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A key factor constraining the chassis market is US tariffs, antidumping duties, and countervailing duties on chassis from China. Photo credit: Shutterstock.com.

Chassis providers warn that with equipment production maxed out through next year, only a reversal of rising dwell times by US importers will ease availability — and that can only happen if underlying volumes slow.

“For 2021, we can’t build another chassis if our life depended on it beyond the thousands we currently deliver from orders placed in 2020 for 2021 delivery,” Ron Widdows, CEO of FlexiVan Leasing, told JOC.com. “There is no more production capacity to be had on the face of the earth that can help us for the balance of this year.”

The container shipping veteran’s blunt assessment reflects a system grinding through 14 months of elevated Asian imports and bleeding functional capacity throughout different transport

modes within the supply chain. Container ships at anchor soak up functional capacity on the ocean, while importers, struggling with packed warehouses, are slow to return chassis. That slows the pickup and return of containers at ports and inland rail hubs.

"What is going to have the most significant impact on fluidity is a reduction in consumer spending that has a pretty material effect on overall demand, and that does not appear to be in the cards given the massive amount of economic stimulus that continues to be poured into economies globally, not only the US," Widdows said.

With chassis manufacturing capacity exhausted, the logistics labor force maxed out, and companies scrambling for warehouse workers and truck drivers, he said there is no near-term solution to the stress on the shipping system. The lack of ocean capacity in the trans-Pacific as well as chassis scarcity will not begin to ease for at least six months, but even then US import pressures will continue to slow velocity through ports, rail ramps, and warehouses, according to industry analysts.

## Beyond Southern California

Chassis shortages are contributing to land-side congestion not only in Southern California, but also in the Southeastern ports of Savannah and Charleston and at inland rail hubs such as Chicago, Memphis, and Kansas City. In the Southeast, the "street dwell" of chassis with containers was 6.3 days before the pandemic and is now about 11.2 days, Mike Wilson, CEO of Consolidated Chassis Management, told JOC.com.

Chassis supply will likely remain stressed well into 2022, Tim Denoyer, vice president and senior analyst at ACT Research, told the Intermodal Association of North America Expo on Sept. 13 in Long Beach.

"We've been under-invested in chassis for the past two years," he said.

A key factor constraining the market is US tariffs, antidumping duties, and countervailing duties on chassis from China, the top global producer, which has effectively killed the market, lessors say. Antidumping and countervailing duties of almost 200 percent imposed by the US International Trade Commission in March on China Intermodal Marine Containers (CIMC), the world's largest producer of chassis, has effectively stopped chassis exports to the US, said Denoyer. CIMC has an 85 percent share of the market for intermodal chassis, according to Federal Maritime Commissioner Carl Bentzel's research into China's dominance in container shipping equipment.

"The US manufacturers are still gearing up, but when will they be in a position to fully replace the manufacturing capacity that existed in China? It will take a while," Widdows said. "To enact trade policies before capacity was in place to absorb demand was not thought through."

During the case to apply duties on Chinese-made chassis, the US manufacturers warned it would take at least six to eight months to fully ramp up production after winning their case because their operations had been scaled back in prior years. The comments from Cheetah Chassis and Pratt Industries came on Mar. 16, slightly more than six months ago.

South Carolina Ports Authority James I Newsome III told JOC.com that he recommended to Commerce Secretary Gina Raimondo that the punitive duties on Chinese-made chassis be removed in 2022 and an investment tax credit be considered for U.S. manufacturing "to help free up supply of new chassis." He said there are over 800,000 intermodal chassis in the U.S. of which he estimates 500,000 are more than 15 years old. He said he suggested to Raimondo to "ask the U.S. manufacturers who brought the complaint how many chassis they are making for the international market in the U.S. this year."

"We have to stop talking in circles about solutions," Newsome said.

The lag in hiring US workers and building out US plants, combined with the crippling tariffs and duties levied on CIMC, was a double whammy with the surge in import volumes. While domestic manufacturers believe they can supply the needs of the US market, it will take until 2022 before the backlog of orders is fulfilled, according to an executive with one US intermodal equipment provider.

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