



**WHAT YOU NEED TO KNOW
ABOUT THE CHANGE IN
INTERMODAL CHASSIS
OWNERSHIP**

**Provided by the Waterfront
Coalition**

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Background: The United States is the only large market where ocean carriers own and provide chassis to truckers to move cargo. Several years ago, Maersk announced its decision to end its ownership of chassis. As of 2010, the steamship line no longer provides equipment to truckers. On the heels of the Maersk decision, other ocean carriers announced plans to divest their chassis possibly forcing truckers to own equipment or lease chassis from equipment providers. Despite certain press accounts, those carriers that announced their divestment of equipment will do so only in certain locations and under certain circumstances. Under certain contract terms and in many port regions, ocean carriers will still provide equipment to truckers. Therefore, a better description of the current condition is that many ocean carriers are considering plans to reduce chassis services to truckers.

This briefing document will provide you with background information to understand the debate over chassis ownership. This document pertains only to intermodal chassis used to move international shipping containers through blue water ports. Intermodal chassis are used extensively in rail yards while other chassis are used to move other types of shipping equipment and freight.

1. Is there a list of ocean carriers that have or plan to get out of the chassis business?

a. Maersk was the first carrier to announce that it would no longer own intermodal chassis and provide equipment to truckers. See “Direct Chassis Link” under Neutral Chassis Pools.

b. Many other carriers announced plans to reduce chassis offered to truckers at certain locations. Those ocean carriers that announced reduced chassis service may still offer equipment on store door moves. A summary listing of carrier announcements regarding intermodal chassis is included as an appendix at the end of this document. The summary listing is provided by the Ocean Carrier Equipment Management Association (OCEMA).

2. Are there regional and local models that exist today that could be implemented in ports around the country?

a. Neutral Chassis Pool: Chassis are provided by an outside entity. The equipment provider may also be the pool operator or lease the equipment to a pool operator. Neutral pools charge the equipment user based on a short term per-day fee. An equipment user is typically a trucker but could include a shipper. Neutral pools have been in existence for over a decade providing equipment in rail terminals. The typical customer has been ocean carriers. Only recently have motor carriers been seeking equipment

- Trac Intermodal provides equipment to its regional Metro Pool serving New Jersey marine terminals. Truckers may pick up and return equipment to various locations participating in the Pool. In the Port Elizabeth-Newark region, the following marine terminals are participating in the Metro Pool: APM, Maher, NYCT, PNCT and several rail ramps. A trucker rents the equipment for \$11/day.

Similar neutral pools operated by Trac Intermodal exist in marine facilities in Houston and Seattle.

- Direct Chassis Link (DCLI). Maersk was the first ocean carrier to announce that it would discontinue its ownership of chassis. Maersk created Direct Chassis Link to manage its chassis fleet and provide chassis to truckers. Truckers are charged \$11 per day for the use of equipment. Truckers may use equipment provided by Direct Chassis Link to move containers of any carrier and not restricted to Maersk.

DCLI is operating in many marine facilities and rail yards throughout the country.

-Flexi-Van is an equipment provider and neutral and coop chassis pool manager. It offers services similar to Trac Intermodal.

b. Coop Pools: Equipment providers including ocean carriers operating in a port or a marine terminal provide equipment to a common pool. Equipment in a coop pool is sometimes referred to as “gray chassis”. The common pool operator provides equipment to truckers or other equipment users through terms outlined in the Uniform Intermodal Interchange Agreement (UIIA) that is managed by the Intermodal Association of North America (IANA).

- Virginia International Terminals (VIT) has managed a coop chassis pool since 2005 whereby ocean carriers and other equipment owners provide chassis to a single portwide coop pool. The pool is located at a near-dock facility.

-20 ocean carriers participating in the Ocean Carrier Equipment Management Association (OCEMA) created Consolidated Chassis Management to operate coop pools of member carriers’ chassis at several ports and many railyards around the country.

-Several pools are in operation in the L.A. Long Beach Port complex. There is not a single common pool, but rather a standard chassis at all marine terminals in LA-Long Beach for certain carrier alliances including the following:

1. Grand Alliance: Managed by Trac Intermodal
2. New World Alliance: Managed by participating partners within the Alliance
3. LA Basin Pool: Managed by Flexi-van
4. West Coast Chassis Pool: Managed by SSA Marine

c. Motor Carrier and Shipper Owned/Leased Equipment. In certain instances, several larger motor carriers are purchasing or leasing chassis. Under a lease arrangement, the motor carrier will enter a long term lease arrangement with an equipment provider. Often, the lease terms will include maintenance and repair provisions. Similarly, there are instances of beneficial cargo owners leasing or purchasing equipment under similar terms.

This model is most applicable in regions with grounded terminals. Truckers arriving at a facility for a pick-up or a drop off of an empty will not incur a flip charge if hauling their own equipment. The model is less applicable in a wheeled operation. Those facilities that operate a wheeled operation will typically charge a flip fee to the motor carrier for the use of outside equipment.

Maintenance and Repair Issues: Earlier this year longshore union locals and marine terminals in New Jersey reached an agreement that maintained jurisdiction for the maintenance, repair and inspection of chassis. There had been some concern among union locals that that this work could be lost as steamship lines devolve ownership of the equipment. Coop and neutral pool operators in the region also announced that ILA labor will be used for maintenance and repair work on all chassis.

Motor carriers and cargo owners that own or lease chassis are not obligated to use longshore union labor for maintenance and repair work on equipment. However the ILA does maintain the jurisdiction over the inspection of all chassis on marine terminals regardless of the ownership structure.

3. Are there plans to move forward with pools in ports or port regions around the country?

Neutral chassis pools are widely used in Elizabeth-Newark marine facilities. Several large motor carriers in the region have also purchased or leased equipment. Neutral pool operators have facilities in Savannah-Charleston, Seattle-Tacoma and Houston and are planning to increase their presence in these regions.

The coop pool operated by VIT is extensively used in the Norfolk region. The OCEMA group of carriers established coop pools in many railyards and few marine terminals.

Large scale neutral or coop chassis pools are not being considered at this time in L.A.-Long Beach given the enormous footprint of the port complex and other operational complexities.

4. Are there certain types of chassis use for which ocean carriers will still own chassis?

In the trade, there is a distinction between merchant haulage and carrier haulage in a typical contract. Merchant haulage describes a situation where the bill of lading calls for the merchant (shipper or consignee) to arrange for trucking services from a port. Carrier haulage describes a situation where the ocean carrier arranges for trucking services at a port according to the terms of the ocean contract. This is sometimes referred to as a store-door delivery.

Despite some statements in the press, many ocean carriers will still provide chassis to truckers on carrier haulage moves or store door deliveries. Free time and detention charges would typically be applied to both the container and chassis.

Under a merchant haulage scenario, detention charges and free time applied to the container and chassis are separate. Ocean contracts may include container free time and detention charges. Free time and detention charges on the chassis would be negotiated between the shipper and motor carrier.

5. Are there specific concerns for shippers over the adoption of neutral or coop chassis pools?

Under a coop pool arrangement, where ocean carriers still own the equipment, carriers may be able to use their cargo forecasts and allocate equipment to better guarantee availability during times of peak use. There is some concern that equipment availability at neutral pools could be problematic during periods of peak use. All stakeholders will need to work with equipment providers and pool operators to guarantee equipment availability. This could necessitate a process of sharing cargo forecasts.

6. Liability concerns for shippers. New rules issued by the Federal Motor Carrier Safety Administration (FMCSA) have increased liability for the Individual Equipment Provider (IEP). This term is understood to include a pool provider that is responsible for the maintenance and repair of equipment. Many pool providers have been strengthening liability language in their interchange agreements with motor carriers as a result of these new federal rules. These higher liability costs incurred by motor carriers may be passed along to shippers.

Additionally, some neutral pool providers are said to be considering a higher daily rate offered to motor carriers for “no fault” liability coverage. Use of this higher “no fault” daily rate could be passed along to shippers.

Any beneficial cargo owner that owns or leases equipment would be subject to these new liability rules.

UIIA Issues: As mentioned earlier, a standard interchange agreement between motor carrier and equipment provider is codified under the UIIA. The terms of

this standard contract allows any trucker that has signed the UIIA to interchange with any chassis owned by an ocean carrier. However, equipment owned or leased by a neutral pool operator, motor carrier or shipper is not subject to liability provisions of the UIIA. In some instances, truckers moving these chassis are subject to lengthy trouble window delays at marine terminals needed to ensure that the chassis in question is operating under a contract and holds adequate insurance. The Intermodal Association of North America is working on streamlined procedures, similar to those in the UIIA, to keep trucks moving that are hauling chassis with proper documentation and liability coverage.

7. Valuable websites for further reading

www.ocema.org

www.flexi-van.com

www.chassislink.com (Direct Chassis Link)

www.VIT.org (Virginia International Terminals)

www.tracintermodal.com

www.intermodal.org (IANA)

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