

The Unsung Hero of Intermodal Transport



■ Trade and Transportation

By Thomas O'Brien

I never imagined spending a good portion of my professional life talking and writing about chassis. But I do. As both an educator in the classroom and as a researcher of the supply chain, it's impossible to avoid the topic, and with good reason. The intermodal chassis helps make the global supply chain possible. It allows for the easy transfer of the shipping container between port, rail yard, distribution center and store. Anything that limits the availability of this equipment also limits the efficiency of the supply chain.

And in this country, the industry has been experiencing the growing pains associated with a shift in the way in which chassis are owned and maintained. In a relatively short amount of time, we've seen ocean carriers, which have traditionally owned the chassis, get out of the business in favor of third-party providers. What may seem like a simple transfer of ownership in equipment has been anything but.

Carrier-owned chassis are a legacy of containerization. By controlling the chassis, ocean carriers had access to other portions of the U.S. domestic market. For truckers however, the old business model created certain inefficiencies. Because chassis belonged to the carrier and were stored at the marine terminal, truckers had to reposition the equipment back to the port after dropping off a container. This resulted in many non-revenue generating trips for truckers and limited the number of turns a driver could make in any given day. One solution: a chassis pool which, simply put, was a group of chassis that two or more ocean carriers made available to truckers for the movement of cargo.

In the wake of the economic downturn in the mid to late 2000's, ocean carriers had an increased incentive to eliminate the costs associated with maintaining a now underutilized chassis fleet not to mention the costs tied to the terminal real estate on which the fleets were stored. This meant not simply reducing the number of chassis on terminal by expanding the use of pools but by divesting themselves of the equipment altogether.

In 2009, Maersk, then the world's largest shipping line, announced a program called ChassisLink, which charged the trucker a daily fee to rent a chassis. In return, the trucker was allowed to use a Maersk chassis for as many trips

necessary until it was returned to the terminal. The program was an important first step in demonstrating the supply chain benefits of eliminating inefficient truck trips and in freeing up valuable staging space on the docks. In early 2012, Maersk sold its ChassisLink subsidiary altogether. In the wake of the Maersk decision, other ocean carriers followed suit, implementing changes to their equipment management procedures that involved chassis pools in the short term and then ultimately chassis divestiture.

As ocean carriers were divesting themselves of chassis, they were also investing in larger, more efficient megaships as a cost savings measure. This has created peak period demands for landside infrastructure and equipment, including chassis, at ports where the larger vessels are able to call. These include the Ports of Los Angeles and Long Beach. As a result, the Ports established a Chassis Operations Group to consider the impact of changing industry practices on terminal operations as well as the broader supply chain.

One response has been for third party chassis providers to develop an asset-sharing system for their equipment, a "pool of pools" designed to eliminate unnecessary equipment interchanges and make the supply chain more efficient. Pool chassis can be used at any marine terminal and truckers are billed by the day. The equipment is inspected for "roadability" and verified before being turned over to the trucker for use at the ports.

Launched in the first quarter of 2015, the pool of pools is still a work in progress. Chassis repositioning has not been eliminated altogether, particularly during peak periods, and many truckers have expressed an interest in a long-term lease option that would give them even more control of the chassis, assuming they have a place to store them. But it's important as an example of a broader industry-wide effort in supply chain optimization needed to accommodate an increase in freight movements through our region.

So the next time you're behind that truck on the freeway, instead of honking, show a little appreciation for the heavy lifting being done by the chassis. It's literally carrying the weight of global trade on its back.

Dr. Thomas O'Brien is the Executive Director for the Center for International Trade and Transportation (www.ccpe.csulb.edu/citt) at CSULB and the Associate Director of Long Beach Programs for the METRANS Transportation Center (www.metrans.org). METRANS is a joint partnership of the University of Southern California and California State University, Long Beach.