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Chassis Crisis at LA-LB

Bill Mongelluzzo, Senior Editor | Feb 03, 2014 6:50PM EST

A crisis of chassis dislocations has developed in Los Angeles-Long Beach, and the entire port community is seeking a solution before it spins out of control.

Harbor truckers, who are bearing the brunt of the problem, are experiencing unusually long turn times because marine terminals do not have the types and quantities of chassis that truckers need. "The chassis are not being positioned where they are needed," said Vic LaRosa, CEO of TTSI, a Southern California drayage company.

Truckers were already suffering through gate congestion because of unusually strong container volumes in recent weeks, so they are blaming terminal operators for the chassis problem. However, the terminals neither own nor manage the chassis fleet.

"In the short term, the chassis issue is becoming more important than turn times. In fact, chassis are a big part of the turn-time problem," said Bruce Wargo, president of PierPass Inc., which manages the Los Angeles-Long Beach extended gate time program on behalf of the terminal operators.

Chassis dislocations reduce terminal productivity

Chassis dislocations are problematic for terminal operators as well. When containers back up at SSA Marine's terminals in Long Beach because there aren't enough chassis, the yards become congested and productivity drops throughout the facility, said Ed DeNike, chief operating officer. DeNike said that on one bad day recently, crane productivity declined by two container moves per crane per hour. The terminals normally deploy at least five cranes per vessel, with productivity close to 30 moves per crane per hour. "The rows get full because we can't move the containers in or out," he said.

Congestion at the marine terminals is not only causing terminals to shut out truckers, but in one extraordinary case, a terminal operator was forced to tell a shipping line not to dock its vessel because the terminal did not have enough chassis on hand to handle the containers that would be discharged.

LaRosa said it is common now for terminals to tell truck dispatchers not to send drivers to their facilities if they don't have chassis. A driver who calls at a terminal with a container on top of the chassis will have the container removed, but the driver may be told to bring the chassis elsewhere.

Carriers' sales of chassis cause disruptions

The root cause of the chassis problem is that after gradually exiting the chassis business at other locations around the country the past three years, carriers are finally selling their chassis in Southern California to container leasing companies, chassis pool operators and other third-parties.

Carriers waited until the very end of their chassis-divestment program before selling their equipment in Southern California because they feared that the chassis environment at the 13 container terminals in the harbor is so complex that it would be difficult to pull it off. They were certainly correct on that point.

Under the new regime, a carrier will sell its chassis to a container leasing company, and that company signs a use agreement that ensures a steady stream of business. At the same time, many carriers today are engaged in vessel-sharing agreements that involve three or more lines. This results in "split deliveries" in which the container must be dropped off at one terminal and the chassis at another.

However, in many cases, no one will pay for the repositioning of the chassis to another location. Truckers are therefore being directed to transport the chassis free of charge, and to add insult to injury, the chassis trip is using up valuable time that should be spent moving another revenue load.

This situation has resulted in a chassis dislocation issue in the harbor. "It's not a chassis shortage problem. It's a chassis availability problem," said Steve Rubin, principal, InterPro Advisory, a consultant on equipment issues in the industry. "There are plenty of chassis in the harbor, but many of them are not where they are needed when they are needed," Rubin said.

A complex problem

The problem is exceedingly complex. In some cases, the owner of the chassis is a different party than the operator, and a third company actually provides the chassis to the trucker.

The situation at the nation's largest port complex is especially difficult right now because the three major chassis leasing companies — Flexi-Van, Direct ChassisLink Inc. and TRAC Intermodal — are competing for market share as they carve up what is seen as the biggest current prize of all in the port industry. The Los Angeles-Long Beach port complex last year handled 14.6 million 20-foot container units.

Furthermore, the leasing companies manage chassis differently than the carriers did when they owned the equipment. The per-diem pricing regime is different. The old shipping line contracts with retailers and other shippers often included "deals" in which a large retailer or consumer goods importer would get more equipment free time or pay lower lease rates than smaller shippers. Now new deals are being arranged, which makes the billing process complicated.

Also, labor issues involving maintenance and repair of the equipment are coming into play. Marine terminals have M&R contracts with different unions, some with the International Longshore and

Warehouse Union, and others with the International Association of Machinists. However, since shipping lines no longer own the chassis, the question being asked is, what is the future of those labor agreements?

Finally, the situation cries out for a single information portal through which all of the participants in the transportation chain can electronically share the information needed to route, track and trace the location of chassis in the massive harbor.

"The chassis business is in a state of flux. It is creating service issues," Wargo said.

Task force aims to provide chassis model for LA-LB

The ports of Los Angeles and Long Beach for the past year have been leading a joint task force to address all of these issues and to propose a non-binding but consensus-driven chassis model for the harbor. That task force recently submitted the first phase of its proposal to the stakeholder group. The voluminous report is heavy on facts and includes high-level recommendations, according to stakeholders who received the report.

However, a successful conclusion to this venture is months away, and truckers are screaming for relief now. What is needed, truckers say, is a gray chassis pool in which most chassis can be used interchangeably throughout the harbor. Billing should be handled in the back offices of the leasing companies, without truckers having to be engaged in the process.

In order to do that, though, at least the three major leasing companies that control about 80 percent of the chassis in the harbor must receive anti-trust immunity to discuss an arrangement in which they all share a chassis interchange agreement.

Two of the companies are, in fact, applying to the Department of Justice to have a discussion agreement. That still leaves one of the bigger players on the outside, as well as other independent chassis pools. The two-party arrangement, if it takes place, is viewed as a temporary and incomplete fix.

Rubin said he applauds the two ports for taking the lead on finding a solution to the chassis problem and including the major stakeholders in the harbor. "There is a solution," he said.

Whatever plan is decided upon must have input from all of the stakeholder groups, and it must be based upon a seamless system of information flow, billing arrangements, access to chassis, equipment storage and just compensation for truckers. "They must keep the truckers involved," he said.

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