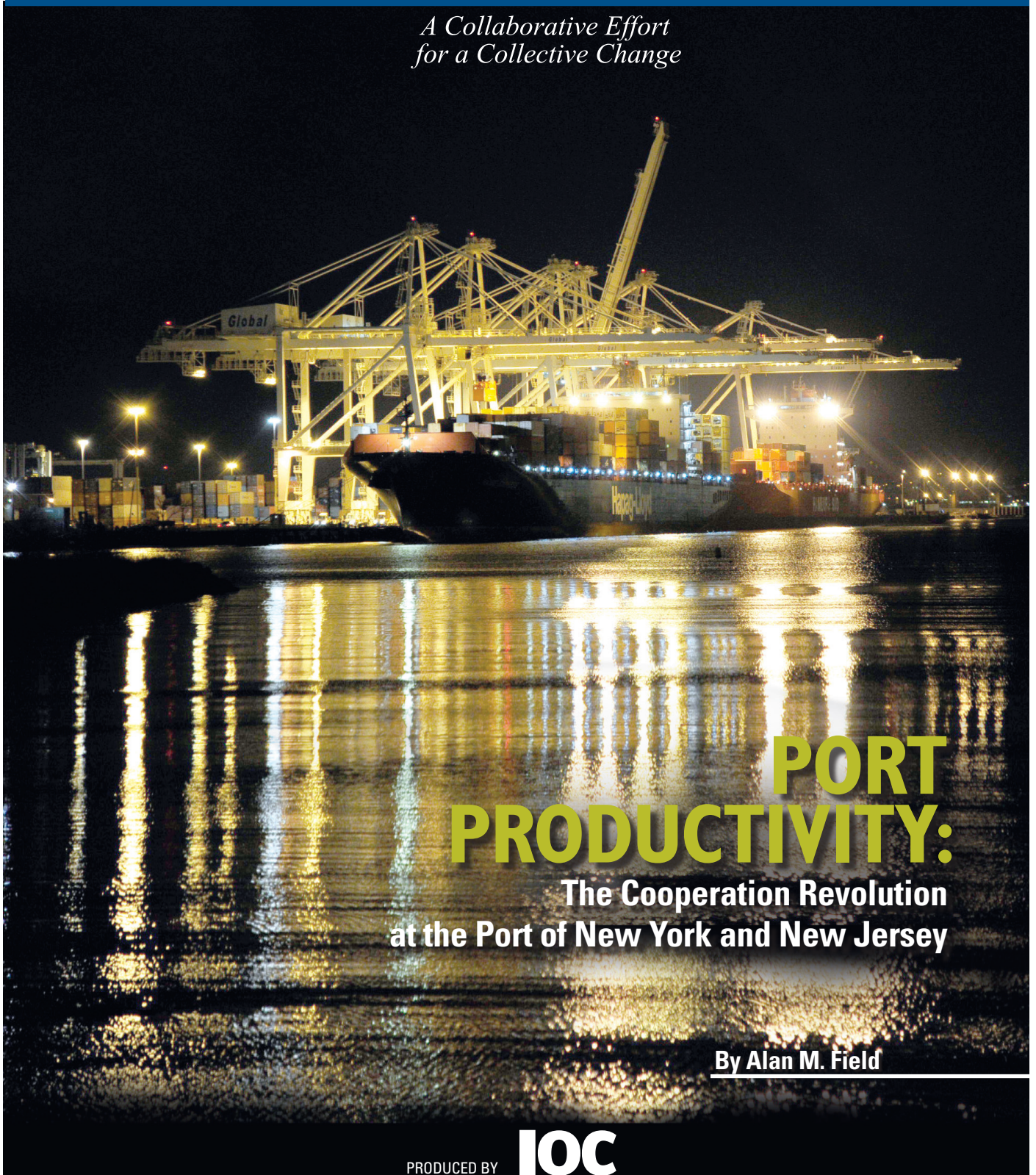




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Council On Port Performance

*A Collaborative Effort
for a Collective Change*



PORT PRODUCTIVITY:

The Cooperation Revolution
at the Port of New York and New Jersey

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IT'S THE DEAD OF WINTER – you're a shipper in the Midwest who's due to receive your import cargo this week. You expect a Monday afternoon pickup at the port, but on Sunday afternoon, you get an email alert: tomorrow's weather conditions will force a delayed opening at the terminal where your goods are slated to arrive.

"Conditions with Winter Storm X continue to worsen," the message says. "Please stay tuned for further announcements."

For long moments, you stare at the screen of your phone. Wait! You think. Does this mean just this terminal will have a delayed opening or might the entire port have a delayed opening tomorrow? Or will the entire port end up closing? *What about my cargo?!?*

"In past years, there was little to no communication on a port-wide basis," said Rick Larrabee, director of port commerce for The Port Authority of New York and New Jersey. "Everyone was in the dark, and we found this unacceptable. I'm not just talking about weather problems; I'm referring to any event that impacted port operations. So we instituted planning calls where we make joint decisions about what to do; in this case whether we delay opening or not open at all. This unparalleled cooperation on something seemingly mundane has been widely received by our service providers and customers alike."

The port authority oversees the Port of New York and New Jersey, the largest port on the U.S. East Coast and the third largest in the nation. The port has six container terminal operators, multiple rail service providers, and approximately 40 ocean carriers calling at its terminals. Each year, it handles more than \$200 billion worth of goods. This represents a massive chunk of the eastern seaboard's economy and a goodly portion of the overall national economy.

With a 24-hours' reach to destinations as far west as Chicago, north as Canada, and Louisville, Kentucky in the south, it's no stretch to think of the Port of New York and New Jersey as the logistical center for the same goods most Americans use on a daily basis. Televisions,

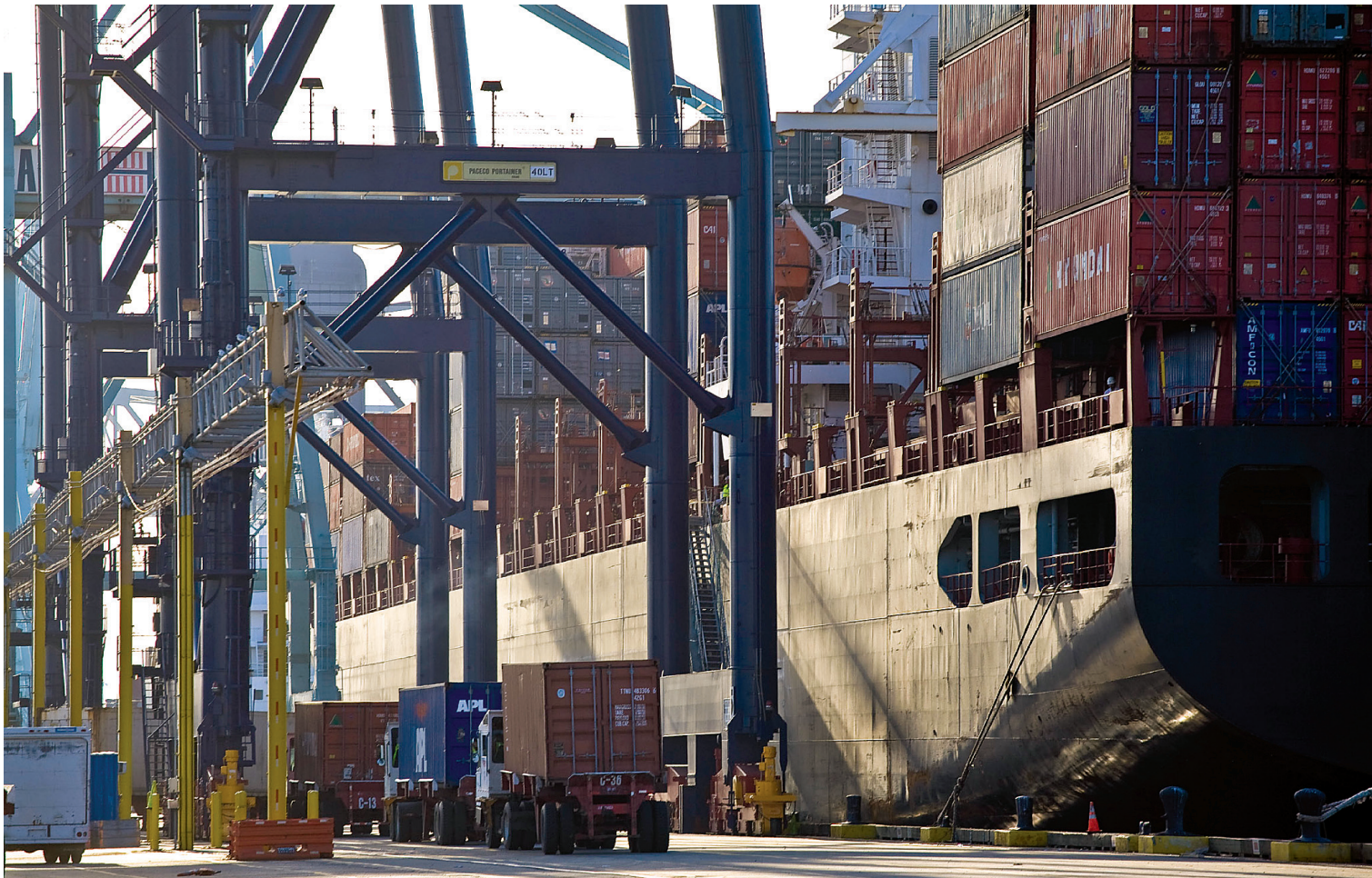
computers, phones, automobiles, furniture, and clothing — you name it. If you live in the eastern half of the United States, quite likely a majority of the goods you use on a day-to-day basis arrived in a shipping container at this port before they were sent to your local retail outlets.

And business is growing. In 2014, the port broke nearly all of its previous records. These included the highest volumes ever logged in the first six months of a fiscal year, the highest volumes ever logged in a single month, and the highest volumes ever recorded for a single year overall.

"We're busier than ever," Larrabee said. "This means that we have to work smarter than ever. We've made unprecedented investments in our roadways, channels, terminals, and rail systems. But investing in infrastructure isn't enough. We must also focus on the business processes, so we took a major step forward and convened the Port Performance Task Force in late 2013."

The idea behind the task force was simple. "A port is, basically, a machine with numerous gears that need to work in synchronicity in order to optimize the movement of freight. The PPTF was essentially a roundtable of all port stakeholder segments. We felt that we needed a forum where the various constituents of our port could openly discuss areas of common interest and identify challenges to port efficiency and service reliability. Then, with everyone right there in the same room, we could hash out recommendations for potential solutions and key performance indicators that, once implemented, would help maintain our port's position as one of the leading ports of the United States," Larrabee said.

After six months of extensive collaboration, the Port Performance Task Force released a report in June 2014 listing 23 recommendations



that, when implemented, would reduce truck congestion and air emissions in the port, improve customer service for truckers and other port stakeholders, and enhance the flow of goods from the port to the marketplace. The task force prioritized the recommendations as Tier One, Tier Two, and Tier Three according to the significance of impact, feasibility of implementation, and acceptability among the port's diverse stakeholders. Common among the recommendations is a need for increased efficiency, measurement, communication of data in a timely and meaningful manner, and transparency.

"The report was a monumental achievement," said Bethann Rooney, assistant director of port performance initiatives for The Port Authority of New York and New Jersey. "The work it took to generate this document hinged entirely on the PPTF's solidarity, which

was unprecedented. The various stakeholders all viewed collaboration as a bona fide catalyst toward improved port productivity."

"The whole concept of port productivity is firmly rooted in cooperation among stakeholders," Mike Radak, chief operating officer of Hanjin Shipping America, said. "Without cooperation, the whole thing is a dead-end street."

PORT PRODUCTIVITY: WHAT IS IT EXACTLY?

"In its infancy, port productivity was simply considered the amount of container moves that each crane could do per hour," John Atkins, president of Global Container Terminals USA, said. "But this meme is antiquated by today's standards. In our current competitive market, we at Global have expanded our view of port productivity; we see it as the time and complexity

“CARGO DELAYS OF ANY KIND CONCERN US BECAUSE TARGET INVENTORY AND CUSTOMER SERVICE LEVELS ASSUME CERTAIN TRANSIT TIMES.”

of operations required to move a container from the moment a ship ties up on dock to the time it arrives at the warehouse door.”

Mike Wilson, senior vice president, Hamburg Sud North America, has a slightly different take befitting the model of his business. “First and foremost, good port productivity allows ships to stay on schedule, thus providing a more consistent and reliable product to our clients. This reliability I’m referencing actually affords for better planning and efficiency across the entire supply chain,” he said.

“Cargo delays of any kind concern us because target inventory and customer service levels assume certain transit times,” Lori Smith, ocean sourcing lead for Johnson & Johnson Sales and Logistics Co., said. “Ongoing delays therefore result in raising inventory levels or declining service levels to our customers and users of our healthcare products. Given the volume and diversity of goods that we ship — refrigerated cargo, high-value products, medical products, consumer goods — we’ve come to view port productivity as more important than ever. Increasing port productivity and reliability is one of the best ways to protect the integrity of our products.”

Keith E. Lovetro is president and CEO of TRAC Intermodal, the largest intermodal chassis pool manager and equipment provider for international and domestic shippers in North America. “Port productivity has become an essential element in running our operation as the leading chassis pool manager and equipment provider in the Port of New York and New Jersey,” he said. “It’s critical that we have well-maintained pieces of equipment available at the right times and places to support our customers moving commerce through the Port of New York and New Jersey.”

A port has many moving parts, Larrabee said. Each gear functions separately, yet cannot turn without assistance from, and parity with, other gears.

“This is precisely why the Port Performance Task Force’s slate of recommendations is so important,” he said. “The task force treated our port as a single entity rather than an array of

independent units. We all agreed that fixing problems in our separate lines of business was pointless without understanding how those changes would affect the overall system. If a change is good for one component, it should be good for all, and vice versa. The holistic view is the only one that works long term, so that’s how we chose to move forward.”

Tier One recommendations proffered by the PPTF in its June 2014 report included implementing a system to improve chassis management, a truck management system, and a port community system; aligning terminal gate hours and maximizing gate hour extensions to the fullest possible level; and implementing radio frequency identification, or RFID, technology to measure and report on truck movements.

Tier Two recommendations included developing guidelines to extend free time for extremis situations; creating a daily bulletin board/dashboard of current, near-real-time conditions to display congestion, roadway traffic, webcam views, etc.; constructing additional ExpressRail support track, as recommended by a 2013 Port Authority of New York and New Jersey study; and compiling key performance indicators to use as productivity benchmarks. For the sake of transparency (read: to keep everyone on their toes) the KPIs would be compiled regularly and distributed to the port community.

Finally, Tier Three recommendations included developing and implementing a pre-defined crisis communication plan; developing a unified customer service/411 center; sharing data on available and needed labor to help predict potential impacts on terminal turn times; publishing daily “Planning Guides” that previewed the next day’s activities; and providing touch pads at gate pedestals as a backup method for drivers and clerks to communicate.

But perhaps the most important change was the creation of a new entity charged with the important work of implementing the PPTF’s recommendations. In August 2014, the task force handed its work off to the Council on Port Performance, or CPP.

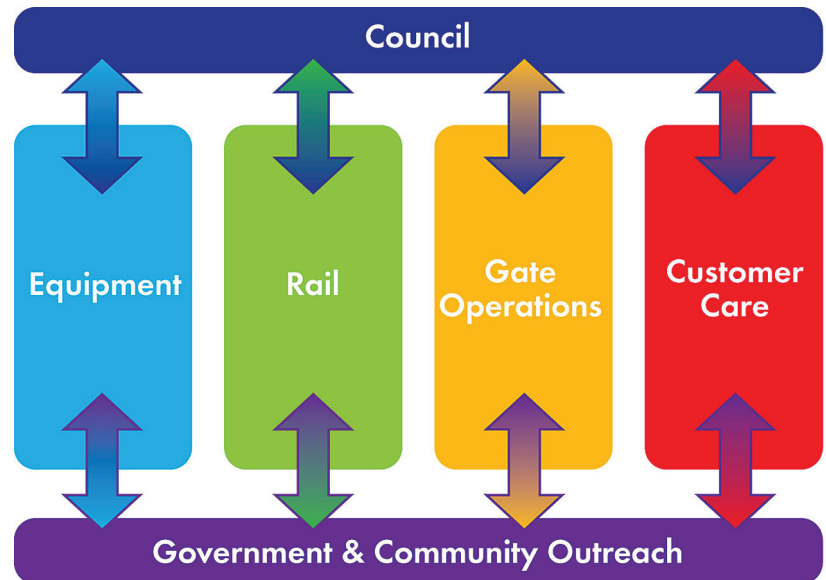
The Port of New York and New Jersey

is a landlord port (versus an operating port authority), New York Shipping Association President John Nardi said. “Being a landlord port is not a negative. In fact, it provides business opportunities for stakeholders where operating ports might not. However, it’s critical that the stakeholders have a forum to align their interests to ensure the gateway is evolving to prepare for and cope with cargo trends. I believe the PPTF and the implementation-focused CPP is the correct model to perpetuate the necessary cooperation.”

A UNIFIED COMMUNITY

“The CPP is a unique opportunity for the Port of New York and New Jersey,” said Tom Adamski, board member of the New Jersey Motor Truck Association and president of First Coast Logistics Services. “You have people from every participating entity meeting on a regular basis to make recommendations, correct current issues, anticipate future potential difficulties, and solve them. This is a working group where people with ‘skin in the game’ at the very highest levels offer workable solutions. The key thing is that we make sure everyone’s best interests are looked after, which ensures that we have a great port!” Adamski laughed. “I say this every Port Industry Day: great people make great companies. But only the greatest people make the greatest port, and we have that here at the Port of New York and New Jersey — the greatest people in the greatest port!”

The Council on Port Performance convenes representatives from the highest levels of each port-stakeholder segment. Representatives from ocean carriers, marine terminal operators, railroads, motor carriers, equipment providers, shippers, and beneficial cargo owners serve on the council, along with labor and management organizations. Experts from each segment of the industry also support the five implementation teams: intermodal equipment, drayage operations, gate operation, ExpressRail, and government and community outreach which, in addition to working on the recommendations, are actively engaged in addressing a wide range of



concerns involved in boosting port productivity and performance.

“It’s all about communication and transparency,” Larrabee said. “Sure, we work at implementing the 23 recommendations. We tackle emerging issues and try to do some predictive analysis that will nip future problems in the bud. But the whole thing hinges on how honest and forthright we can all be with one another. We’ve seen firsthand how this collaboration can prevent even potentially major problems from becoming systemic issues.”

“The results of this unprecedented cooperation have already started to become apparent,” Nardi said. “My focus has mainly been on the creation of a gray chassis pool for the port. This is an extremely complex initiative because it touches so many stakeholders. For example, the following entities have been involved: chassis leasing companies, the International Longshoremen’s Association, terminal operators, labor associations, shippers and consignees, ocean carriers, trucker associations, depot operators, and the port authority. Each has an interest, and each may have to make a level of compromise. In a port with six major terminals, a gray pool will greatly improve chassis utilization, truck turn times, and environmental factors. I’m pleased with the spirit of cooperation and progress up to this point.”

In November 2014, the Council on Port

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Performance selected the market pool model as the best option for efficient chassis provisioning at the Port of New York and New Jersey. A market pool, which is a type of gray chassis pool, can best be defined as various chassis providers contributing their chassis into one large fleet that services the port. All chassis would have the same mark and the pool would be managed at arm's length by a third party under contract to a pool board, made up of representatives from each of the chassis contributors and others representing key supply chain stakeholders in the port.

Another early win for the council was its adoption of a Winter Weather Plan for 2015. “The northeast got hit pretty hard in 2014,” Rooney said. “We had record snowfalls — 61 inches. That’s more than 30 inches above normal.” This weather profoundly impacted the port’s ability to remain efficient. But it also provided some excellent lessons on productivity planning moving forward.

“We learn from our mistakes,” she said. “Nobody’s perfect. We get things wrong, which can sometimes be uncomfortable. But the real

loss is when we don’t use what we’ve learned to benefit the port in the future.”

Its latest Winter Weather Plan, which incorporated useful input from all industry stakeholders involved in port operations, included pretreating port roadways with brine before the driving conditions could deteriorate; increasing the amount of equipment and material devoted to snow removal; and developing different yard strategies to maximize the efficiency of plows. By Super Bowl Sunday, when weather forecasters warned that a blizzard might hit the New York-New Jersey region, the council was well prepared to implement that plan, Rooney said.

But, as so many members of the Council on Port Performance have pointed out, these early developments, while encouraging, still require a lot of hard work on the part of many and represent only a taste of what’s to come. Not to mention what is possible.

The council’s work unites or enhances other initiatives currently being undertaken by entities in the port community. As an example, Nardi cited



the most recent collective bargaining agreement, or CBA, implemented between the New York Shipping Association and the International Longshoremen's Association. "Our landmark 2013 CBA has provisions that will improve productivity outside the scope of the PPTF. A right-sized, well-trained labor force is the foundation on which all stakeholders depend."

Radak saw port-wide benefits develop that meshed with his own line of business at Hanjin. "We have big ships of 10,000-plus TEUs due to arrive at the Port of New York and New Jersey. The CPP will play an integral role in smoothly ushering in the next generation of cargo vessels."

Global Container Terminals recently completed a \$322 million-dollar investment in technology and semi-automation that "will enable us to work the largest vessels that call New York and New Jersey. We've all seen the many and various adverse effects these much larger vessels can have on port infrastructure. We anticipate that our technology investments will dovetail with the CPP's initiatives, enabling our terminal to

maximize service to the levels our cargo owners deserve," Atkins said.

"TRAC Intermodal certainly supports the CPP's initiatives," Lovetro said. "We've refurbished and added over 500 chassis to the NY-NJ Metro Pool to support current demand levels and improve the quality of equipment available to our customers. In 2015, we're refurbishing another 1,275 units. In February, we introduced a street-turn program to facilitate our motor carrier customer operations."

SUMMING UP THE BENEFITS

CPP members thought about how the council's work has contributed to raising productivity for their businesses, its counterparts, and the overall business community at the Port of New York and New Jersey.

The benefits stem from "collaboration, collaboration, collaboration," Nardi said emphatically, while Atkins stressed how the council has helped stakeholders become "open,

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fair, and cooperative” in their approach to improving the productivity of everyone involved. Radak summed up the council’s operations as “organized, insightful, [and] aggressive.”

Lovetro stressed the impact of the Council on Port Performance in creating a working environment that is “collaborative, compelling, and optimistic,” and Wilson emphasized how it has helped by promoting a spirit that incorporates “empathy (for my counterparts), dialogue, and action.”

Finally, Smith stressed that “it has been a rewarding experience serving as a member of the CPP,” which “has been innovative, goal-oriented, and collaborative in its approach with the business community.” Serving as a member of the council has also provided her company, a beneficial cargo owner, with “greater insight into the intricacies of the connections” among the port’s many stakeholders. This, she says, has been “helpful when working through complexities within our supply chain” and led to better “understanding how our cargo moves through the system.”

THIS IS WHAT THE FUTURE LOOKS LIKE

The value of the Council on Port Performance working in a collaborative advisory capacity cannot be overstated. Today, at the Port of New York and New Jersey there is a general recognition that the

solutions to its complex issues will be found with maximum stakeholder involvement. There is also consensus that, while there are many contributing factors to port congestion, these issues are not unique to New York-New Jersey. Rather, they are problems faced by ports nationwide, but the council is ahead of the curve in addressing them.

What’s more, members of the port community and the council have recognized that sequencing the recommendations is critical to ensuring that both simple and complex proposals can be pursued in parallel. However, as with anything worth doing, it takes time to get it right.

At present, the CPP’s teams are working diligently to address the various tiered recommendations, no matter how challenging these issues are to tackle. For example, a gray chassis pool is expected in the first half of the year, the rail team is actively working on a block-stowage solution, and the customer care team will soon advance a new truck resource guide. The prototype will be tested in the spring of this year before its final launch.

Meanwhile, the gate operations team is focused on developing the Port Community System: a “one-stop shopping” community and website where information on cargo availability and booking status at all of the terminals will be available online. The team is actively developing the scope and functional requirements of this system and will host an industry focus group prior to final build out.

This port community is committed to continuing the Council on Port Performance’s highly collaborative and inclusive process to collectively improving efficiency and reliability at the Port of New York and New Jersey. By working together to identify specific solutions to maximize the port’s efficiency, stakeholders at the port have paved the way for the continued economic success of their port, as well as the region it serves.

For more information on the Council on Port Performance please contact Bethann Rooney at berooney@panynj.gov or 212-435-4215.

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