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**Bill Mongelluzzo, Senior Editor** | Sep 18, 2019 5:09PM EDT



Chassis issues continue to be a flashpoint for disagreement among supply chain participants. Photo credit: Shutterstock.com.

Issues involving chassis interoperability, shortages, and dislocation continue to hamper productivity at US ports and inland rail ramps, and there is no single solution on the horizon that will make those problems go away, speakers at the Intermodal Association of North America (IANA) conference in Long Beach said this week.

In fact, with each stakeholder in the supply chain — ocean carrier, trucker, railroad, and intermodal equipment provider (IEP) — doing what best serves their own interests, the industry may eventually be forced into the unwanted condition where it has to choose between regulation and free markets before a solution is found, the speakers said.

“What’s the answer, maybe a government or port telling us, ‘chassis for all?’” Bill Rooney, vice president of trade management/North America at Kuehne + Nagel, asked rhetorically. “I would rather have the private sector work this out.”

The fact remains that chassis issues continue to be a flashpoint for disagreement among supply chain participants. Each region of the United States is unique as to how it deals with this simple but crucial piece of equipment in the supply chain. Comparing Southern California, with a total of 16 marine terminal/rail ramp locations, with Chicago, which has 18 rail ramps, with Mobile and its one marine terminal, is impossible to do, said Ron Joseph, executive vice president and COO at Direct ChassisLink.

Each region of the country has developed a chassis regime — although these operational processes may be imperfect — that is working, but needs improvement, speakers said. Joseph noted that due to the pool of pools in Southern California, Los Angeles-Long Beach is operating much better than before that agreement began March 1, 2015. With 66,000 interoperable chassis in the gray pool formed by DCLI, TRAC Intermodal, and Flexi-Van Leasing, truckers in most cases can use a chassis contributed to the pool by any of the three IEPs.

But there are exceptions, which cause headaches for truckers. Ocean carriers in some cases have contractual arrangements with IEPs that specify truckers must use the chassis provided by a specific IEP to haul certain containers. The problem can be compounded when the beneficial cargo owner (BCO) whose freight is in the containers has an agreement with the carrier that allows extended free storage time — as much as 30 days — to hold onto the chassis at its warehouse. Dozens of chassis are in effect taken out of service, harming the entire supply chain in Southern California, while carriers are absorbing the cost.

## **Extended free storage time a problem**

“BCOs keep chassis for too long. If someone else is absorbing that cost, that’s dumb,” Rooney said. “If someone is dumb enough to not get its return on investment, that’s what we have markets for.” Carriers might be looking at the chassis as a “loss leader” it uses to attract the business of large customers, he added.

In other instances, imported containers enter Los Angeles-Long Beach through one of the 12 marine terminals in the port complex. When the containers are unloaded, carriers often direct that the container/chassis units be returned to another terminal operated by an alliance partner because a ship preparing for departure must be topped off with empties returning to Asia. Joseph said this happens with about 100,000 chassis a month in Los Angeles-Long Beach.

Rooney said when carriers call audibles to do what’s best for them, it places a burden on other members of the supply chain. “Those who are directing where to send the chassis are not paying the cost,” he said.

Conflicts involving carrier and merchant haulage affect other locations, such as rail ramps in Memphis, due to such business arrangements, and that places a burden on truckers at inland locations. Truckers lose their freedom to choose a chassis that is available to them, or that they may own.

“We have to ask the carrier for permission to choose any chassis,” said Donna Lemm, who leads IMC Companies’ activities in connection with key customers. “We don’t have trucker choice. We have TRAC and DCLI, plus CCM [Consolidated Chassis Management] managing a pool. Interoperability is great, but it doesn’t address the issue of choice. Truckers say, ‘Take the handcuffs off.’”

Even well-run chassis programs can be temporarily derailed by events such as snow and cold weather in the northern regions, hurricanes in the South Atlantic, or the ongoing US-China trade war and its multiple trigger dates for imposition of the tariffs that disrupt supply chains.

“This conundrum comes up two or three times a year in different locations,” said Jon Poelma, president and COO at Consolidated Chassis Management. Idling containers on chassis for three days while waiting for a hurricane to pass can cause a drain on chassis supply, he said.

Joseph added that 66,000 chassis in the Southern California pool of pools is certainly adequate to fill the needs of chassis users — if there were no weather events throughout North America, no late vessel arrivals, never a decision by carriers to redirect empty containers to terminals other than where they entered, and BCOs never kept chassis at their warehouses for excessive periods of time.

Those who suggest that the IEPs add another 20,000 chassis to the pool of pools just in case of an event do not understand the financial costs involved. “No one can have 20,000 chassis sitting around waiting for an event,” he said.

Rooney made a similar observation. “These are assets. Assets cost money. People want to make a return on those assets, or we won’t have enough chassis,” he said.

In the current environment, where chassis affect the operations of carriers, BCOs, truckers, railroads, and IEPs, each attempting to protect its own interests, disagreements on which system works best can be expected, Rooney said.

“This is a competition of ideas,” he said. “We hope there will be a solution down the road.”

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