



Hearing Before:

**US Senate Committee on Commerce, Science and Transportation  
Subcommittee on Transportation and Safety**

**Connecting America: Examining Intermodal Connections Across Our Surface Transportation Network**

February 26, 2019

Testimony of the  
**Agriculture Transportation Coalition**  
[www.agtrans.org](http://www.agtrans.org)

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Chairman Fischer, Ranking Member Duckworth, and members of this Subcommittee, thank you for holding this important hearing.

I am honored to speak on behalf of the members of the Agriculture Transportation Coalition: our nation's farmers, processors, manufacturers of agriculture and forest products. I come before you today representing our hard working members. I am humbled to speak because no one understands better the importance of this vital economic engine more than you do, as a cattle rancher, living and breathing a sector that feeds America and the world.

As you well know, agriculture and forest products constitute the largest segment of our country's exports. The Agriculture Transportation Coalition (AgTC) has, for 31 years, pursued an efficient, dependable and affordable transportation supply chain required to keep our exports competitive in the global marketplace. Today, I will discuss some of the most pressing transportation challenges facing agriculture and forest products exporters today.

It is essential to emphasize the daily threat of global competitive sourcing confronting all your agriculture and forest products constituents:

- There is nothing that we produce in agriculture and forest products in this country, that cannot be sourced somewhere else in the world. What is produced in Nebraska and Illinois, for examples, Brazil, Australia, Argentina, Canada and Mexico are more than eager to supply.
- When we cannot deliver, affordably and dependably, to our customers in Asia, Europe and around the world, those customers will find alternative sources.
- When our foreign customers go elsewhere, and establish new sources and new supply chains, it is incredibly difficult to get those customers back.

Today's hearing is timely, and appropriate, because the transportation challenges we have today are indeed threatening our ability to get our Agriculture and forest products to market.

At the outset, I would like to clarify - most of the agriculture and forest products exported from this country are moving in intermodal containers. Our overseas customers of US agriculture and forest products demand that we deliver agriculture in containers, and that our exports arrive frequently, in manageable volumes, and in good condition - necessitating containerized shipping. This includes all refrigerated goods, such as beef, pork, poultry, fresh fruit and vegetables, eggs, dairy, etc. moving in refrigerated containers; meanwhile, virtually all of the cotton, lumber, almonds, paper, specialty grains and top grade soybeans, hay, rice, etc. are transported in 'dry' containers. Traditional 'bulk' cargoes have increasingly migrated to containerized shipping. The Class 1 railroads are moving hundreds of thousands of these intermodal containers of our agriculture exports, from inland points, to our seaports on the East, Gulf and West Coasts. AgTC members are loading hundreds of containers each week at rail ramps throughout the country, including in Nebraska and Illinois

All over the country we are faced with bottlenecks, delays and handcuffs in our ability to execute within the supply chain. Surging imports have clogged our ports and in turn the trains moving inland have containers stockpiled. Motor carriers, already short on driver's sit idle waiting and waiting for availability of containers. In sum, our entire international and domestic transportation supply chain fails. Our producers have to store or even destroy their production, and obviously lose the sales they depend upon.

This hearing is timely, please allow me to highlight as we move across the supply chain from start to finish. Our system has gaps that are causing huge challenges that may be visible as we peel this back looking at the movement of agriculture and forest product exports in containers from origin to our rails and then to our marine terminal gateways. There is a real need for a solution that will protect US agriculture and forest product shipments from falling deep into challenging areas in the system which are currently hindering exports.

## **1. Container shortages:**

US agriculture and forest products are produced all over the country and often the sourcing of containers is far from where our products are produced. The first challenge is to have adequate supply of containers to move our goods. Our refrigerated agriculture exporters of beef and poultry often suffer from adequate supply and availability of refrigerated containers. For our non-refrigerated agriculture products many of our members will move by rail to transload facilities that can accommodate large access to containers. Where are the containers? We depend on availability at ports and our inland hubs like Chicago, Memphis, Dallas and Kansas City. We send agriculture and forest products in rail cars to transloading centers near our nation's major ports. From the mid part of the country moving often east to Charleston, Savannah, Norfolk. For our fruit and nuts shippers depending on our ports for supply of empty containers in Los Angeles and Long Beach, Oakland, Seattle. Our cotton and forest product exports looking for sourcing of containers in the interior in Dallas and Memphis where supply is already short. Looking to the Gulf ports like Houston, New Orleans and Mobile for sourcing of containers that have to compete with resin shipments for supply of standard marine containers. Containers is already tight in our inland locations like Chicago, Memphis and Dallas where we are moving from fall harvesting into peak shipping season which is right now.

## **2. Chassis shortages and the need for quality/roadworthy equipment, accountability and fair access to chassis**

To compound the challenge of marine container equipment supply, we have another piece of equipment vital to moving ag exports and that is critically short not only in supply, but in quality and safety, fair access and accountability and that is the chassis. (The chassis is the metal frame and wheels upon which the container is mounted for movement over the road). The challenge of chassis supply and fair access to chassis on merchant haulage moves have reached headlines across the US. It is important to note that there currently is no consistent way for chassis providers to forecast for United States Agricultural exports; most forecasting for chassis provisioning is done for imports only. Until a decade or so ago, chassis in the United States were directly provided by the containership operators, with a clear accountability. For a number of complicated reasons, including regulatory changes, the emergence of operator alliances and space-sharing agreements, plus the financial stresses of the Great Recession combined with emergence of private equity capital seeking infrastructure-related opportunities, the operators sold off most of their chassis assets to three outside firms that now own the vast majority of the nation's chassis fleet. As a result, chassis are now controlled and managed by these outside entities where there is no overall accountability for provision of adequate quality and quantity of chassis, and short-term commercial pressures might outweigh the necessity of ensuring supply chain fluidity.

Please allow me to give you an example of the impact of lack of chassis to the cotton market in Memphis. In the first quarter of 2018 agriculture exports in Memphis came to a screeching halt. In early February of 2018 there were 3 chassis available and in good working order, according to chassis providers' reports, to serve a market moving over thousands of agriculture exports a week. At the same time our importers were grounded and piled high at our rails due to this chassis shortage and compounded by weather. We had had enough and our team of agriculture and forest product shippers, reached out to other stakeholders to try and peel back what really was at the center of our standstill. The Memphis Supply Chain Innovation team was formed, this is the first regional team of stakeholders that came together to bring stakeholders together to find actionable resolve. The Federal Maritime Commission was hosting its Fact Finding 28 meeting in Memphis on detention and demurrage May 15, 2018 and the next day the

team assembled to step out of their silos to look at the supply chain process in Memphis and what might be done to assist fluid commerce. The team comprised of Agricultural exporters, railroads, ocean carriers, importers and motor carriers agreed unanimously that the single most actionable solution was a single gray pool in Memphis for chassis. The team championed action for a single gray pool the following:

1. Interoperability which would immediately increase supply
2. Quality of chassis given the concern for safety, age of chassis and condition of chassis with so many in maintenance and repair status
3. Pool manager for accountability of chassis availability, supply and condition
4. Shipper Board that would assist in a continued voice for an operating chassis model that would offer resolve to the current broken chassis model.

This appeal was supported by 4 Major class I railroads, all OCEMA members, the Memphis Supply Chain Team, AgTC, ATA, Memphis Chamber of Commerce and today we will hear from Intermodal Equipment providers if they will indeed embrace the current solution proposed.

The experience in Memphis also gives us insight into how connected all stakeholders are and how important shared discussion, review, and accountability to foster commerce really is. The gap between railroads that count on ocean carriers to supply chassis, who in turn contract with chassis providers find shippers and motor carrier with no voice. We also see challenges with rail making decisions regarding capacity and frequency that should absolutely engage other stakeholders, including exporters.

### **3. Rail congestion and scheduling issues**

Rail congestion impacts every agriculture and forest product exporter trying to in-gate loaded exports into the rail terminal. Severe congestion is reported by our members in Chicago and Memphis at this time. There is often no room at the terminal and containers are being rejected at the gate. Motor carriers are forced to turn around. This congestion is the result of surging imports, lack of chassis availability which has been compounded by weather. Container grounding continues to occur in these major inland rail hubs and the result is rising costs of demurrage and detention paid by the shipper due to no fault of their own.

It is very important to AgTC members to have reliable rail cut-offs. Members are reporting that the situations at inland rail hubs are challenging with specific mention of the NS Memphis ramp. Rail cut-offs to tender export loads have been unreliable and impacting final missed delivery of cargo loading in Charleston and Savannah. Truckers have waited in line between 2-6 hours for various reasons – volume, congestion and ramp equipment breakdowns. Exporters cannot face these kind of delays per load and expect to meet inland cutoffs and overseas customer commitments.

Our agriculture and forest product members do struggle with appointment systems that often do not accommodate the volume of cargo that has been booked with ocean carriers. Several of our largest exporters have shared that the CSX and CN have no volume correlation to ocean carrier designated “Earliest Return Date “(ERD) and Intermodal Cutoff for specific bookings. There are “X “number of appointment times given out per day by the rail and when they are gone, truckers need to wait until the following day. As noted, the availability to day does not appear to be tied to actual bookings with specific shippers who have been provided specific ERD’s and cutoffs. This lack of alignment also threatens when loads can be picked up.

The net effect is exporters and the truckers they are working with are getting less loads per driver per day – reducing supply chain velocity and US surety to meet export customer commitments complete and as committed = more shipments splits which has downline system impacts for the marine terminals, ocean carriers and vessels.

The western Class I's – BNSF Railway and UP Marion have made significant infrastructure investments in Memphis; we need all rail providers to keep pace with the growth of intermodal volumes.

#### **4. Motor Carrier: Driver Shortages, Hours of Service**

The agriculture sector certainly has felt the driver shortage and AgTC members are grateful for the FMCSA's support of flexibility for agriculture shippers and Hours of Service exceptions within a 150 mile radius. 2018 was particularly painful with shippers scrambling to find drivers to move goods from sourcing locations all over the United States. It is said that over 50,000 new drivers are needed to serve the international and domestic markets. The AgTC membership has worked hard to find ways to accommodate the driver at warehouses, respecting the drivers time with loading and looking for ways to make the process more efficient. In the midst of the driver shortage, agriculture exporters struggle to compete with foreign sourcing, finding equipment, finding drivers. While there are various causes of the congestion and delay at our nation's gateways and rail ramps, much could be gained by harmonizing our allowable truck weights with the rest of the world, significantly reducing the number of trucks on the road, or waiting at rail ramps and marine terminals.

#### **5. New Ocean Carrier "Street Turn" Fees challenge efficiency, cost and emission reduction for all stakeholders**

A particularly counterproductive approach is several ocean carriers' filings with the UIIA to impose fees for containers that are interchanged once import devanning has taken place. In other words these empty containers do not go back to their depots or to terminals, instead they are interchanged to move on to secure US exports. This practice is known as street turns. Street turns enhance efficiencies, save trucking costs, reduce congestion and save emissions. This practice that helps all stakeholders save time and money now has ocean carriers imposing fees from \$40 to \$75 on "street turns". We ask this Committee to assist in gaining ocean carrier rescission of this appalling action by these 4 ocean carriers

The fees imposed on street turns injures all, including the carriers themselves, by adding to congestion and delay which already makes marine terminals at some of our largest ports, the greatest challenge to the US export/import supply chain. Penalizing street turns threatens one of the only measures available to shippers, carriers, terminals, truckers to address the unending congestion. All parties should be concerned about the detrimental impact on the environment, particularly in and around the vicinity of port complexes. At a time when ports are mandating green trucks and reduced emissions, this street turn fee is already increasing the number of trucks and emissions.

The Agriculture Transportation Coalition has offered to meet with these and other carriers to help them understand how the street turn penalty will impede cargo flow and increase costs and fuel emissions.

## 6. Port Congestion

Most marine terminals were designed and built to accommodate container ships that were a quarter the size of the largest container ships now carrying our nation's exports and imports. Today ships of 12,000- 14,000 TEUs are calling our ports. Ocean carriers have consolidated their services to for alliances sharing space together on these mammoth ships. The ships aren't the only requirements that are getting larger, more berthing space, larger cranes and the immediate issue of scalability is front and center. The entire supply chain is scrambling to catch up and in many cases failing to catch up. It begs to ask the question who is responsible for cramming this huge tonnage into the supply chain without fair planning or coordination by all stakeholders? For US exporters this means less frequency of vessel calls, shorter scheduling windows to ship larger volumes and less choice of carrier options because of consolidation and alliances. Container volumes often get cut in half when loading because of capacity constraints and tonnage maximums on vessels. We have one member that is the second largest exporter in the country, who shared that his containers are being shut out and only allowed to load if a vessel is working.

**Per Diem, Detention and Demurrage Penalties:** The congestion at major maritime gateways is such that trucks are often idling for hours outside the marine terminal gates. Turn times once on the terminals are unacceptably long, caused frequently by an overload of containers discharged all at once from the massive ocean ships whose volumes far outstrip the capacity of terminals built for the previous generations of container ships.

The congestion, combined with a shortage of available chassis, frequently results in the exporter or importer being unable to obtain or return an ocean carrier container to or from the terminal within the set amount of "free time" days set forth in the ocean shipping contract. Typically for exporters this is five days. Sometimes even shorter. Rarely longer. The penalty for missing the "free time" limit can be \$125-\$175 per day. The marine terminal portion of this ranges from \$9-\$20, with the remainder being remitted to the ocean carrier. Most US exporters and importers have been subjected to these fees, with some importers, exporters and their truckers, suffering literally millions of dollars of such fees. This is obviously a huge drain on the profitability of our exports which already, due to global competition, labor under razor-sharp margins.

We appreciate the Federal Maritime Commissioner Rebecca Dye's initiatives to develop supply chain teams, including all stakeholders, to address fundamental causes and find solutions to the marine terminal congestion. Specific questions are being addressed, such as when, under an ocean shipping contract, a container is considered to be "tendered", so that is actually available for the trucker to pick up from the terminal. These Supply Chain teams are determining how to address the congestion which exists nationwide, at inland points such as Memphis and Chicago, to the seaports at all coasts. Several members of the AgTC are active participants.

## 7. Preventing imposition of "Verified Gross Mass" - Thank you to this Committee, the US Coast Guard and the FMC.

I would like to thank this Committee for your assistance in supporting the US exporter. Three years ago the ocean carriers collectively announced an entirely new process by which the exporter would have to guarantee the accurate weight not only of our cargo, but also the weight of the ocean carrier's own container! Exporters have always provided exact cargo descriptions and weight, as required by Customs and Border Protection. We do not know and will not be held

responsible for knowing the weight of the ocean container – that is something they must know. Called "Verified Gross Mass", this would have imposed liability on exporters for information we don't have, and cannot obtain. It would have required significant changes to the electronic interface for export documentation, leading to delays in some shipments, and missed sailings. Fortunately, the US Coast Guard stepped forward, noting that since the 1990's all loaded containers have had to be weighed at the marine terminal before loading on the ships, that our marine terminals were in compliance, and that there does not exist a need for this additional "VGM" requirement. This Committee conducted a hearing on this subject, conveyed its concerns about the counterproductive VGM proposal. We thank you, the FMC and the Coast Guard for taking the initiative to protect the interests of the US exporter. Since then ocean carriers have largely refrained from imposing it on US exports, but from time to time, a carrier will attempt to require it. The AgTC continues to monitor and educate those carriers that VGM is not to be imposed. We will continue to bring to this Committee's attention, the FMC, and the Coast Guard when a carrier attempts to impose a VGM requirement.

### **Summary**

The Agriculture Transportation Coalition has shared with you the challenges at origin with equipment and chassis shortages, driver shortages and the heightened challenges given the systemic problems with rail and terminal congestion. We have given you a glimpse of what we face every day and we ask for your continued support in creating programs that support continuity throughout the intermodal network connecting marine, rail, motor carrier, intermodal equipment providers and shippers. We seek your assistance in creating more opportunities to collaborate in this multimodal network that we navigate through to export our products that feed the world. Our agriculture shippers supply chain interests must be protected and commerce must seek an integrated supply chain with visibility, accountability and productivity for all sectors that embraces the US agriculture exporter.

Respectfully submitted,

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