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Hampton Roads pool partners with IAS to manage chassis and billing in a changing market

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Joe Ruddy had a big problem. One by one over the last few years, many of the 30 shipping lines serving the Port of Virginia were announcing plans to pull out of the business of providing chassis to haul their customers' containers. How would the port's Hampton Roads Chassis Pool be able to manage the chassis-rental business it would have to get into?

As chief operating officer of Virginia International Terminals, a subsidiary of the Virginia Port Authority that operates its terminals and the Hampton Roads Chassis Pool, Ruddy knew he had to find a way to bill port truckers for using the 11,400 chassis in the pool. The ocean carriers that own or lease those chassis would be selling them or turning them back to the leasing companies that own them, but those chassis would stay in the pool.

Maersk Line had already turned its chassis over to DirectChassisLink, the A.P. Moller-Maersk subsidiary that is being sold to private equity firm Littlejohn. All of these asset owners would want to get paid for use of their chassis, and HRPC would have to bill truckers or those ocean carriers that still provide free chassis service.

"When we got into the chassis pool business back in 2003-2004, we wanted it to be service-oriented, simple and designed to provide a service to the motor carriers while providing efficiencies to VIT and VPA as the terminal operator," Ruddy said. "That basic operating principle still stands today, and we are very keen to make sure those basic tenets remain intact."

Ruddy found a solution in a new service being developed by International Asset Systems, the Oakland, Calif.-based technology company that provides a global intermodal information network. HRPC, the first customer for the new IAS ChassisManager service, plans to roll out the IAS portal in November for use by motor carriers that will rent chassis from the pool's chassis owners, whether they are ocean carriers or leasing companies.

IAS and HRPC are signing up truckers around the port that handle 66 percent of all the

containers moving in and out of its terminals; the rest of the containers move by rail. Some of the carriers that own chassis in the pool have said they will sell the chassis they now provide to truckers for free as soon as the new system is ready. The port handled 1.1 million TEUs last year, up 2 percent over 2010. Through July 2012, volume is running 8.1 percent ahead of last year's pace.

"It provides the motor carriers the opportunity to manage the assets on a daily basis," Ruddy said. "The data is real-time, and it allows truckers to distinguish between merchant haulage, where they are responsible for paying for the chassis, and carrier haulage, where the lines still have the responsibility from the financial perspective."

Ruddy expects the transition to the new system to be relatively simple because HRPC will manage all the chassis at the Port of Virginia and handle billing on behalf of their owners. Between 300 and 400 motor carriers that regularly operate in the port are expected to sign up for the online portal.

But it's far less simple at most of the other ports that don't have chassis pools and where carriers have announced they are leaving the business. "This is the transition phase, and it's messy," said Chris Mazza, senior vice president of business development at IAS. "Every area, every ocean carrier, every setup is a little bit different. As we go through this transition phase, there are all these messy details that have to be worked out."

IAS had a leg up in developing ChassisManager because it already had most of the motor carriers in North America as customers for its online DispatchManager service. Under that system, carriers continuously exchange information with motor carriers about where their containers are, whether it's gate-in, gate-out, a load discharge, a strip or stuff.

"So the exact same people who will be renting the chassis are already in our system," Mazza said. "We know who they are and understand how they work."

IAS also provides an online service called EquipmentRepair that alerts carriers about which of their containers need maintenance or repair.

IAS realized early in the ChassisManager development phase that it couldn't solve the operational issues for motor carriers that have to rent chassis.

"They accept the fact that the market is changing, but they want a little help," Mazza said. "What they really wanted is a clean invoice, so that when there is a problem, there is somebody there who can work with them to solve it, so they are only paying what they're supposed to pay. They also want an invoice that's timely. They don't want to wait four to six weeks for an invoice only to find that it's incorrect."

The IAS service is expected to appeal to the many small drayage truckers that serve the port, because they have limited cash flow and can't afford to wait until billing disputes are settled. The IAS portal allows them to manage the process. Motor carriers can correct erroneous invoices online before they are billed through the software that resides in the IAS systems, but if that doesn't work, the company maintains a service center in Chicago that is staffed round-the-clock to settle billing disputes.

That's the function Ruddy calls the key to the system. "The biggest feature," he said, "is that it allows the truckers to dispute the bill before it is sent, so there is no erroneous billing going on."

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