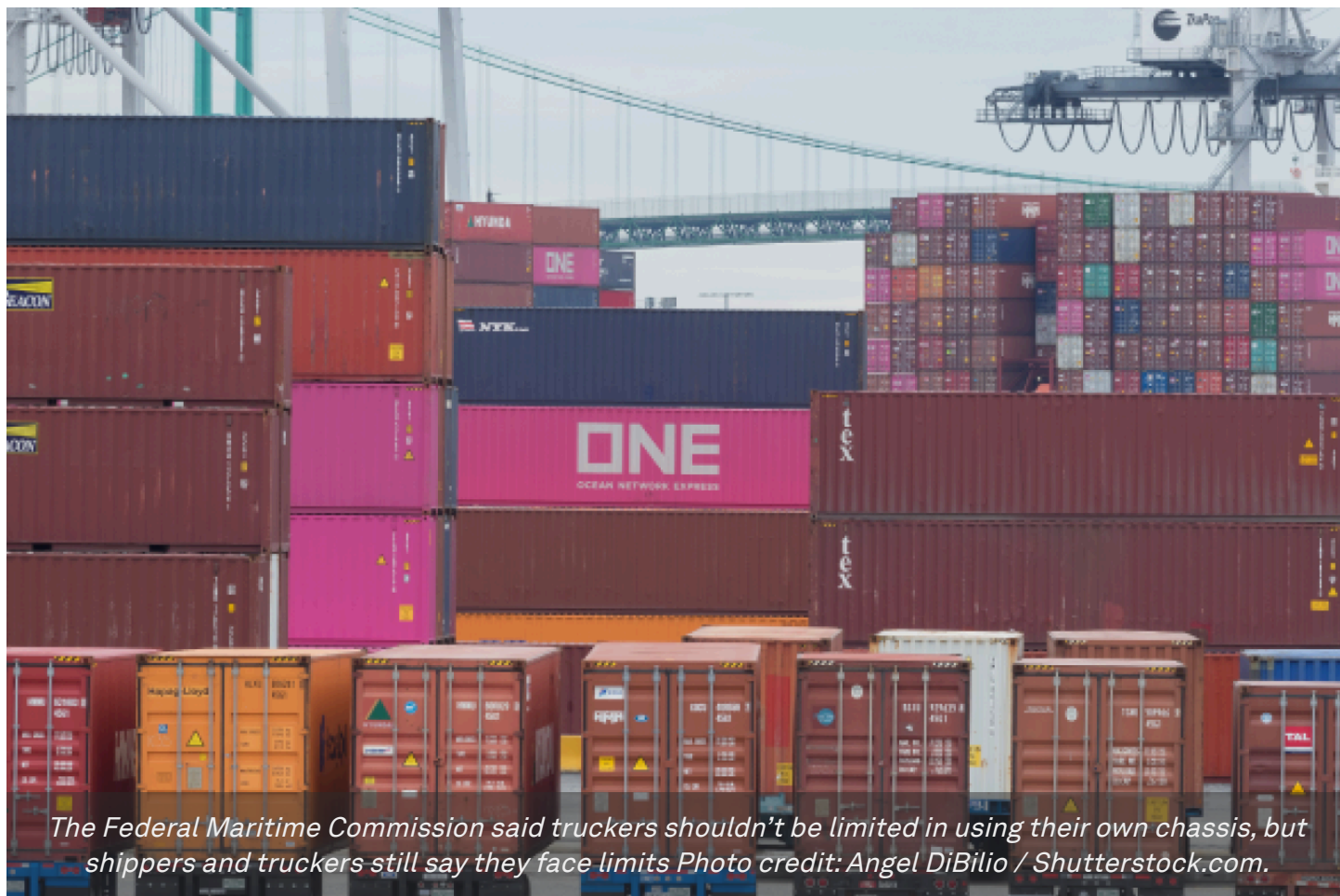


# Rise of private chassis fleets forces IEPs, railroads to rethink operations



*The Federal Maritime Commission said truckers shouldn't be limited in using their own chassis, but shippers and truckers still say they face limits Photo credit: Angel DiBilio / Shutterstock.com.*

Michael Angell, Senior Editor | May 28, 2024, 3:22 PM EDT

Chassis providers and railroads are having to adjust their businesses to accommodate the large supply of trucker-controlled chassis now vying for merchant haulage of ocean containers. While the Federal Maritime Commission (FMC) has ruled in favor of greater chassis choice, shippers and truckers say they still run into roadblocks using their own wheels, particularly at inland rail ramps.

Mike O'Malley, senior vice president at Direct ChassisLink (DCLI), told attendees at the Agricultural Transportation Coalition's annual meeting in Tacoma, Wash. last week that motor carriers' usage of owned or directly leased chassis has doubled over the last seven years.

The switchover from chassis from intermodal equipment providers and equipment pools particularly stands out at inland locations. O'Malley said that its Memphis pool is now handling less than 60% of the volume from its ocean carrier customers, down from 95% four years ago.

In Chicago, trucker-controlled chassis are used in more than half of container moves.

O'Malley said it's due to the rise of shippers opting for merchant haulage where their nominated trucker provisions the chassis on their own rather than using one supplied by the ocean carrier.

"The truckers wanted the ability to use their own chassis," O'Malley said. We are trying to compete for every merchant haulage box. There have been dramatic decreases in the merchant haulage business we're getting because there are private chassis being used."

Val Noel, chief operations officer at Trac Intermodal, said their merchant haulage business is now less than 30% of total revenue due to more truckers using their own chassis.

"Our merchant haulage business is being picked off with private assets," Noel said.

## FMC affirms chassis choice

In February, the FMC upheld an administrative law judge's decision that ocean carriers and their interoperable chassis pools stop any business practices that limit motor carriers' ability to use the chassis of their choice. While the Ocean Carrier Equipment Management and Evergreen Marine have asked the FMC to reconsider parts of the ruling, Noel said as long as it's agreed to in the contract of carriage, "you have the choice of any chassis you want."

Even so, there are instances where truckers are delayed because they are required to use a pool or IEP's particular chassis, said Steve Schult, vice president of supply chain for Blue Diamond Growers. He cited the example of a February ride-along with a trucker at a Memphis rail ramp where it took the driver five hours to find the chassis required for the container.

"At the ports, we're not facing an issue of chassis availability," Schult said. "Today, where we see the majority of issues is on the inland side." He added that many of the pool chassis face issues with brakes, lights, and roadability.

Brian Kobza, executive vice president at drayage provider IMC Companies, said the confusion over chassis choice stems from some merchant haulage and inland

intermodal contracts that include a chassis from the ocean carrier.

“We’re looking for as much choice as possible, or for ocean carriers to get out of the business entirely and not mandate whose chassis we use,” he said.

## From ‘Wheeled’ to ‘Stacked’

Hassan Hyder, Union Pacific’s director of international intermodal, said the railroad is adapting to the changing landscape by identifying and segregating containers according to whether they are merchant haulage or carrier haulage, where the ocean carrier mandates a chassis.

Even so, he said the rise of trucker-controlled chassis forces UP and other Class I railroads to rethink their operations. Many of UP’s intermodal yards were developed just as ocean carriers sold off their chassis to IEPs such as DCLI and Trac, he said.

The thought was that an empty container would already be mounted on a pool chassis for a driver to easily pick up, or that a loaded export could be dropped off along with its chassis alongside tracks and moved quickly to an outbound train.

“When designing those ramps, we asked stakeholders about whether we should go with wheeled or stacked operations and the unanimous feedback was for wheeled operations,” Hyder said. “At that point, private chassis hadn’t taken off yet to the degree they have today, and it was all about the trucker in and out.”

To accommodate those private chassis — and overall growth — Hyder said more yards need to switch to stacked operations so containers can be mounted directly on a trucker’s own chassis once they arrive. However, stacked operations required much higher capital costs for reinforcing the yard and adding lift equipment.

Union Pacific is investing “hundreds of millions” to allow stacking operations at its new Kansas City Facility, slated to open in 2026, Hyder said, adding that its Dallas and Memphis operations are the next to be converted.

“As facilities age out and need improvement, you’ll continue to see us go to stacked operations,” Hyder said.

*Contact Michael Angell at [michael.angell@spglobal.com](mailto:michael.angell@spglobal.com).*

© 2024 S&P Global. All rights reserved. Reproduction in whole or in part without permission is prohibited.

You are permitted to print or download extracts from this material for your personal use only. None of this material may be used for any commercial or public use. For more information on reprints/eprints, please visit <https://subscribe.joc.com/mediasolutions/>.

