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Ignore the dray, and it could go away

Maritime and intermodal's first and last mile is in bad shape and suffers from benign neglect. Can technology and a more enlightened stakeholder attitude reverse the decline?

By Mark B. Solomon

Golfers live and die by their putters. A bad green game will waste all the good that came before it. So it goes with drayage, the job of hauling ocean containers between seaports, intermodal yards, and shippers' facilities. If the dray isn't properly executed, nothing else matters. Imports won't leave the terminals when they're supposed to. Exports won't get loaded aboard vessels in a timely manner. And mile-wide seams start to appear in an otherwise perfectly synchronized supply chain.

Unfortunately, the drayage business is in a world of hurt. Base rates for drayage services have been stagnant for about a decade, according to drayage executives. In an extreme example of rate hemorrhaging, Greg Gorno, owner of All Points Transport, a Dearborn, Mich.-based drayage agency of the Evans Network of Companies, said his agency receives less money today to haul two empty 20-foot containers round-trip between Detroit and Toledo, about 120 miles in all, than it did in 1980. The only break for All Points is that it generates more revenue today from fuel surcharges than it did back then, Gorno said.

Noncompensatory rates have a negative cascading effect through the pipeline. Drivers, mostly owner-operators responsible for their own expenses, are generally not well paid. To make matters worse, increasing congestion at the nation's ports forces drivers to wait for hours to either pick up or drop off their loads, cutting into their productivity and earning power. Drivers that are paid by the load can stew for two, four, and sometimes six hours at a marine terminal to offload a box, take on another one, and leave the facility. A study of 1,600 trucks serving the ports of Los Angeles and Long Beach, the nation's busiest port complex, from October 2012 to May 2013 found that 20 percent of all truck moves took more than two hours; as a general rule, waits of more than one hour are considered unacceptable both from economic and environmental standpoints. "The system suffers from a lack of fluidity," said Ken Kellaway, president and CEO of RoadOne IntermodaLogistics, a Randolph, Mass.-based intermodal company whose services include port and rail drayage.

The proliferation of megacontainer ships capable of handling up to 18,000 twenty-foot equivalent unit (TEU) containers is likely to exacerbate terminal congestion because of longer loading and offloading times. In addition, tougher federal rules governing drivers' hours of service have made driver queuing an even costlier proposition as there are now fewer productive hours in a day than before.

As if low compensation and lengthy terminal delays weren't enough, drayage companies and drivers have been forced to adjust to a new world of chassis availability. For decades, steamship lines made chassis—the frames on which containers rest during their movement—readily available to motor carriers. In the past few years, however, liners have been exiting the chassis provisioning business, leaving the job to a handful of leasing companies that pool the assets.

The chassis transition has been painful for everyone. Assets that were once fixed have become variable. Equipment imbalances have become the norm, with no units available in one location and an overabundance in another. No one has suffered more than draymen, who often must make an extra trip to procure a chassis before they can get in line for a load. "It's like going to the grocery store and being told that you first have to go to Home Depot to get a cart," said Kellaway.

In a February presentation, RoadOne said it is virtually impossible for intermodal trucking, a fragmented $15 billion-a-year business that sits near the bottom of the international trade pecking order, to meet the growing demands of railroads and steamship lines under dray's current rate structure. Kellaway, who has been involved in drayage for more than 30 years, called the current situation "as bad as I've seen it" in his career. He added that terminal operators who deal directly with draymen "are not being held accountable" for the myriad of problems the dray component faces.

BYE BYE, BABY

Whoever is to blame, the reality is that drivers are leaving the business, and fewer are coming in behind them. By some estimates, up to 15 percent of draymen have exited the field during the past five years. "If we don't take care of the draymen, we're going to lose them," Ward Chaplin, senior director, supply chain management of Southern Wine & Spirits of America, a Miami-based beverage distributor, warned in September at the Intermodal Association of North America's (IANA) Intermodal Expo in Long Beach, Calif.

Chaplin called on port executives to get more involved in providing a decent operating environment so draymen have a fair shot at being productive. For their part, port executives at the expo agreed that drayage has become a crisis that demands immediate attention.

"Motor carriers need to see [an] improvement in their turns," said Jon Slangerup, CEO of the Port of Long Beach. Gene Seroka, executive director at the adjacent Port of Los Angeles, the nation's busiest seaport, admitted that "there is a paucity of truckers in the Southern California market." J. Christopher Lytle, executive director of the Port of Oakland, said that ports need to more proactive in assuring that dray is a business that folks can make money in. "The days of ports just being rent collectors are long over," he said.

Port executives are not standing still. Executives in the Southern California basin said the "PierPass" initiative, formed in 2005 by marine terminal operators at the two ports to ease congestion and improve security and air quality, has boosted productivity by giving terminal operations more flexibility. Under the program, all international container terminals at the ports established five additional weekly "off-peak" shifts. As an incentive to use the off-peak times, a Traffic Mitigation Fee (TMF) was assessed on most cargo moving during the peak hours of 3 a.m. to 6 p.m. Monday through Friday. Executives representing West Coast ports said they would like to see more evening hours. However, they dismissed calls for a 24/7-type operation for truck traffic, arguing that wringing more productivity out of each current shift is a higher priority at this time.

HIGH-TECH TO THE RESCUE?

The good news for dray is that technology is being brought to bear on a segment that badly needs it. In mid-September, International Asset Systems (IAS), an Oakland, Calif.-based information technology company, added a module to its "ChassisManager" provisioning platform allowing truckers and ocean carriers to better manage so-called street-turns, where containers and chassis can be swapped between carriers or re-used for a new load, in each case eliminating the need to return empty equipment to the ports. According to Blair Peterson, senior vice president, commercial for IAS, the module provides real-time visibility into when the equipment changes hands so each party knows when the costs and liability change. Peterson said the module removes a major impediment to the expansion of "street-turns," which if done properly reduce empty miles, lessen port congestion and dray wait times, and cut fuel costs and emissions.

Back in March, a public-private sector partnership launched a pilot program in Los Angeles designed to cut the amount of time trucks spend waiting to get into terminal yards by allowing the drayage company and terminal operator to exchange information in advance about a container's availability and a truck's arrival.

The program, "Freight Advanced Traveler Information System," or "FRATIS," is funded by the Department of Transportation and involves Port Logistics Group (PLG), a Los Angeles drayage company, and Yusen Terminals, a unit of Japanese liner company NYK Line. Under the program, a container pickup order generated by PLG is fed into the FRATIS software, which sends a message to Yusen that identifies the truck that will pick up the container when it becomes available. Yusen then relays real-time information to PLG on the container's status.

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Once a container is tagged, the software assigns the pickup to a driver in the best geographical position to retrieve the container. After the driver accepts the order, FRATIS determines the optimal route for the truck, suggesting alternatives if necessary to help the driver avoid any delay-causing incidents. Meanwhile, the system notifies the terminal of the truck's estimated time of arrival. Because Yusen sees all of the information in advance, it can assign PLG's trucks a special gate that functions as an "express lane" of sorts, according to Michael Johnson, PLG's trucking operations manager. "Generally, the marine terminal has no clue why a truck is there until it reaches the gate and provides the information," Johnson said in a recent white paper on the project.

The pilot's first phase will run until February. The next phase, which is expected to start almost immediately thereafter, will involve more terminals and more truckers, according to the white paper. Similar programs are either under way or are being considered in Dallas and in south Florida.

In a phone interview, Johnson cautioned that the project today only involves one trucker and one terminal operator. Yet the overarching message, he said, is that the technology is available and, if the results to date are any indication, workable.

"The key is that we are working to use technology to improve the situation. Without technology, we will get nowhere," Johnson said.

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Mark Solomon has spent 25 years in the transportation, logistics and supply chain management fields as a journalist and public relations professional. From 1989 to 1994, he worked in Washington as a reporter for the *Journal of Commerce*, covering the aviation and trucking industries, the Department of Transportation, Congress and the U.S. Supreme Court. Prior to that, he worked for *Traffic World* for seven years in a similar role. From 1994 to 2008, Mr. Solomon ran Media-Based Solutions, a public relations firm based in Atlanta. Mr. Solomon graduated in 1978 with a B.A. in journalism from The American University in Washington, D.C.
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