



BC Ministry of Transportation & Infrastructure

Off-Dock Drayage Insights

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1. KEY TERMS

For the purpose of this report, the following terms are used in the ways outlined below.

Trucking Terminology

Long Haul Trucking – refers to container trucking services that are leaving the Lower Mainland or returning to the Lower Mainland from elsewhere in Western Canada or the USA

Trailers – refer to 53' domestic trucks (non-containerized)

LTL (Less than truckload) and FTL (Full truckload) – refer to domestic trucking whereby LTL loads combine multiple types of cargo or loads from multiple cargo owners and FTL loads are single user loads

Intermodal Transport – refers to moving containers between multiple modes of transport or to/from intermodal facilities (usually including rail yards) in the Lower Mainland

On-dock trips – any container trucking activity that involves directly moving a container to/from a marine terminal

Off-dock trips – any container trucking activity that involves moving a container between two facilities that are not marine terminals

Empty chassis & bobtail moves – any trucking activity performed by a container trucking service company that is primarily to reposition equipment and is not value-add

Facility Terminology

Container Depot / Empty Container Yard – refers to facilities that store empty containers throughout the Lower Mainland (not at a Marine Terminal), usually charging gate fees for dropping off / picking up containers. Many also perform container inspections and repair services.

Rail Yards – refer to the two major CN and CP owned rail yards in Surrey and Pitt Meadows respectively

Import Transload Facility – refers to any facility in which marine containers are being unstuffed and cargo is being reloaded into domestic trucks, rail cars, or other containers for domestic transport

Export Transload Facility – refers to any facility in which domestic cargo is being loaded into marine containers for export

Unstuffing and Restuffing Warehouse – refers to any facility in which cargo is being unloaded from containers and warehoused locally for distribution

Cross-dock Facility – refers to a facility that moves materials directly from incoming trucks to outgoing trucks with limited warehousing and storage in between

Container Terminology

Shipping containers are referred to by stakeholders and throughout the report as equipment, boxes, containers, and cans. 20' and 40' containers, including reefers, are primarily used for marine shipping, whereas 53' and 60' containers are primarily used for transport by rail and truck

Regulation Terminology

TLS company / non-TLS company – refers to companies that are / are not licensed under the Port of Vancouver's Truck Licensing System. Only licensed companies can access Marine Terminals

Reservations – refer to bookings at Marine Terminals to get access to the port for picking up / dropping off a container

2. METHODOLOGY

The insights and analysis contained in this report comes from numerous sources, including:

Stakeholder Interviews

More than 30 stakeholders in the Vancouver Gateway were interviewed to better understand the dynamics at play in the Lower Mainland drayage network. Interviews focused on the challenges and opportunities for addressing efficiency and competitiveness in the Gateway for drayage. These included interviews with:

- TLS licensed drayage providers
- Unlicensed trucking companies that perform limited container trucking services
- Empty container depot operators
- Transload facility operators
- Labour unions and industry associations representing drivers and trucking companies
- Ocean carriers
- Rail operators
- Port of Vancouver

Many of the licensed and unlicensed transport companies that were interviewed were performing multiple services of which Container Trucking Services were one. Other services included freight forwarding, long haul trucking, cross-dock operations, and warehousing.

TLS Company Survey

More than 40 TLS licensed drayage providers responded to a survey sent out in July 2020. The survey collected anonymized data from companies including estimates of the quantity of work that is import-oriented vs. export-oriented, on-dock vs. off-dock, and value-add vs. non-value-add (eg. empty chassis and bobtail moves). Surveying also helped collect wage data, volumes data, and other operational insights.

Data Analysis

In addition to analysis of survey data, several other data sources were consulted to estimate the scale and scope of drayage activity in the Lower Mainland. These included overall container volumes data from the Port, container volume forecasting from the Port, and gate data from the Port.

The scale and breakdown of off-dock drayage activity in the Lower Mainland was estimated through combining insights from these data sources. Interview and survey insights, for instance, were used to estimate the number of street turns, or frequency with which containers are moved between empty container yards and transload facilities. These insights were applied to import and export container volumes and gate data to ensure the magnitude of trips aligns with on-dock activity.

Estimates of volumes travelling by container trucking to/from the rail yards were unverified by the rail lines. These estimates are based on a combination of interview data and comparison with publicly available data about estimated volumes travelling directly by rail between the marine terminals and rail yards.

3. OFF-DOCK DRAYAGE ACTIVITY: SCALE & SCOPE

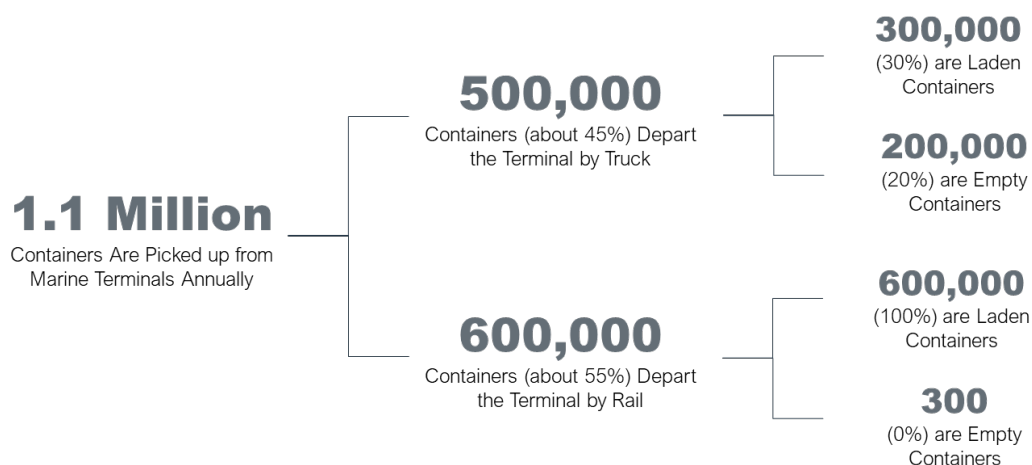
The Vancouver Gateway moves approximately 3.4 million TEUs of goods through the Lower Mainland annually, or approximately 1.9 million containers. Half of the traffic through the gateway is inbound container traffic, 98% of which are laden containers; the other half is outbound container traffic, 70% of which are laden containers and 30% of which are empty containers. While specialized containers such as reefers make up about 10% of overall container traffic, 90% of containers hold dry goods, including imports such as consumer products and industrial equipment and exports such as specialty grains and forest products. Approximately 73% of the containers moving through the Vancouver Gateway are 40' containers and 25% are 20' containers.¹

Drayage handles a disproportionately higher volume of 20' containers. Surveying of TLS companies revealed that closer to 33% of containers handled by TLS drayage providers are 20' containers and 61% are 40' containers.² This is likely because several significant grain transload operations (that utilize 20' containers to meet cargo weight restrictions) operate in the Lower Mainland.

3.1 Vancouver Gateway Drayage

A significant percentage (65-70%) of containers entering the Vancouver Gateway are loaded directly to rail for distribution across the country and into the American mid-west. The drayage industry is responsible for transporting 25-30% of laden import containers (or 250,000 - 300,000 containers annually) to local transload, cross-dock, and intermodal facilities. A substantially higher percentage of outbound containers are handled by drayage operators because empty containers in circulation in the region or returning to the region by rail are often stuffed locally for export. The drayage industry transports approximated 50% of outbound containers (or 450,000 - 500,000 containers annually) to the marine terminals. In total, the drayage sector handles approximately 1,000,000 on-dock container moves each year; 500,000 arriving at the terminals and 500,000 departing from the terminals.

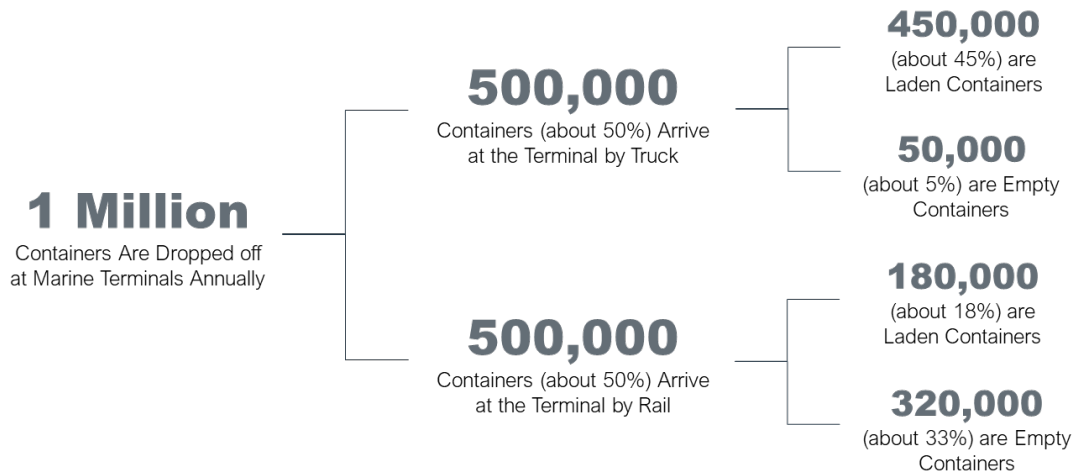
Figure 1: Estimated Container Volumes Picked Up from Marine Terminals by Mode of Transport



¹ Port of Vancouver: Statistics Overview 2019. www.portvancouver.com/wp-content/uploads/2020/03/Statistics-overview-2017-to-2019.pdf

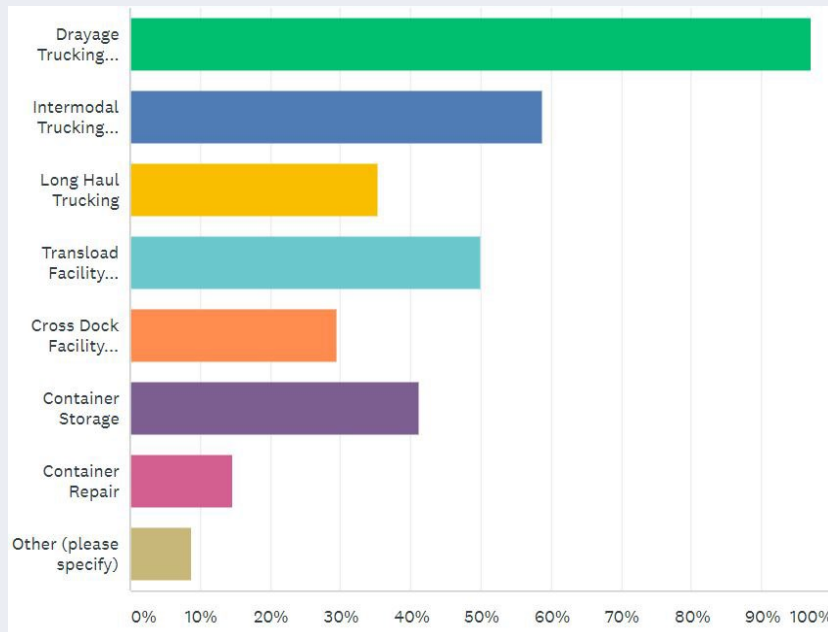
² Cascadia Partners surveyed TLS License holders in July 2020 with a 43% response rate.

Figure 2: Container Volumes Dropped Off at Marine Terminal by Mode of Transport



Drayage and off-dock facility operators in the Lower Mainland operate under a number of different business models. Most serve a relatively small number of large clients and provide multiple logistics services outside of container trucking. For example, import-oriented drayage companies often operate warehouses and cross-dock facilities for unstuffing containers, storing products, and facilitating regional distribution. Grain transload operations sometimes have affiliated container depots and trucking operations to provide customers with end-to-end logistics services. Multi-user container depots are used to receive, store and release empty containers as needed and often are joined with container stuffing facilities for major exporters as well. TLS licensed container trucking companies often also have longhaul and local trucking branches that include LTL, FTL and break bulk transport services.

Figure 4: Breakdown of Services Provided by TLS-Licensed Companies According to Surveying



Insight: Many drayage providers serve a relatively small number of clients and operate more than one logistics service, including multiple trucking services. This means only a portion of businesses' operations fall under OBCCTC regulation.

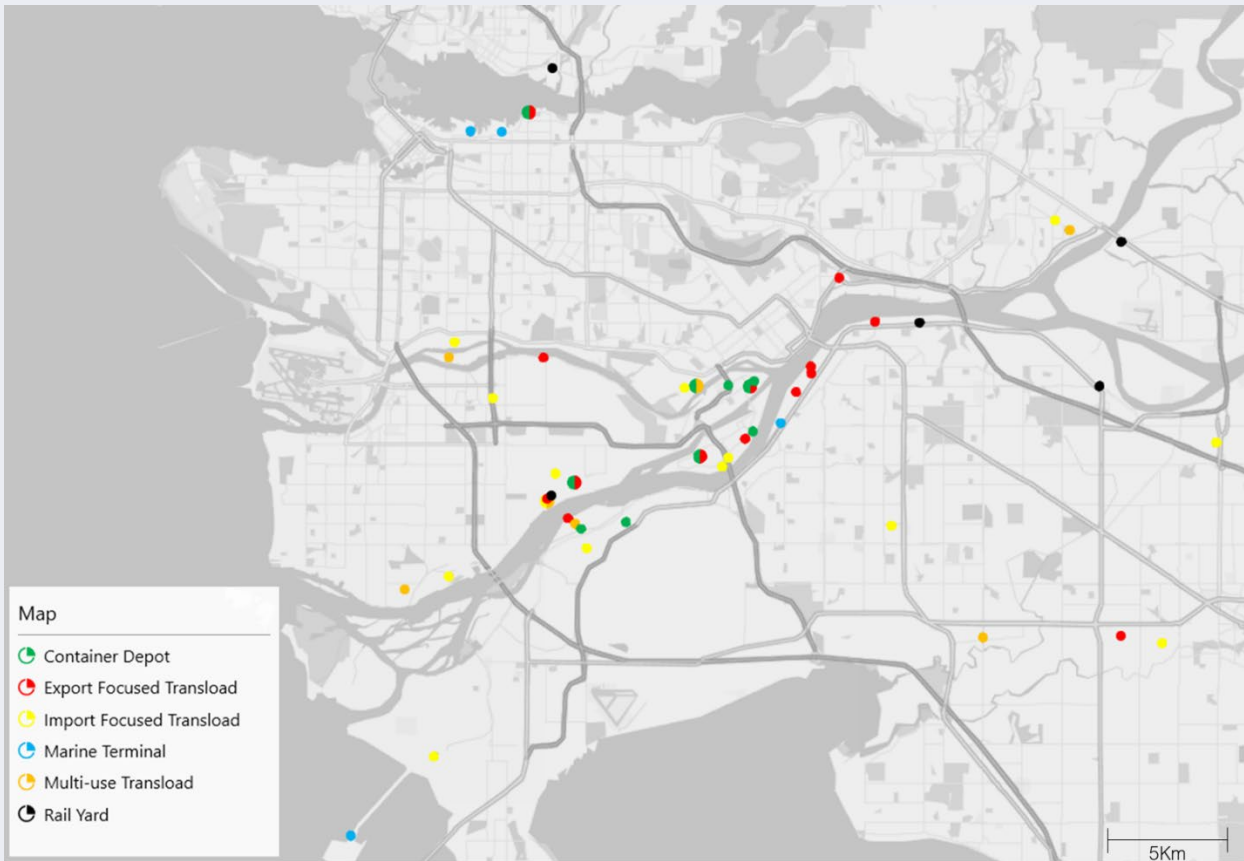
3.2 Off-Dock Activity Overview

The Vancouver Gateway experiences unique challenges for managing empty shipping containers. This is in part because the Vancouver Gateway handles an exceptionally high volume of containerized goods. The Vancouver Gateway accounts for almost 40% of container traffic through the Pacific Northwest (or 3.4 million TEUs out of about 8.1 million TEUs), and this volume has grown substantially in the last two decades (at a growth rate of about 6.7% in Vancouver compared to 3.4% across the Pacific Northwest).³ In addition, the Vancouver Gateway handles a relative balance between import and export containers. Over the last three years, the Vancouver Gateway has averaged 1.71 million laden import TEUs and 1.45 million laden export TEUs. While this improves the region's competitive position, ensuring empty containers are filled with backhaul cargo before leaving the Vancouver Port adds complexity to the local movement of containers.

Compounding existing complexities around container movement in the Lower Mainland, limited on-dock container storage capacity has resulted in a fragmented network of off-dock container depots that are used to store and manage empty containers. In recent decades, large industrial sites that can serve as transload facilities, container depots, cross-dock facilities and intermodal yards have been increasingly difficult to obtain as a result of competing land uses, municipal zoning changes, and rising costs of industrial land. This has further contributed to fragmentation of the logistics industry in the region, creating a complex network of container facilities throughout the region. (See Figure 3 on the following page).

³ Port of Vancouver: Container Traffic Forecast Study, 2016. <<https://www.portvancouver.com/wp-content/uploads/2015/05/2016-Container-Traffic-Forecast-Study-Ocean-Shipping-Consultants.pdf>>, page 18

Figure 3: Map of Major Drayage Network Facilities⁴

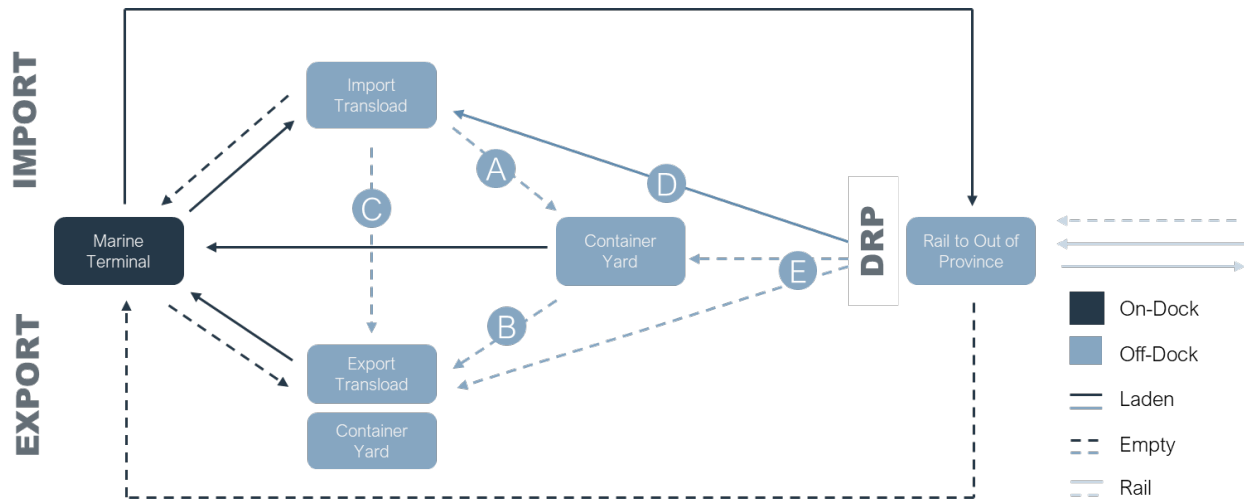


Insight: Many of the transload facilities and container yards at the centre of off-dock drayage activity are located close together. Specifically, most empty container yards and major export transload facilities are located along the Fraser River, meaning a significant portion of off-dock activity (particularly repositioning empties for export transload) takes place across short distances with consistent travel times. On-dock drayage activity, by comparison, has higher variation in travel times due to length of trips and uncertainties about Marine Terminal wait times. As a result, many trucking companies assign highly variable on-dock moves to trip rate drivers, while assigning more fixed length trips to hourly paid drivers.

Off-dock drayage activity refers to any container trucking between transload facilities, container depots, and intermodal yards. Unlike on-dock drayage activity (which requires access to marine terminals), off-dock drayage activity is much more dispersed and not as well tracked and understood by Gateway stakeholders. Although off-dock trucking activity is not centrally tracked, rough volumes of each type of off-dock activity can be estimated using survey and interview data, as well as analyzing Vancouver Gateway container data.

⁴ This map shows the largest facilities in the Lower Mainland logistics network. There are hundreds of smaller transload or container destuffing and warehousing operations throughout the region, most serving small and mid-size importers, that have not been included in this map. As depicted, large export facilities and container depots tend to be concentrated along the Fraser River in North Surrey, Tilbury, and Richmond. Import facilities, however, are more widely spread throughout industrial districts across the region.

Figure 4: On & Off-Dock Container Drayage Patterns In the Lower Mainland⁵



Off-dock drayage activity commonly includes:

A. Moving Empty Containers from Import Transload Facilities to Container Depots

Estimated 250,000-300,000 Annual Container Moves

At the end of the import cycle, a trucking company is left with an empty container that needs to leave the yard of a warehouse or cross dock facility. Marine terminals lack capacity for empty storage in Metro Vancouver, so empties are often delivered to container depots that store containers at a cost to the shipping line.

B. Moving Empty Containers from Container Depots to Export Transload Facilities:

Estimated 150,000 – 250,000 Annual Container Moves⁶

Exporters must acquire empty containers (through their trucking company) to initiate container loading for export. Shipping lines direct which location the empty container is to be picked up from based on where they have containers available for pickup and where they are being charged storage fees.

C. Moving Empty Containers from Import Transload Facilities to Export Transload Facilities:

Estimated < 50,000 Annual Container Moves

Otherwise referred to as “Street Turns”, most transport companies will look for opportunities to move empty containers directly from an import transload to an export transload facility for reload. This eliminates a trucking leg, saving the trucking company and its customers money. Some export transload facilities also have container storage on site, making this more feasible.

D. Moving Laden Containers from Rail Yards to Transload Facilities

Estimated < 50,000 Annual Container Moves

Both CN Rail and CP Rail partner with the shipping lines on a Domestic Repositioning Program. Shipping lines lend marine containers to the rail lines to fill with domestic goods moving west, such as products manufactured in Ontario and destined for the Vancouver market. When these containers return to the coast, they are trucked to transload facilities for unstuffing, warehousing and local distribution.

E. Moving Empty Containers from Rail Yards to Container Depots & Export Transload Facilities

Estimated 50,000 – 100,000 Annual Container Moves

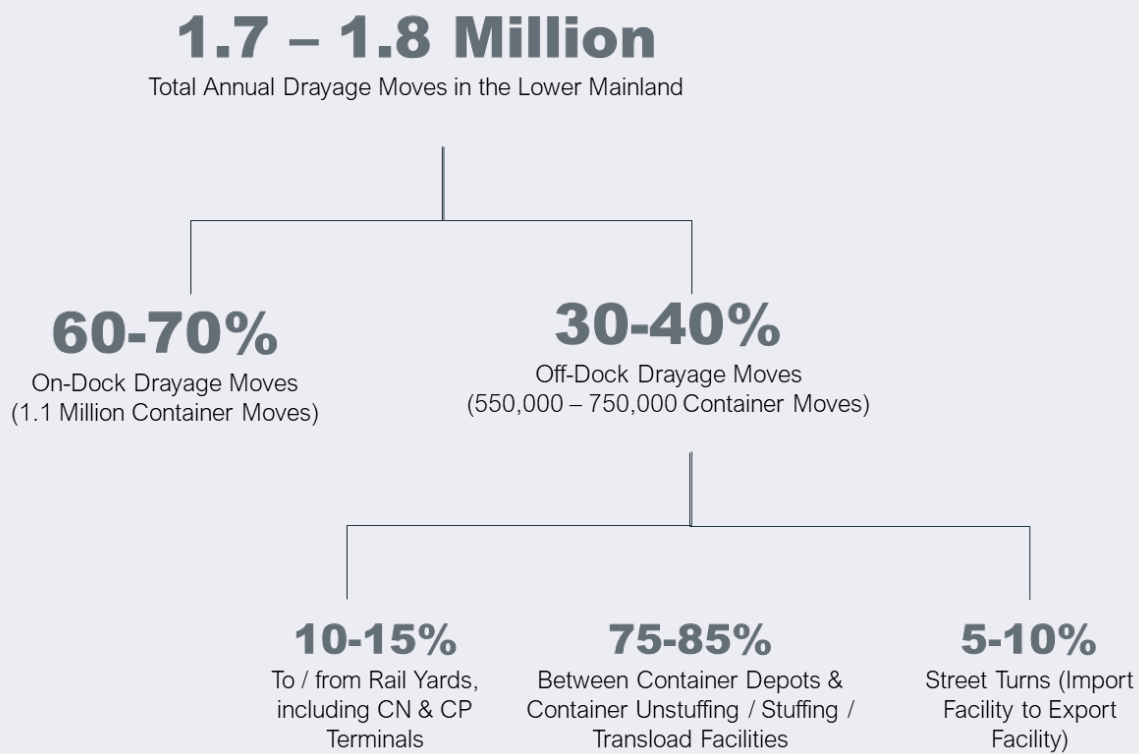
⁵ Volumes estimates are based on combining overall container volume data for the Vancouver Gateway with insights gathered through trucking company interviews and surveys. Some routes (those directly affiliated with on-dock moves) are more easily estimated than others (those affiliated primarily with rail activity). Ranges have been given to account for seasonal and annual variability in container traffic as well as uncertainties in the estimation process.

⁶ These moves are anticipated to be very short moves in most cases (< 5km).

Since a substantial number of import containers are loaded directly to rail and sent east, a substantial portion return to the Lower Mainland by rail as empty containers. A significant portion of these containers are returned directly to marine terminals. Others are trucked from rail yards to container depots or export transload facilities to improve their availability for loading with exports.

According to TLS companies surveyed, more than 30% of all drayage activity is anticipated to be off-dock activity—the equivalent of 550,000 – 750,000 trips. In addition to off-dock drayage of marine containers, there is a segment of local drayage activity dedicated to moving domestic containers between rail lines and transload facilities. Both the rail lines and large cargo owners have their own 53' intermodal containers that are used exclusively for moving cargo by rail and truck domestically. These are not used for marine shipping.

Figure 5: Estimated Breakdown of Drayage Activity



Insight: Off-dock drayage activity, specifically moving empty containers between transload facilities and container depots, makes up a significant portion of overall container trucking activity in the Lower Mainland. The off-dock drayage moves that serve rail terminals are most likely to be performed by unlicensed, untagged trucks. Trips between import transload facilities and container depots are moderately likely to be performed by unlicensed providers, and trips to export transload facilities from container depots or street turns are least likely to be performed by unlicensed, untagged trucks.

3.3 Off-Dock Drayage Efficiency: Challenges & Opportunities

Several challenges impede efficiency in the local drayage sector, including limited access to container information and limited control over container pick up and drop off times and locations. In addition, delays at both on-dock and off-dock facilities can have knock-on effects, preventing companies from engaging in efficient dispatching.

Challenges include:

- A. **Inconsistent Information:** When a trucker arrives at an off-dock facility, there is currently no guarantee that the empty containers they have booked will be available. Containers are dispensed on a first-come, first-serve basis and are often double-booked. (Exporters have been known to over-book empties to guarantee they can get a reliable supply, so container yards will offer more empty reservations than they have available on site). In addition, some container depots have been known to change last-minute what equipment they will accept, leaving a driver at the gate unable to return an empty.
- B. **Shipping Line Directives:** Trucking companies must rely on information from shipping lines to direct them to a supply of empty containers. Shipping lines decide which empties to release based on their own financial incentives—they are charged more for container storage at some sites than at others, usually receiving ‘grace period’ of a few days where container storage is free. Trucking companies are often not given the option of where to pick up a container, meaning they can be sent to the furthest container yard rather than the closest one.
- C. **Terminal Reservation Scarcity:** The terminal reservation system releases reservations 48 hours out, meaning if an inbound ship arrives late or a shipping line requests a significant return of empty containers at the last minute, it can be difficult for trucking companies to optimize their utilization. Difficulty accessing preferred reservation times and/or back-to-back reservation times that enable double-ended moves creates dispatching inefficiency for trucking companies. Limited reservation times encourage companies to “take what they can get”, meaning they may book reservations that are too close together to feasibly meet with only their tagged trucks or too far apart to be an effective use of an independent operator’s time.
- D. **On-Dock Container Inspections:** A limited number of empty containers are stored on-dock at marine terminals. Several companies that pick up empty containers at marine terminals expressed challenges validating the quality of empty containers during the on-dock empty retrieval process. Drivers are only able to inspect empty containers once they have left the property of the marine terminal, so if the container is damaged, drivers must return the damaged container to the dock and wait to be assigned a second container. Some drayage companies noted that they have been assigned the same damaged container more than once because damaged containers are not stored separately at some on-dock facilities.
- E. **Facility Congestion & Delays:** In addition to delays at Marine Terminals, trucking companies can find themselves experiencing delays at off-dock facilities, including transload facilities and empty container depots. Although drayage companies noted that turn times are typically pretty good at most container depots, several expressed that it would be helpful to have an alternate process for accepting containers when container yard gates are backed up. Both on-dock and off-dock delays were noted as a major driver for utilizing untagged trucks at peak times. A single delay can cause a driver to risk missing a reservation, resulting in increasingly large financial penalties. Untagged trucks have been used by several companies to ensure they can meet customer expectations when a tagged truck is running behind due to unforeseen delays and needs to be freed up to meet an on-dock reservation.

- F. **Inconsistent Hours of Operation:** Both marine terminals and off-dock facility hours of operation were noted as a challenge to the efficient operation of drayage companies. The cancellation of night gates at Marine Terminals leaves drayage companies stranded without enough day reservations booked to meet their customer needs. When night gates are available, drayage companies are picking up containers that need to be stored in their yard overnight because most transload facilities and container depots close between 4pm and 5:45pm. It was noted that if all off-dock facilities were open Monday to Friday to 7pm, it would “make a world of difference” for accommodating night gate drayage activity.
- G. **Misalignment between TLS License Renewal Schedule and Business Model Changes:** Several TLS companies expressed interest in taking on more company trucks and hourly drivers to meet changing customer demands, better utilize truck tags, and be more cost competitive. Currently, their truck tags are tied to a specific truck ownership model (I/O or Company) and can be changed at the time of renewal of their TLS license. This system was set up to discourage companies from flip-flopping between I/Os and Company drivers, but it also means that when a company loses an employee or replaces a truck, they are unable to capitalize on that business shift to change from one truck ownership model to another. For instance when an I/O leaves, they must replace that driver with another I/O rather than having the flexibility to bring on an additional Company truck. The misalignment between licensing schedules and business shifts limits the flexibility of companies to change driver compensation and truck ownership models at the time when they are replacing a truck or employee.

While there are numerous challenges to achieving drayage efficiency in the Lower Mainland, companies are employing several techniques to improve drayage efficiency and boost productivity. Most are actively seeking opportunities through their dispatching and reservation booking to increase street turns (moving an empty container directly from an import transload facility to an export facility) and double-ended moves (dropping off one container and picking up another on the same site). In addition, many of the larger drayage providers and cargo owners negotiate directly with shipping lines on a regular basis to secure empty container pick-ups that are nearby and convenient for drivers to access.

In spite of companies’ efforts to increase operational efficiency, the TLS companies surveyed indicated that, on average, 34% of drayage moves require an empty chassis move, and 13% of drayage moves require a bobtail move. Several opportunities to improve drayage efficiency were identified throughout interviews with Vancouver Gateways stakeholders, many of which aim to reduce the number of non-value-add moves per loaded container.

Opportunities identified by stakeholders include:

- A. **Implementing Technological Solutions:** Individual companies are finding ways to make better use of data, including traffic data, gate wait time data, and dispatching data (even employing predictive modelling in some instances) to improve the efficiency of their operations.
- B. **Data-Sharing Solutions:** One logistics company in the Vancouver Gateway is developing a multi-user platform to share data about empty container availability, reservations, and capacity at off-dock facilities to help facilitate street turns and eliminate instances of showing up to pick up a container that is no longer available.
- C. **Equipment Upgrades:** Several grain exporters are looking to get a variance to be able to tow two 30 tonne trailers behind a single truck throughout the Vancouver Gateway. This could eliminate up to 30% of grain truck trips, moving two containers simultaneously instead of one. A coalition of major grain export logistics operations are currently seeking approval from the BC Commercial Vehicle Safe and Enforcement branch (CVSE).

- D. **Reducing Redundant Trips through Regulation:** The use of unlicensed, untagged trucks for off-dock moves is generating additional empty chassis moves to get two trucks to overlap at a single facility where one truck is finishing an on-dock trip and another is starting an off-dock trip or vice versa. Limiting this passing off of containers between licensed and unlicensed trucks could result in fewer empty chassis moves.
- E. **Working with Marine Terminals to Establish a Default Double-Ended Move Reservation System:** Several trucking companies noted that the default at Fraser Surrey Docks is to drop off and pick up a container under a single reservation. This allows trucking companies to maximize the number of double-ended moves they can perform. Instituting a similar system at the larger Marine Terminals could also improve the frequency of double-ended moves, but it is unclear if this is logistically possible and what the knock-on effects or consequences of pursuing this might include.

Insight: Limited information and transparency around empty container capacity and reservations reduces trucking companies' ability to efficiently dispatch their fleet and reduce redundant trips.

3.4 Drayage Compensation & Representation

Nearly 30% of licensed drayage companies are unionized.⁷ Drivers are paid on an hourly rate or a trip rate which varies based on whether a company is licensed and whether drivers are part of a collective bargaining agreement. Hourly rates quoted by stakeholders in the gateway are lower for drivers operating in unlicensed companies—estimated \$2-4 less per hour for company drivers; however, compensation models for many companies (both licensed and non) were more complex than a minimum hourly rate, several including benefits and opportunities for performance-based bonuses. Variation in compensation is highest among trip rate drivers doing off-dock work.

Some of the labour organizations and companies operating in the Lower Mainland drayage sector expressed a link between driver compensation models and efficiency. The trip rate compensation model incentivizes efficient driving—drivers are paid more per hour if trips are completed quickly. Hourly compensation models incentivize efficient dispatching—companies make more money per truck if they can efficiently deploy trucks to do more trips over the course of a shift and to be running more shifts per day. Each model has downfalls as well. Some companies expressed concern that drivers on an hourly model may not complete trips as efficiently; others expressed concern that I/Os are not dispatched efficiently (with significant down time between trips) because companies do not have strong incentives to dispatch them efficiently.

⁷ According to the OBCCTC records, 22 out of 80 companies are currently unionized.

Figure 6: Estimated Compensation Levels for Drayage Drivers in the Lower Mainland⁸

	Hourly: Company Truck	Hourly: Independent Operator	Trip Rate: I/O (Off-Dock Move)
TLS Licensed	\$ 26 – 28 / hour	\$ 55 – 65 / hour ⁹	\$ 105 – 150 / trip
Non-TLS	\$ 22 - 27* / hour	\$ unknown	\$ 65 – 125 / trip

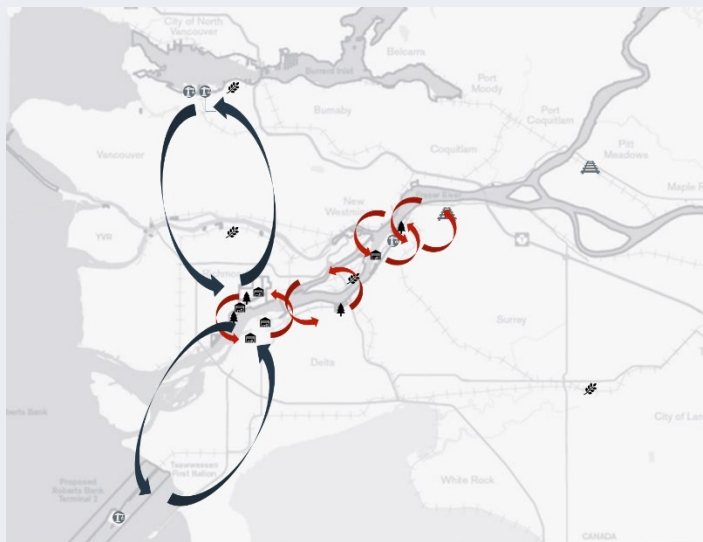
*Estimate does not include bonuses & benefits

**These are usually collectively bargained rates

The greatest variation in compensation happens among trip rate drivers completing off-dock work. Trip rates for licensed TLS companies completing short off-dock loops are \$50-75 higher than the rates paid to drivers working for unlicensed companies or hourly drivers for the same loop. This is in part because the OBCCTC trip rates for off-dock moves account for the average distance travelled within or between zones, as well as traffic and turn time variability in the minimum trip rates; however, several trucking companies identified that a significant portion of their off-dock work takes place on routes that are less than 5km long and have very little travel variability. Some even pointed out that they can see the container depot or transload facility from their yard or that they are only moving containers between two sites that are a couple properties apart.

These short, local off-dock loops between container yards and transload facilities have limited variation in travel time and can therefore be done much more efficiently with an hourly driver or an unlicensed I/O operating on an agreed upon “short trip rate”. In many cases, this has resulted in large customers shifting to companies that can pay an hourly or unlicensed driver to perform off-dock work. TLS companies paying trip rates have become unable to compete for this segment of drayage work.

Figure 7: Diagrammatic Map of Short Loops vs. Long Loops



Insight: TLS companies that are paying I/Os trip rates are struggling to compete for “short loop” off-dock work (where unlicensed companies are quoted as charging \$50-75 less per trip). This means they are primarily sending trip rate I/Os on “long loop” trips to marine terminals—which are the trips that have the greatest variability and therefore risk. Hourly drivers are increasingly being used by TLS companies for “short loop” work which has low variability in travel times and is therefore lower risk.

⁸ These estimates based on interviews and surveying. These ranges represent what was heard from stakeholders; however, it is important to note that there are likely outliers.

⁹ Collective bargaining agreements have secured \$57.71 per hour if an I/O has performed less than, and \$59.03 per hour if an I/O has performed more than (or equal to), 2340 collective hours of container trucking services for any licensee (hourly rates are inclusive of benefits)

4. OFF-DOCK ACTIVITY TRENDS

Several logistics trends and challenges on both a global and regional scale are impacting the local drayage sector, shifting demands for off-dock activity and reducing opportunities to achieve efficiencies and cost savings. These trends contribute to the efficiency and competitiveness of the Vancouver Gateway and set the context for policy decisions.

4.1 Shift of Off-Dock Work to Unlicensed Companies

In recent years, a substantial portion of off-dock drayage activity has shifted to unlicensed companies. Several TLS license holders have set up unlicensed companies or partnered with an unlicensed company to complete off-dock drayage activities less expensively. Some have attributed this shift to unlicensed companies to the introduction of the Positioning Movement Rate (PMR) which increased trip rates by \$25 to account for the empty chassis or bobtail move that often accompanies a container move, raising the trip rates above levels that can compete with hourly drivers (both company drivers and hourly I/Os). The purpose for introducing the PMR was to ensure that drivers would not be taken advantage of by asking them to perform multiple non-value-add trips in order to secure value-add work.

OBCCTC regulations have only been applied to TLS license holders, so unlicensed companies have been free to set their own trip rates and hourly rates through collective bargaining with their drivers. These rates are often substantially lower than the TLS off-dock trip rates. Many companies in the TLS system see these affiliated companies as “shadow companies” that are exploiting a loophole in the container trucking regulation.

Insight: Two tiers of drayage providers are emerging in the Lower Mainland—those that are licensed and therefore must pay OBCCTC rates and those that are not licensed and have flexibility to pay drivers according to an agreed upon amount (sometimes set through collective bargaining), creating an “uneven playing field” for TLS operators.

4.2 Shift to More Company and Hourly Drivers

TLS companies have expressed an interest in requesting more company truck tags this year and in the future (as opposed to I/O truck tags). Several factors are anticipated to be contributing to this shift. For one, trip rates for trip rate I/Os have increased with the introduction of the PMR, somewhat shifting the balance between the return on the cost of owning and operating a company truck vs. outsourcing that cost to I/Os. In addition, companies can increase utilization of company trucks to be more flexible to changing customer demands because they can run multiple shifts with a company truck. I/Os are nearly always limited to 1 shift per day, limiting the total hours per week that a truck can be run. Some companies expressed concern over the limited flexibility they have to switch from I/Os to Company Trucks—only having the opportunity to do so when they reapply for truck tags every two years through the Commissioner’s TLS licensing process. Although the trend to company trucks has been observed and validated through interviews with drayage companies, one labour organization mentioned that the balance of I/Os to Company Trucks is often cyclical, tipping from one to the other every 5-10 years and that this trend is likely to reverse in due time. This is unconfirmed.

Insight: As companies bring on additional company trucks, the most consistent trips with the least variability are likely to go to company drivers, reducing the overall amount of work for I/Os and relegating I/Os to the trips with the highest variability, including ‘long loop’ trips the marine terminals at busy times of day.

4.3 Increased Peaks and Valleys in Drayage Demand

Over the past decade, container shipping lines have consolidated operations and moved to larger ships, creating greater peaks and valleys in demand for drayage services. This is particularly pronounced during times of volatility in international trade (eg. throughout the COVID response period) because some sailings have been skipped to account for decreased trade volumes, so the next sailing arrives full. Ships that used to carry 3,000-5,000 TEUs of containerized cargo are now carrying 10,000-15,000 TEUs. This presents significant dispatching challenges for drayage companies who struggle to meet the demands of their clients during peak times and have trucks and drivers sitting idle at others.

This issue is compounded by the limitations of the reservation system at the marine terminals. For example, if a ship comes in on a Monday afternoon and requires 9 or 10 shifts to fully clear through the marine terminal and reservations are not available until Wednesday morning (because they are fully booked), trucking companies must work around the clock to have all containers cleared by Saturday morning to avoid additional terminal fees. For companies with limited truck tags, the capacity of tagged trucks is severely strained during peak demand.

Insight: Companies struggle to meet demand for on-dock drayage with tagged trucks during periods of high demand. To help meet this demand, some companies use untagged trucks from other parts of their operation (eg. longhaul trucking) or unlicensed affiliate-company trucks to help complete off-dock moves, implying companies require a “pressure relief valve” to help meet periods of high demand.

4.4 Colocation of Transload & Container Storage Operations

Both grain and forest product export facilities are collocating with empty container depots to ensure easy access to empty containers and eliminate an off-dock truck leg from the export process. Since shipping lines are directing which containers are to be released for export on any given day, this does not entirely eliminate off-dock trips between container yards and export transload facilities. One multi-user container yard estimates that 50% of containers loaded on site come from their own yard. In other cases, as with some of the grain export facilities, the transload operations have direct links to the shipping lines they serve and use 100% of the containers they store on site for export of the products they are transloading.

Insight: Several operators of container storage and transload sites noted that the cost savings and efficiencies achieved through colocation of container storage and transloading is significant enough that it is likely to become the only competitively viable model in the region over time. This implies that the percentage of empties that must be moved from container storage facilities to export transload facilities is likely to continue to decline (and the remaining trips will get shorter), reducing the overall volume of off-dock drayage in the gateway. Shortages of industrial land in the region are likely slowing the colocation of container storage and transload operations.

4.5 Reduced Land for Trade-Enabling Activity

A couple of operators of container depots noted that the sites they are currently using for container operations are often at capacity and are too small for their needs. An inability to find large sites for container storage, repair, and transloading is limiting their ability to grow, take on new clientele, and consolidate logistics activities on a single site (thereby reducing truck trips). Metro Vancouver has some of the most expensive industrial land values in North America. Changes in municipal zoning and competing land uses have resulted in industrial land shortages across the region. A Metro Vancouver study that came out in 2019 estimated that the region would run out of trade-enabling industrial lands for new development by 2025.

Insight: Lack of industrial land for expansion of off-dock operations is likely contributing to the continued fragmentation of the off-dock industry, including the widespread distribution of import transload and warehousing facilities and the fragmentation of empty container yards.

4.6 Increasing Capacity for Container Logistics that Bypass Lower Mainland Drayage

There are several rail capacity upgrades in the Lower Mainland currently in progress or planned which, once complete, will move current and future container volumes away from trucking. Rail is often a more efficient and cheaper option for container movement outside the region as it can move many containers simultaneously. Similarly, several Lower Mainland logistics stakeholders are also exploring the use of Short Sea Shipping to help move containers from marine terminals to transload facilities and intermodal yards along the Fraser River. This again, could be cost competitive and reduce Marine Terminal congestion.

Increased warehousing, storage, and transload capacity is being built at inland terminals and logistics centres such as Ashcroft and Calgary that can be reached by rail. As these alternatives come online, the percentage of containers moved by drayage in the Lower Mainland is likely to decline. Already, drayage volumes are growing much more slowly than overall container volumes in the Vancouver Gateway. While container volume in the Gateway has been going up 3-5% annually, the number of containers moved by truck is only going up by 1-2%.¹⁰

¹⁰ Port of Vancouver Container Data, 2015 – 2019.

Insight: Competitiveness of drayage (and Vancouver Gateway overall) is thought to be nearing a “tipping point” whereby moving logistics operations inland and implementing short sea shipping are becoming more cost competitive. This is exemplified by the introduction of inland terminals that are competing with Lower Mainland logistics and transport facilities that make use of cheaper land and labour outside the region and high connectivity to rail.

4.7 Increased Terminal Fees & Penalties

Increases in marine terminal fees have contributed to the rise in trucking costs. The night gate fee that was introduced then rolled out across all times of day was cited as an example by several trucking companies. Many stakeholders in the Vancouver Gateway have noted that the trucking leg of a container journey as equally as expensive as moving containers overseas—specifically, the ocean shipping portion was quoted by stakeholders as costing around \$300 for some container movements and the drayage portion costing nearly the same. The drayage industry has noted that a lot of the cost of their services is related to fees paid to terminal operators who are outsourcing their operational costs to trucking companies through added gate fees and penalties for late or missed reservations.

Insight: Marine Terminals are finding other ways to pass on costs of inefficiency to trucking companies through fees and penalties, such as gate fees and late reservation penalties. The result is that drayage companies resort to augmenting their fleet with unlicensed trucks to try to meet strict reservation times when delays or peak demand maxes out their licensed fleet.

5. DEEP DIVE: OFF-DOCK ACTIVITY

The TLS system has created two tiers of drayage providers—those that are licensed to access the Port and those that are not licensed to access the Port. All drivers operating under a TLS licensed company must be paid the regulated rates for both on-dock and off-dock container trucking moves. Many companies that have TLS licenses are currently operating both tagged and untagged trucks—most TLS companies interviewed noted that they have at least a couple long haul or untagged trucks in their fleet that they use as back-ups. In addition, 45% of survey respondents that opted to answer questions about unlicensed trucks notes that they are operating non-TLS trucks. In some cases, companies use untagged trucks as “back-ups” for when a tagged truck is out of commission for servicing; in other cases, untagged trucks are used for a combination of intermodal / local trucking. Untagged trucks are sometimes used by companies to complete off-dock container moves at times of peak demand.

Other companies have generated additional operational flexibility by setting up, or having a relationship with, a company that does not have a TLS license. These companies have been operating outside the jurisdiction of the OBCCTC and therefore have not been required to pay the regulated rates for off-dock container trucking. TLS licensed companies, labour organizations, and other stakeholders in the Vancouver Gateway currently have differing interpretations of how the regulation is intended to be applied.

According to numerous communications from the OBCCTC, including the March 2018 bulletin titled “Off-Dock Rate Payments & Use of Tagged Trucks”, all container trucking services licence holders that are participating in off-dock movement of containers (as defined in the Container Trucking Regulation) attract a regulated off-dock rate which must be paid by all licence holders. Licence holders must also use tagged trucks for all on & off-dock work.

Figure 8: Current Application of the OBCCTC Regulation to Off-Dock Container Trucking Services

TLS Company, Tagged Trucks	TLS Company, Untagged Trucks	Non-TLS Company, Untagged Trucks
In Scope of OBCCTC Regulation; TLS Rates Applied	In Scope of OBCCTC Regulation; Not Allowed ¹¹	Out of Scope of OBCCTC Regulation; Rates Not Applied

In recent years, there has been an increase in TLS companies setting up a second transport operation that is unlicensed to take on off-dock drayage activity. These affiliated companies are used to complete off-dock drayage trips, and are typically paying lower rates to drivers than those outlined in the OBCCTC regulations. This growing phenomenon has resulted in a shift of major customers (large cargo owners) to TLS companies that have an affiliated unlicensed partner as they are able to provide a subset of drayage services at a lower cost.

. By setting up a subsidiary or sister company, a separate, unlicensed company can be used to complete off-dock drayage work. The OBCCTC does not have a legislative mandate to regulate unlicensed drayage activity, so these companies have not been audited to date.

Some companies see the process of setting up an unlicensed affiliated company as legitimate. Others see this as exploiting a loophole in the current regulatory framework. In addition to both licensed and unlicensed

¹¹ It is important to note that companies currently must be using tagged trucks for all container trucking services; however, many are operating untagged trucks that are primarily used for other trucking services, including local and long haul trucking.

companies taking on off-dock drayage work, some companies are also utilizing untagged trucks in their fleet to help cover off-dock drayage demand. In these cases, the TLS rates are being applied to off-dock work. It is anticipated that this is primarily happening to cover times of peak demand for drayage where companies are utilizing trucks and drivers that ordinarily would service other parts of their business such as longhaul trucking or local trailer (LTL or FTL) trucking.

The varied interpretations of the intention of the regulation, its application, and the consequences of acting in contravention of the regulation have resulted in “grey area” activity—drayage activity that does not directly violate the regulations but acts in opposition to the intended purpose of the legislation. It is understood that the legislation was intended to be applied to off-dock drayage activity that is directly related with on-dock drayage work.

Three scenarios have been identified in which companies are using unlicensed companies or untagged trucks to provide off-dock drayage services and undercut the competition. These scenarios represent various “shades of grey”—ranging from actions that are non-compliant but performed less frequently under strained circumstances, to actions that are mostly compliant and performed very frequently to undercut the competition. These scenarios include

- **Chassis swapping** – a process whereby companies are sending an untagged truck (sometimes from a licensed company and sometimes from an unlicensed company) with an empty chassis to meet a tagged truck with container cargo near the marine terminal. The empty chassis is then swapped for the chassis with container cargo so the tagged truck can return to the marine terminal immediately while the untagged truck completes the transport of the container to its Lower Mainland destination.
- **Two Loops** – a process whereby companies are sending untagged (and sometimes unlicensed) trucks to complete the empty container (off-dock) trip affiliated with an on-dock move. The empty container leg is often shorter and more consistent, whereas the on-dock trip often is longer and has greater variability. Companies are therefore sending tagged trucks on “long loops” and untagged trucks on “short loops”.
- **Domestic Repositioning** – a set of container trucking moves that are primarily moving containers to rail yards from import transload facilities (where cargo is usually travelling in 53’ or 60’ intermodal containers) or from rail yards to empty container depots or import transload facilities. In these cases, shipping containers are typically being returned to the Lower Mainland by rail either as empty containers or carrying cargo from Eastern Canada and the USA.

These scenarios are outlined in greater detail below.

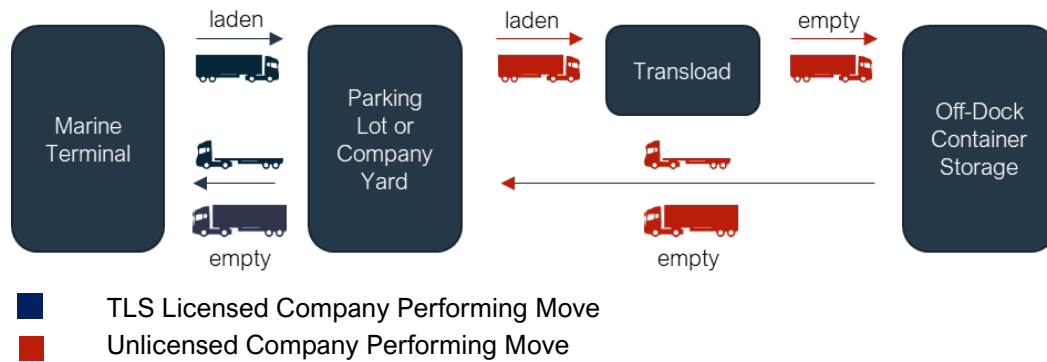
5.1 Scenario 1: Chassis Swapping

Description:

Chassis swapping involves companies sending a tagged truck to make a terminal reservation (on-dock trip) and having the truck swap their chassis and container with an untagged truck near the terminal to complete the trip, freeing up tagged trucks to meet a greater number of reservations in a day. It is anticipated that this type of chassis swapping is happening in one of two places: in parking lots near marine terminals (to minimize off-dock turn times of tagged trucks and meet narrow reservation windows), and in company yards (minimizing turn times of tagged trucks and reducing trip rates if the company’s yard is nearer to the terminal than the intended transload facility). This scenario is non-compliant with OBCCTC regulation. Tagged trucks are to be used to complete the full trip—to the container’s intended unstuffing destination and from the container’s loading destination.

In the cases where TLS companies are chassis swapping between their own tagged and untagged trucks, it is expected that all drivers are being paid according to the OBCCTC rates. In other cases, it is anticipated that TLS-licensed companies are swapping to an unlicensed partner / affiliate company either in a parking lot near the terminal or in their own yard. In these cases, the unlicensed company that takes over the trip is unlikely to be paying the regulated container trucking rates.

Figure 9: Scenario 1 – Chassis Swapping



Motivations:

Trucking companies that are participating in this type of activity generally recognize that they are violating the OBCCTC regulations for container trucking; however, they see this as necessary to meet customer demands at peak times. Companies are booking as many on-dock reservations as needed to meet customer demands, regardless of their tagged fleet size. Handing off an on-dock container load to an untagged truck outside the terminal gates allows the tagged truck to make a speedy turnaround and meet its next reservation.

Delays at marine terminals were also flagged as a contributing factor leading companies to participate in this illicit activity. If a tagged truck is delayed at the terminal and therefore is running late for its second reservation of the day, the penalties affiliated with being late for or missing a reservation are seen as higher than the chance they would be caught of penalized for chassis swapping.

Considerations:

While the overall frequency with which companies are chassis swapping is unknown, at least 2-3 separate operators were identified as participating in this type of activity. It is anticipated that others use chassis swapping as a “pressure relief valve” on occasion to deal with unforeseen delays, limited reservation options, and peak volumes. Labour organizations and companies who are not participating in or condoning this activity have expressed concern that this type of behaviour, if unchecked, has the potential to undermine the TLS licensing system.

5.2 Scenario 2: Two Loops

Description:

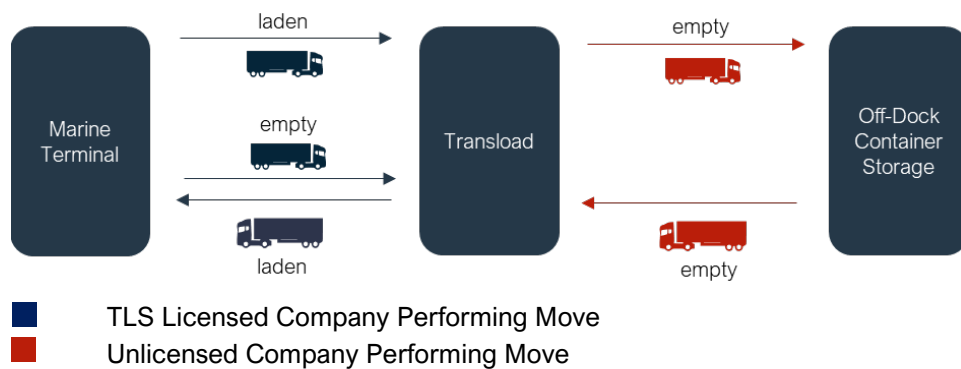
The majority of on-dock moves are “large loops”—moving containers greater distances and under less consistent conditions, including contending with traffic, port wait times, and longer turn times at marine terminals. Off-dock drayage activity, however, is typically completed over shorter distances in districts with less residential traffic and more consistent turn times. In this scenario, companies are using tagged trucks to

complete on-dock moves (large loops) and unlicensed companies or untagged trucks to complete off-dock loops (short loops).

Short trips are lower cost for trucking companies that are paying drivers hourly or are paying non-TLS negotiated trip rates. TLS trip rate drivers are unable to compete with non-TLS trip rate drivers or hourly paid drivers for this work. This cost differential is exacerbated by the introduction of the Positioning Move Rate (PMR). Non-TLS (unlicensed, untagged trucks) performing off-dock work on trip rates have been quoted as being up to \$50 or \$60 lower per trip.

Exports tend to be live-loaded, meaning the truck is on site for the loading process. This means export-oriented empty container moves are less likely to be performed by untagged trucks or unlicensed companies. Import containers, however, are rarely live unloaded, meaning it is easier to send an untagged truck or a truck from a Non-TLS licenced company to do the empty container move between import transload facilities and off-dock container depots. It is anticipated that this practice of sending two separate fleets to an import transload facility—one to deliver the laden containers from the marine terminals and the other to pick up empty containers to deliver to container depots—results in added empty chassis moves.

Figure 10: Scenario 2 – Two Loops



Note: Often export transload facilities share a site with (or are direct neighbours of) a container depot, reducing the number of empty container moves between container depots and export transload facilities.

Motivations:

Operators that manage two (or more) companies—one licensed and one not—generally see this activity as legal under the legislation; however, other TLS companies see this as taking advantage of a regulatory loophole that should be closed. Cost-competitiveness is the main driver of this activity. Non-TLS companies can pay their drivers negotiated rates that are below the OBCCTC minimum rates. By passing these savings on to their customers, they are able to secure a greater volume of work and “steal” major clients from other drayage providers.

It is anticipated that, on average, non-TLS drivers are making \$3-5 per hour less than the regulated rates; however, this insight comes from a limited sample of non-TLS operators. In addition to undercutting the competition on rates, having a Non-TLS affiliate company allows TLS companies to operate only tagged trucks while remaining flexible to peak demands—tag limitations are less of a limiting factor to growing their business.

Considerations:

Addressing the use of off-dock affiliate trucking companies is a major concern for gateway stability. Labour organizations, independent operators, and companies have all expressed concern that this system disadvantages a large portion of TLS licensed companies and drivers of tagged trucks, and that it disregards intent of the Container Trucking Act. Some Vancouver Gateways stakeholders estimate 30 to 40% of off-dock activity is already completed by non-TLS companies and untagged trucks.

Companies that are using tagged TLS trucks for all drayage activity, and are not using an affiliated unlicensed partner to complete off-dock drayage moves, are primarily using company drivers on an hourly compensation model to complete 'short loop' work. The speed and consistency of this segment of work makes it more economical to pay drivers hourly.

5.3 Scenario 3: Domestic Repositioning

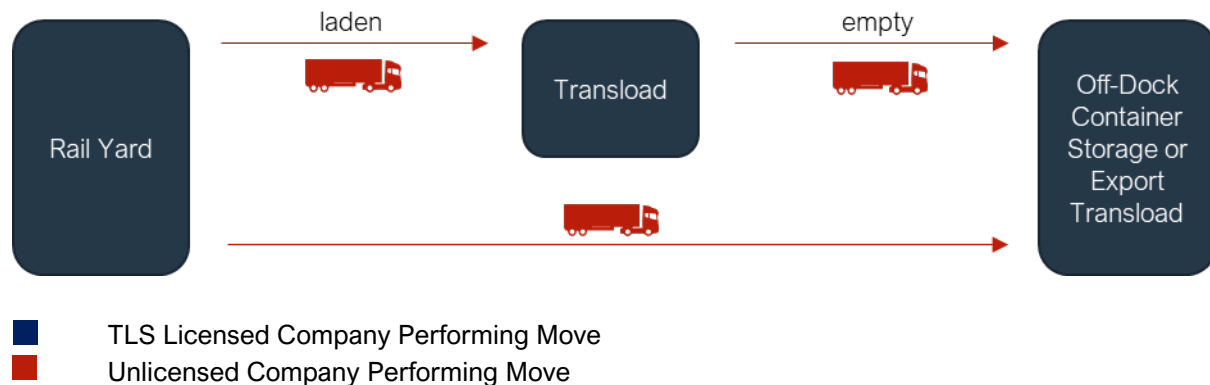
Description:

More than 60% of containerized goods moving through the Lower Mainland leave the marine terminals directly by rail, meaning more than 60% of marine containers entering the Lower Mainland are used to transfer goods across Canada and into the midwestern United States. Many of these containers are repositioned to Vancouver empty; others are returned to the Lower Mainland with manufactured goods from Ontario, Quebec, the Midwest, and other eastern destinations that are destined for the BC market.

Empty Containers: Many of the empty containers returning to the Lower Mainland travel by rail directly to marine terminals for return to a shipping line or pickup by trucking companies. Others are picked up at Lower Mainland rail yards by truck and transported to off-dock container storage sites until needed. And others are trucked directly to Lower Mainland export transload facilities. Only those trucked directly from rail yards to export transload facilities have a direct affiliation with an on-dock move. The movement of empty ocean containers from rail yards to other Lower Mainland destinations has been omitted from the application of the OBCCTC off-dock rates as the moves are not directly related to on-dock moves.

Laden Containers: The laden containers returning to the coast by rail are typically are trucked to local transload or warehousing facilities for unloading products from the East destined for the local market. The empty containers are then trucked to off-dock container storage facilities or export transload facilities. There are also laden containers travelling by truck to the rail yards as part of the import cycle. These are usually travelling from import transload facilities to the rail yards in 53' or 60' rail / intermodal containers. The movement of these retail containers does not fall under the scope of the OBCCTC regulation as the containers are not furnished or approved by an ocean carrier for the marine transportation of goods.

Figure 11: Scenario 3: Domestic Repositioning Program & Rail Empty Returns



Motivations:

Many companies draw a clear distinction between a “domestic repositioning move” of a marine container to/from rail terminals and a marine-related drayage move. While some companies claim there is “no such thing” as a domestic move of a marine container, others see domestic repositioning moves as well outside the intended scope of regulation. A number of trucking companies that are not TLS licensed and have no formal affiliation with a TLS company complete these domestic moves on behalf of the rail lines.

Using a non-TLS company for this type of drayage activity can result in cost savings, but it is not anticipated that these cost savings are significant. Most companies doing substantial rail repositioning work are paying on an hourly basis, so those operating with a TLS license pay drivers \$2-4 per hour more than those operating outside the TLS licensing program. A couple of TLS-licensed companies that pay their I/Os by trip rates noted that after the introduction of the PMR they were unable to compete for this work on a trip rate basis.

Considerations:

Domestic repositioning work between the rail lines and off-dock facilities represents about 10-15% of all off-dock drayage activity, and there are only a handful of companies involved in this work. Domestic repositioning work tends to be seen as an outlier in the marine drayage system as it is largely completed by rail-affiliated companies and non-TLS license holders.

5.4 Addressing Unlicensed & Untagged Off-Dock Activity

Based on our interviews and analysis, there are three primary reasons for the growth of unlicensed companies and untagged trucks performing off-dock work. These include:

- An inability to perform the volume of work with the given complement of tagged trucks
- A cost saving opportunity by having the ability to pay lower rates to drivers, giving them a pricing advantage with their customers
- An understanding that some container trucking activities as falling outside the jurisdiction of the current Container Trucking Act legislation

Interviews with drayage providers, labour organizations, and other gateway stakeholders have indicated that improving efficiency and competitiveness in the Lower Mainland drayage sector will require addressing unlicensed off-dock trucking activity. Any actions taken to address unlicensed companies and untagged trucks performing off-dock work must consider:

- **Peak Usage:** How companies will address peaks in demand for tagged truck usage
- **Lowest Cost:** How companies will try to lower the cost to deliver services, so that they can keep and win customers
- **Marine Container Movement Relation:** How legislators will identify which container trucking moves are marine related (and therefore fall under the Container Trucking Act) and which are part of a domestic transportation system

Three ideas were raised by stakeholders for identifying off-dock drayage work being performed by untagged trucks in the Lower Mainland:

- Working with off-dock facilities to check to truck tags or port passes upon entry to off-dock sites, including multi-user container depots – may go against the business goals of off-dock container depots that charge gate fees for all entrants
- Working with shipping lines require all companies with shipping line operating agreements to have a TLS license – unlikely to be enforceable, and
- Working with industry to self-police the use of untagged trucks through a direct reporting or complaint channel, facilitated by having easily visible markers on all tagged trucks – leads on illegal activity are helpful in identifying those acting in contravention of the regulation

6. NEXT STEPS

The BC Ministry of Transportation and Infrastructure has made it a priority to ensure fair working conditions that support a stable, efficient and competitive drayage sector in the Vancouver Gateway. Addressing unlicensed activity may require changes to the scope and administration of the existing *Container Trucking Act*. These shifts need to be considered in the larger context of container trucking legislation and the goals of the Gateway, including:

1. **Fairness:** Drivers are paid fairly for their work
2. **Stability:** Companies are able to manage their volume of work and the stability of employment for drivers
3. **Efficiency:** Trucking companies are able to minimize non-value-add trips and complete trucking services with few delays or interruptions
4. **Competitiveness:** Companies are able to compete on a level playing field for work and the Vancouver Gateway is cost competitive with other transport options (including other ports and inland terminals)

Several options have been put on the table by stakeholders to adjust container trucking legislation, TLS licencing rules, and/or OBCCTC rates to help meet these goals. These include:

- Legislating based on *hourly minimums only* to ensure that drivers are compensated fairly, regardless of compensation model.
- Introducing a *short trip rate* for trips under 5km long to ensure TLS licensed trip rate drivers can compete for short-loop off-dock work.
- *Easing tag restrictions for TLS companies* so that TLS companies can run untagged trucks to help accommodate off-dock drayage volumes while still paying TLS rates.

In the meantime, potential solutions to address issues associated with unlicensed activity have also been identified, including

- **Clearly articulating the intended scope of container trucking legislation and prospective consequences for acting in contravention of legislative intent** including applying more severe penalties for companies participating in chassis swapping.
- **Expanding the Application of the Regulation to “Affiliated” Companies**, ensuring that companies that are closely linked to TLS licenced companies are included within the scope of regulation.