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[Home](#) > No short-term fix seen for US chassis shortage

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Retaliatory duties imposed by the US on Chinese-made chassis essentially brought a halt to deliveries from CIMC, once the source of more than 90 percent of chassis deployed in the US market. Photo credit: Ari Ashe/JOC.com.

A massive early year inventory buildup that is straining the US containerized supply chain has further exposed the shortage of marine chassis in the US market, a problem that will not likely abate soon, executives tell JOC.com.

A sharp pickup in container trade over the past 10 months due to retailers' stockpiling inventory has not only swelled the number of import boxes sitting on marine terminals and railheads, but it has left thousands of chassis idled with unopened containers on top of them at distribution centers and other locations around the country.

At the ports of Los Angeles and Long Beach, for example, the average time a chassis sat at a local warehouse or rail ramp for a 20-foot container this week was 7.1 days, and 9.2 days for a 40-foot container, according to data from Pool of Pools, the three largest chassis providers in Southern California. That's more than double the three to four days necessary to maintain cargo flow.

"Based on what we see in the market overall, all IEP's [intermodal equipment providers'] fleets are experiencing the same high levels of utilization and will continue so for some time to come," Ron Widdows, CEO of Flexi-Van Leasing, told JOC.com.

The impact can be seen in several scenarios. Norfolk Southern Railway (NS) recently metered, meaning it placed limits on international intermodal volumes, shipped through five inland markets because a marine chassis shortage has caused import boxes to idle in terminals. BNSF Railway is stacking containers in Chicago, Dallas, Kansas City, and Memphis, instead of mounting them onto chassis, causing truckers and cargo owners to scramble. The Port of Houston, where chassis supply has been severely affected by the US import surge, is receiving federal funds to add over 1,000 chassis to handle refrigerated containers.

"Utilization [of chassis] is high around the country and the pressure for available units is acute," Trac Intermodal CEO Dan Walsh told JOC.com. The company has told *Transport Dive* that street dwell times have tripled in several inland markets compared with pre-pandemic times.

Widdows said Flexi-Van is bringing in over 12,000 new and refurbished chassis in 2022, mostly back-loaded in the second half of the year.

"We've already deployed roughly 4,000 of that. As rapidly as they are put into service they are absorbed pretty rapidly by our customers," he said. "If we had thousands more chassis beyond what

we already have coming they would be put to work in a very short period of time.”

The inventory buildup is putting a severe strain on chassis supplies. That buildup was seen clearly in a noticeable swing from decline to growth in containerized imports from Asia over the past 10 months. Asian containerized imports were down 5 percent in August-December 2021 versus the prior-year period, but imports resumed growing in 2022 — up 4 percent in the January-May period versus the prior year, according to PIERS, a sister product of JOC.com within S&P Global.

Major source of US chassis supply evaporates

A big part of the issue with chassis supplies is manufacturing. The US in the spring of 2020 imposed retaliatory duties on Chinese-made chassis, all but bringing to a halt chassis deliveries from CIMC, the source of more than 90 percent of chassis deployed in the US market. Domestic producers and some foreign producers outside of China have made up some of the gap, but a significant deficit remains. CIMC, rebranded as CIE Manufacturing, has opened a plant in Thailand and is building out plants in California and Virginia, but it's a slow process.

“The new chassis manufacturing environment remains constrained with lead time on assets nine to 12 months, with many suppliers no longer taking orders for 2023,” Widdows said. “This will improve over the next 18 months to two years, but given the large number of domestic 53-foot chassis that have been announced to be built, access to marine chassis production is likely to remain constrained for quite some time.”

“Despite a limited ramp up in chassis production by US manufacturers, chassis supplies materially lag customer demand,” Walsh said.

Even if the approaching peak season is modest, as many predict, pressure on chassis will remain, if for no other reason than the market is experiencing growth on top of growth; Asian imports were up more than 30 percent in the first five months of the year versus the same period in 2019, and still more growth is expected.

“Now that Shanghai begins to open and the impact on the port and some manufacturing is somewhat relieved, it's reasonable to assume that we will see some strengthening as we head into peak season,” Widdows said. “Any strengthening produces volumes on top of volumes not flowing efficiently, ongoing challenges in getting freight through distribution networks.”

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