ Encourage O/O Mobility: A company may terminate a sponsorship agreement, forcing independent owner/operators to find a sponsor with more trips per day

However, under current restrictions, a company is unlikely to proactively reduce its fleet size and independent owner operators are unlikely to terminate their sponsorship agreement. The result is not enough work for too many trucks, which may result in negative effects, such as:

- ✘ Insufficient Work for O/Os: Companies can't offer sufficient work for O/Os to make a living wage.
- ✘ Hours of Service Violations: Drivers voluntarily ignore hours of service rules to perform any available trips
- ✘ Not Paying Full Rate: Companies may force drivers to work for rates below legislated rates to receive available work

6 RECOMMENDATIONS

After considering the information gathered from the consultations, the findings of the industry research, and a review of the data analysis, Cascadia has developed a set of recommendations based on the following guiding principles. The intention of these guiding principles is to identify a set of goals and outcomes that all stakeholders in the gateway agree on, which taken collectively provide guidance for the changes recommended.

Guiding Principles
Independent owner/operators should have the ability to move freely between TLS Licence Holders.
TLS Licence Holders should have the ability to manage their independent owner/operators without reducing their capacity to serve their customers, assuming they do so within the confines of the law and their existing agreements.
TLS Licence Holders should not be inhibited from growing their business and managing their own long-term business risks.

The following recommendations are intended to address the major issues identified by the broad cross-section of stakeholders who contributed thoughts and ideas to this study. The major recommendations are intended to be treated as a group, in that they work together to address the major systemic issues that have been identified. If one or some of the recommendations are removed there may be unintended consequences not identified herein, as there is a large degree of interplay between the recommendations.

The core recommendations outlined in this report are grouped as follows:

Recommendations
1. Increase mobility and business accountability for independent owner/operators
1.A Maintain Truck Age Exemption through sponsorship change
1.B Licence Holder to always retain Truck Tag through sponsorship change
1.C Remove the 45-day requirement to re-assign a Truck Tag
2. Actively manage the total number of Truck Tags in the fleet
2.A Ease Truck Tag Issuance
2.B Proactive Truck Tag Withdrawal
2.C Active Fleet Size Management
3. Actively manage the total number of independent owner/operators in the fleet
3.A Set a maximum on the number of Independent Owner/Operators
3.B Periodically review maximum number of Independent Owner/Operators
3.C Allow new Independent Owner/Operators to join the industry by lottery
4. Various Recommendations to Improve Industry Practices

6.1   Recommendation 1: Increase mobility and business accountability for independent owner/operators

1.A Maintain Truck Age Exemption through sponsorship change - Independent owner/operators who operate a TLS approved truck under a sponsorship agreement with a Licence Holder should be able to transfer that status to a new sponsorship agreement and Licence Holder if they met environmental restrictions in their previous sponsorship agreement, with a limit (ex: 90 days) between sponsorship agreements.

1.B Licence Holder to always retain Truck Tag through sponsorship change - The TLS Licence Holder should always retain the Truck Tag regardless of who terminates the Sponsorship Agreement. Existing labour laws and/or union agreements should be used to ensure that terminations are fair and reasonable.

1.C Remove the 45-day requirement to re-assign a Truck Tag - Increasing the Truck Tag vacancy rate is one component of increasing O/O mobility, and depending on the time of year, there may not be sufficient supply or demand to fill a Truck Tag

A major concern identified by all parties is the lack of mobility for independent owner/operators (see section 4.1.1). Increasing mobility will allow independent owner/operators to seek out better sponsorship opportunities without the risk of losing their ability to obtain TLS approval. The recommendations also improve the likelihood that drivers who are unhappy with their current work situations will seek out better arrangements, while providing TLS Licence Holders with the ability to manage their fleet and continue to deliver services to their clients at the contracted service level.

6.2 Recommendation 2: Actively manage the total number of Truck Tags in the fleet

2.A Ease Truck Tag Issuance - Reduce constraints for issuing additional Truck Tags to companies with new business, with the consideration that companies being issued new tags commit to maintaining the number of turns per day for independent owner/operators, as well as their overall company performance, subject to periodic reviews.

2.B Proactive Truck Tag Withdrawal - Conduct consistent periodic reviews of Licence Holder performance for the purpose of Truck Tag withdrawal. Reviews are intended to identify companies that have been issued additional Truck Tags but are not maintaining their commitments, as well as companies that have seen a prolonged decrease in performance and volume.

2.C Active Fleet Size Management - Monitor trends in industry performance, including audit results, safety record, port related penalties, and double-ended moves to identify situations when it is beneficial to actively manage the total fleet size of company and owned trucks. If needed, set a fleet reduction target and aggressively apply the process for Truck Tag Withdrawal to reach the target level.

The current process for issuing Truck Tags has shown to be prohibitive for Licence Holders to grow their business and prohibitive for creating opportunities for independent owner/operators to move to new Sponsorship Agreements. Evaluating a Licence Holder's performance against industry averages does not consider the difference in business models (see section 5.1 and 5.4) or the incomplete data being used to make the evaluation (see section 5.5). Lowering the threshold for issuing new Truck Tags will allow Licence Holders to grow their business and compete more freely in the market, further increasing mobility of independent owner/operators. Withdrawing Truck Tags based on a Licence Holder's own history and commitment to performance levels is a fairer system for review, given the availability of data for comparison.

Ultimately, the use of Truck Tags and the evaluation of performance is intended to control the total size of the fleet. If a specific need arises, a Fleet Sizing activity should be conducted and Truck Tags can be withdrawn fairly across the industry to improve industry performance.

See Section 7 – Processes for Tag Management, 7.1 Issuing Tags and 7.2 Withdrawing Tags for additional detail.

6.3 Recommendation 3: Actively manage the total number of independent owner/operators in the fleet

3.A Set a maximum on the number of Independent Owner/Operators – Based on the current O/Os operating in the industry, set a limit on the number of active O/Os. Allow for the entry of new O/Os as existing participants exit the industry, or as the industry grows and requires additional capacity. Active status on the list of participating O/Os is assigned to a specific truck and individual, and is non-transferable. Active status is maintained when transitioning between sponsorship agreements, with a limit (ex: 90 days) between sponsorship agreements.

3.B Periodically review maximum number of Independent Owner/Operators – On a regular basis (ex: 3-months or 6-months), monitor the total traffic through the Vancouver gateway, the turnover of O/Os, and the total volume of work available per O/O. Adjust the maximum number of O/Os to manage industry needs, and open the application process to fill vacancies.

3.C Allow new Independent Owner/Operators to join the industry by lottery – All individuals wanting to join the industry should have an equal chance at receiving approval. When openings are available, request submissions for applications, and enter all qualifying applications into a lottery. Lottery winners would be given a fixed period to acquire a vehicle and find a sponsorship agreement, or the opportunity would be re-allocated.

Independent owner/operators in the current operating model are exposed to significant risks from changes in volumes of container traffic (see section 5.3). The increased cost of vehicles and day-to-day operations has led to increased risks for O/Os in the industry (see section 3.2), which ultimately increases risk and decreases stability for the Vancouver gateway. By actively managing the total number of owner/operators, the OBCCTC can help to decrease that risk, ensuring there are sufficient owner/operators to serve the industry competitively and that O/Os actively participating in the market have sufficient opportunity to remain financially stable. The maximum number should be managed to ensure the volume of work available per O/O is consistent and should only be increased when there is a reasonable expectation that the average trips per day offered to O/Os will not decrease below a desired level by adding O/Os to the fleet. To limit the negative effects of limiting new O/O entrants, the active status is non-transferable, new entrants are granted access by lottery, and efforts to circumvent the limits will be monitored (see section 7.4.1).

6.4 Recommendation 4: Various Recommendations to Improve Industry Practices

Unlike the previous 3 overarching recommendations with multiple elements, the following is a collection of independent recommendations which are intended to improve the overall operations of the drayage industry.

4.A Enhance the Accuracy and Quality of Data and Metrics used by the OBCCTC for decision making

As discussed in section 5.5, the data the OBCCTC uses from the Port's TLS Scorecards is limited to company level metrics and details for on-dock moves. Working with the Port, there are several areas where improvements in data would help increase the confidence level in decision making.

- Segregated Data by Truck Ownership: The Scorecards do not include a company's metrics broken down by company truck and O/O performance. Additionally, the total volume of off-dock moves is not specified in the total. For the OBCCTC to improve their decision-making confidence, they would benefit from access to more granular data and a deeper understanding of the Port's methodology for calculating metrics.

- Electronic Log Books: Truckers across the US are currently implementing Electronic Logging Devices (ELDs) to their vehicles to collect data for Hours of Service enforcement, ahead of a December 2017 deadline. Though not yet mandated in Canada, it is expected that similar requirements with be implemented in 2018. Once this information is available, the OBCCTC would benefit from this data for audit purposes, as well as validating how much time each driver is operating the truck.

- Financials: Develop standards for reporting total work volume and financials being paid to independent owner/operators. Metrics gathered from GPS is only one source, and the OBCCTC will likely face pushback when deciding to withdraw Truck Tags using only that dataset. By developing a standard form of reporting financials, companies can ensure they are collecting and maintaining appropriate records to submit to the OBCCTC in case there is a disagreement on the use of Truck Tags.

4.B Consider the use of an application fee to support the cost and operations of Truck Tag issuance and Truck Tag withdrawal

If recommendations "2.A Ease Truck Tag Issuance" and "2.B Proactive Truck Tag Withdrawal" are accepted and implemented, the OBCCTC will receive an increase in the total number of Truck Tag requests. Adding an application fee will serve three primary purposes:

1) Decrease the number of low quality submissions. Despite the current requirements for submission of new Truck Tag requests, the OBCCTC continues to get applications which do not meet the minimum requirements for acceptance. A fee will increase the likelihood that applicants will increase effort levels to meet requirements for their submissions.
2) Discourage companies from requesting Truck Tags prematurely. Currently, companies request Truck Tags based on the pursuit of work. Ideally, companies would only request additional tags once they have secured new work. The addition of a fee would help to change behaviours and limit the unnecessary issuance of Truck Tags.
3) Help offset additional costs of proactively managing company performance for the purpose of Truck Tag withdrawal. The fee is not intended to cover the total cost, but does provide some financial support for the additional effort needed to implement these recommendations.

4.C Improve education for independent owner/operators regarding legislation and fair practices.

As described in section 5.3 and the recommendations regarding independent owner/operators, operating as an O/O carries significant risks and participants can be susceptible to undesirable operating practices if they are not properly educated. During our consultations, it was clear that there is an inconsistent level of knowledge on the rights and responsibilities of independent owner/operators. Educating and increasing their knowledge would be beneficial to individuals and to the industry. New entrants should be required to complete training program (offered in both English and Punjabi) to explain their rights and responsibilities as independent owner/operators. The OBCCTC could mandate the training as part of the application to be in the lottery for new O/Os (recommendation 3.C). The training could be offered either through the Commissioners' office or a third-party.

4.D Allow the re-assignment of Truck Tags on a temporary basis to accommodate vehicle downtime and unavailability.

There is currently no process for temporarily assigning Truck Tags when vehicles are unavailable due to breakdown or regular maintenance. Additionally, there is no quick or convenient way to add a GPS unit to a temporary vehicle. This issue effects both Licence Holders, who must operate with a reduced fleet, and independent owner/operators who unable to work and earn income. The goal of this recommendation is to limit the impact of having foreseen vehicle downtime, without the need for a larger fleet or a 'grey fleet' with a different set of rules of operating. To expedite the process of getting a short-term replacement vehicle into service:

- Incorporate the use of temporary GPS units which are easily shipped and installed by Licence Holders or O/Os, which can be deactivated after a set period.
- Re-assign a Truck Tag or assign a temporary Truck Tag which can be terminated after a set period.

Additional consultation with the Port of Vancouver and the GPS technology provider would be required to develop the most appropriate solution.

7 PROCESSES FOR TAG MANAGEMENT

Based on the recommendations of section 6, the following processes for Tag Management have been drafted to provide additional clarity for understanding and implementation.

7.1 Issuing Tags

Licence Holders would be permitted to submit requests for Truck Tags at any point in the year. Submissions would require an explanation of intended Truck Tag usage and expected performance levels of their fleet and O/Os once the Truck Tags are issued.

The high variation in operating models of the over 90 Licence Holders make it difficult to objectively benchmark performance against the entire fleet, or even subsets of the fleet. Allowing Licence Holders to grow their company under the conditions that they maintain or improve their performance is a more objective method for approvals, allowing Licence Holders the opportunity to grow.

If a Licence Holder can demonstrate to the OBCCTC how they intend to use additional tags, they commit to maintaining performance levels of their fleet as well as the performance level of their independent owner/operators, and they continue to be in good standing and in compliance with the Act and Regulations, then the OBCCTC would issue the additional, permanent tags (non-provisional). Note, additional Access Agreement charges may apply.

7.1.1 Reducing Unnecessary Requests and Issuances

The most likely case for requesting additional tags is in competition for new business, and Licence Holders may wish to ensure they will be issued new tags in the event they are successful in winning a contract. As a result, Licence Holders may request new Truck Tags which they ultimately will not need.

The following measures will assist in reducing unnecessary administrative work, and are mutually exclusive:

1) Issue Tags on Request After Approval: Wait to issue the Truck Tags until specifically requested by the Licence Holder. Approval can be valid for a fixed period following notification of the approved request. This will give Licence Holders a guarantee they will be issued Truck Tags when bidding for new work, without the administrative effort of issuing and withdrawing tags if they are unsuccessful in their bid
2) Communicate Turnaround Times: Knowing the turnaround times for reviewing requests as well as issuing tags following approval will limit the need to request pre-approvals.
3) Charge an Application Fee / Processing Fee: As per recommendation 4.B, easing restrictions on Truck Tags issuance and instituting withdrawals will increase the administrative effort of the OBCCTC, which can be financially off-set by charging an application or processing fee. This fee would also act as a deterrent to unnecessarily requesting additional tags. *Note: Charging fees is currently outside the legislation for the OBCCTC.*

7.2 Withdrawing tags

On a fixed, periodic basis, (for example every 6 months or annually), the OBCCTC should review the performance levels of all Licence Holders for the purpose of withdrawing Truck Tags from companies that have been issued additional Truck Tags but are not maintaining their commitments, as well as companies that have seen a prolonged decrease in performance and volume.

Withdrawing Truck Tags can have a significant impact on a company's ability to service their existing business, and will certainly be met with resistance. Therefore, the process for identifying companies and the number of tags to withdraw must be well defined, repeatable and consistent.

The following methodology is proposed for prioritizing companies to evaluate, as well as how to evaluate companies, and how companies having tags withdrawn can request to have them returned.

7.2.1   Prioritized Sources of Withdrawal

The OBCCTC should review all Licence Holders for potential Truck Tag withdrawal. Rationale for removing Truck Tags may vary depending on recent Truck Tag issuance and performance. The following categories are intended to provide guidance for prioritizing reviews and for decision-making based on company profiles.

1) **Voluntary Truck Tag Reduction**
2) **Recently Issued New Truck Tags**
3) **Long Term Vacant Tags**
4) **Deteriorating Performance**

1)   Voluntary Truck Tag Reduction

The OBCCTC should solicit for Licence Holders to voluntarily relinquish Truck Tags. To incent them to return their underutilized tags, the OBCCTC could offer to refund a portion of the charges or fees paid on the tags for the remainder of the year. Any financial incentive would need to be agreed upon by the Port of Vancouver which currently administers the charges and fees, and could be partially funded by the addition of new Truck Tag request application fees, as per recommendation 4.B.

Any company voluntarily returning tags would be eligible to apply for additional tags in the future, which would provide a means for companies to actively manage their own fleet size.

2) Recently Issued New Truck Tags

Any Licence Holder which has been issued new Truck Tags in the last 6 to 18 months would be evaluated. If it has been less than 6 months, there may not be sufficient data to compare current and past performance. The metrics to evaluate, in order, would be:

    i.   Independent Owner/Operator Trips per Day: In accordance with recommendation 2.A, any Licence Holder being issued additional tags must preserve the average trips per day for their independent owner/operators.
- The number of Truck Tags being withdrawn should be the number required to increase the O/O Trips per Day level back to their commitment, or all the additional tags issued, whichever is lower.

    ii.   Total Trips per Day: In accordance with recommendation 2.A, additional tags were issued under the premise of a planned increase in business. If the company's fleet reduced its average trips per day, then the increase in business did not occur and additional tags are not necessary.
- The number of Truck Tags being withdrawn should be the number required to increase the drayage trips per day to their initial level, prior to issuing new Truck Tags, even if the total number is greater than the new Truck Tags issued.

No refunds of any type would be returned on Truck Tags withdrawn due to performance reduction or failure to maintain commitments made to the OBCCTC.

Following the withdrawal of Truck Tags, Licence Holders could immediately submit requests for new Truck Tags, on the premise of future additional work, but would have to pay a new application fee (if one is implemented).

3) Long Term Vacant Tags

The system wide fleet is expected to have a higher number of vacant tags at any point, following the easing of Truck Tag issuance, the removal of the 45-day re-assignment requirement and the increased O/O mobility, however Licence Holders with long term vacant tags should have their tags withdrawn. If a Licence Holder has a tag which has been vacant for over 6 months, or in 9 of the last 12 months, the tag should be withdrawn.

No refunds of any type would be returned on Truck Tags withdrawn due to non-use or vacancy.

Following the withdrawal of Truck Tags, Licence Holders could immediately submit requests for new Truck Tags, on the premise of future work, but would have to pay a new application fee (if one is implemented).

4) Deteriorating Performance

To decrease the number of available Truck Tags in the industry, the OBCCTC should be reviewing performance levels of all Licence Holders, using the following metrics:

i.   Independent Owner/Operator Trips per Day: Truck Tags could be withdrawn such that poor performing companies are forced to reduce the size of their fleet, increasing the number of trips per day for remaining O/Os.

ii.   Total Trips per Day: Truck Tags could be withdrawn such that poor performing companies are forced to reduce the size of their fleet, increasing the number of trips per day for their entire fleet.

7.2.2   Responding to Truck Tag Withdrawal Petitions

It is expected that some companies facing Truck Tag withdrawals will petition to keep them. The 2 most likely arguments for petitioning the withdrawal are future expected workload and the accuracy of performance measurement.

For the case of the 'future workload' argument, Licence Holders can be advised that they may re-apply for additional Truck Tags when the future work is confirmed but given their performance history the decision to withdraw Truck Tags will not change.

For the case of 'accuracy of performance measurement', there may be a credible argument. Metrics from GPS data is only one potential data source, which could be augmented with additional information from other sources. The best way to validate the total work volume is for the Licence Holder to provide operational and financial detail which supports their claim, in a format that can be consistently evaluated. As per recommendation 4.A, the format and detail required for validation should be established and communicated as early as possible so that Licence Holders can make any adjustments to their record keeping, if needed.

7.3 Total Fleet Size Management

Easing Truck Tag issuance and requiring the OBCCTC to actively withdraw Truck Tags to manage the total Fleet Size will likely result in an overall increase in the size of the fleet, which has positive and negative benefits. The availability of Truck Tags is needed to increase O/O mobility and allow Licence Holders to compete openly in the market place, however it decreases the need to increase efficiency and operational excellence. The OBCCTC should monitor the following industry metrics and indicators, which may signal a need to actively reduce the fleet size:

- Truck Tag Vacancy: If the total Truck Tag Vacancy levels gets too high, then there is a risk for overcapacity in the fleet, and a reduction of Truck Tags could be considered to reduce the chance of future issues.
- Audit Results: If there is an increase in the number of violations to the regulation, it may indicate the fleet size is too large and independent owner/operators may be treated unfairly. There are many factors which could influence a change in audit result, but it is worth considering an evaluation of the fleet size if there is an upward trend in violations.
- Safety Violations & Environmental Violations: Similarly to audit results, increases in the number of safety violations and environmental violations may indicate an oversized fleet.

If it is determined by the OBCCTC that the industry would benefit from an overall reduction in the total fleet size, the process for withdrawing Truck Tags in 7.2 can still be used, in conjunction with a specific fleet reduction target.

7.4   Managing the Size of the O/O Fleet

In addition to managing the size of the overall fleet, we recommend actively managing the size of the independent owner/operator fleet as per recommendations 3.A and 3.B. On the same frequency as reviewing Licence Holder performance, the OBCCTC should review the performance of the overall O/O fleet.

The primary metric which should be used to decide on any changes to the size of the O/O fleet is the number of O/Os with a monthly average of trips per day above a set threshold.

The data provided by the Port for analysis of independent owner/operator performance only consists of On-Dock moves, however it is recommended to use on-dock and off-dock moves for decision making. As an example, the figure below shows the % of independent owner/operators completing more then 2 on-dock trips per day. When container volumes drop below 65,000, the % of O/Os with 2 or more on-dock moves per day drops below 50%.
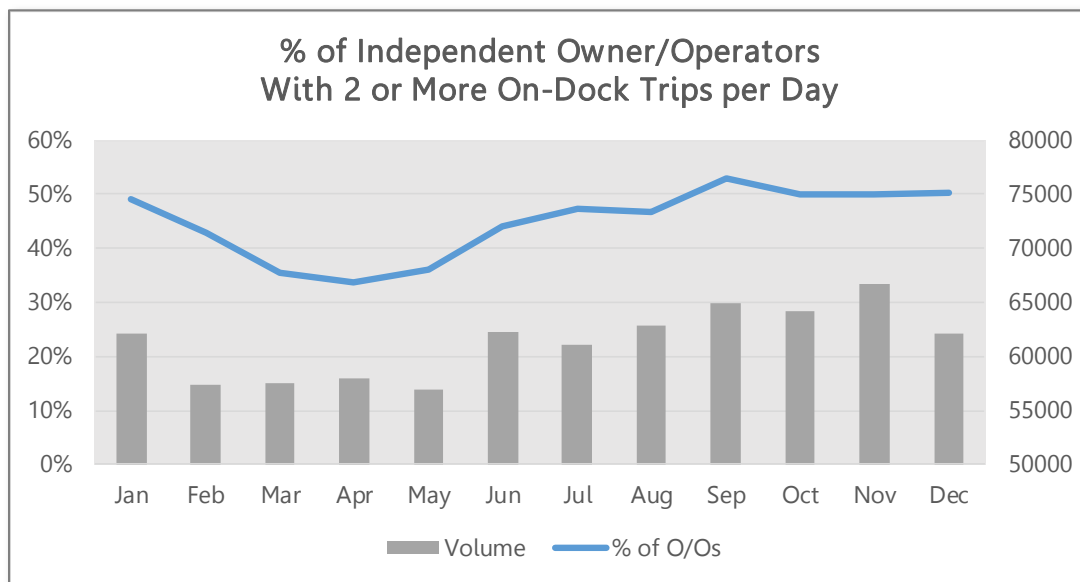
Figure 10: % of O/Os with 2 or More On-Dock Trips per Day

A target level for O/O trips per day, and target threshold for % of O/Os reaching that level each month should be set and monitored. If that level is not being met, the maximum number of new O/Os should not be increased, and no new applications for O/Os should be accepted.

Deciding to open the application process and to consider an increase in the total number of independent owner/operators should be dependent on 2 metrics. The first is the % of O/Os reaching the minimum number of trips per day, and the second is the level of O/O mobility. Increases to the total number of Owner/Operators should be considered when the % of O/Os reaching the minimum number of trips per day has been exceeded, and the % of O/Os signing new Sponsorship Agreements has dropped. These trends in metrics together are likely to indicate there is more than sufficient work for the existing O/Os, and that there may be insufficient O/Os in the industry to meet the demand.

At this time, specific levels for these thresholds can not be recommended because the current state levels are expected to change significantly with increased O/O mobility from recommendations 1 and 2. These levels should be monitored immediately after making changes based on recommendations 1 and 2, monitoring for stabilization.

7.4.1 Attempts to Circumvent the Limits on new Independent Owner/Operators

Based on behaviours seen during previous attempts to limit the entrance of new O/Os, we expect individuals inside and outside the industry to attempt to circumvent the limits, particularly if the implemented changes result in improved working conditions and financial viability for existing owner/operators. There are 2 primary ways to circumvent the restrictions, which are listed below along with a proposed means to minimize their likelihood.

1. Fake Company Trucks: To circumvent the limit on new independent owner/operators, Licence Holders may attempt to add O/Os acting as employees. This can take several forms, such as "Leased Drivers" requiring drivers to pay companies for the use of the truck (as seen in California), or a contract to purchase and sell-back a truck to and from drivers. These financial agreements could be qualified as "financial set-offs, commissions and deductions", which is prohibited under section 24 of Container Trucking Act ("A licensee must not solicit or receive, directly or indirectly, a financial setoff, commission or rate deduction or rebate from a trucker").

2. Selling or Assigning their Active O/O Status: Current O/Os may attempt to monetize their active status as an O/O, and either sell their Truck and active status for a fee, or assign it to someone. Active status as an O/O is intended to be non-transferable, and the OBCCTC would need to ensure that individuals signing sponsorship agreements are on the active list before approving sponsorship. There may be an attempt to circumvent this requirement by an O/O committing to sell his truck in the future and hiring the buyer as an indirectly employed operator until the buyer is selected through the lottery. This would allow the current O/O to retain the sponsorship agreement while another individual is the primary operator of the truck. If this is occurring, the OBCCTC could investigate by requesting financial information to validate how the indirectly employed operator is being paid or by reviewing the vehicle log books to determine who is the primary operator of the vehicle. If an indirectly employed operator is found to be the primary operator of the vehicle, the owner of the vehicle could have their active status withdrawn.

The potential negative effects of limiting the number of independent owner/operators are intended to be minimized through recommendations 3.C - a lottery system for new O/O entrants and 4.C Additional education for existing and new O/Os.

8 ABOUT CASCADIA

Cascadia Strategy Partners provide operations, economic, and financial analysis to a broad-cross section of government and industry clients.

Cascadia helps clients advance major projects and solve complex business challenges. Our team has a proven track record analyzing and solving operational challenges in highly complex industries. Advancing complex initiatives requires a clear understanding of economic impact. Cascadia provides leading expertise in economic impact assessment, revenue/cost forecasting, and sensitivity analysis.

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9   APPENDIX A

Presentation for Stakeholder Consultations