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Drayage rates fall sharply amid downturn in NY-NJ port volumes

New York-New Jersey shippers take differing approaches to contract lengths as truck supply remains ample. Photo credit: NJ Port Driver Facebook page.

Michael Angell, Associate Editor | May 2, 2023, 12:12 PM EDT

The drayage drivers that flooded the Port of New York and New Jersey over the past two years are now facing a slowdown in container volumes that is forcing rates to drop by almost half from a year ago. The ample supply of drivers is making it easier for shippers to switch from rail to truckload and reprice their drayage contracts more frequently.

Year to date through March, New York-New Jersey's imports are down 27% from the year-earlier period to 898,437 TEU, according to data from the Port Authority of New York and New Jersey (PANYNJ).

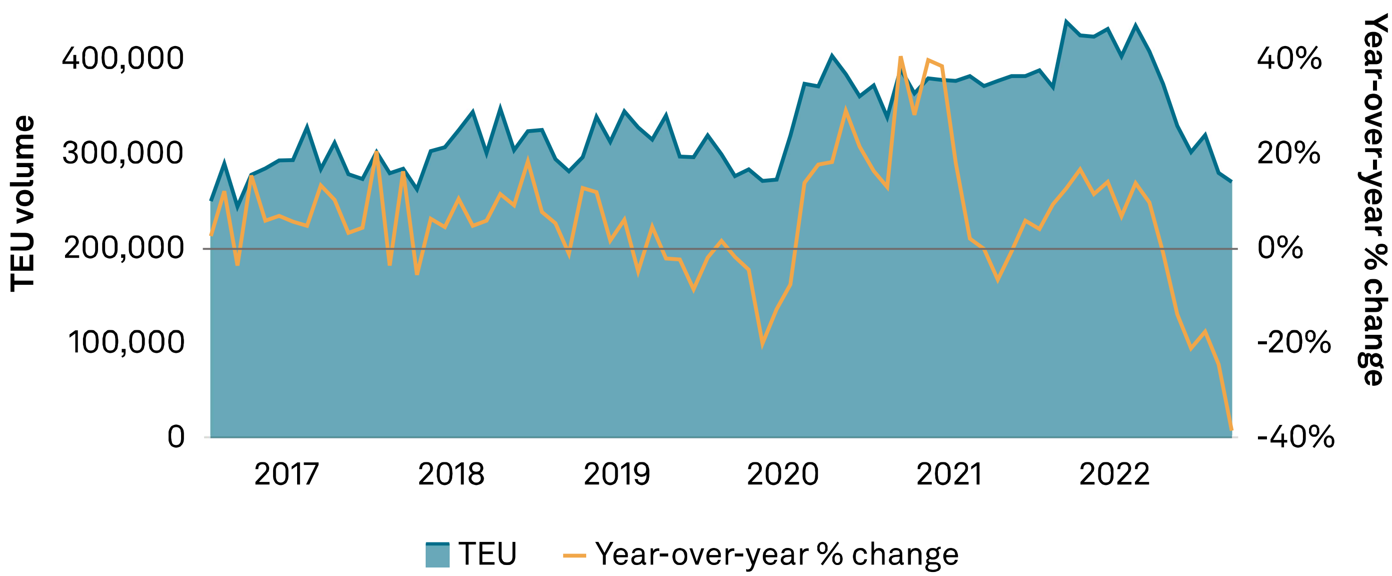
Along with the volume downturn, truck visits to the port have also dropped. Over the first quarter, weekly truck visits have on average been 13% below the year-earlier period, according to data from the PANYNJ's Port Supply Chain Dashboard.

The import shift to the East Coast over the past two years, which briefly put New York-New Jersey into the top spot for US container volumes in 2022, brought more drivers into the port. The number of trucks registered with the port to haul containers reached 27,040 in March, up 44% from March 2021. With fewer containers to haul, only 42% of the trucks registered with the port were in use during March, compared with 49% in March 2021.

Erik Holck, partner at truck brokerage WHY Logistics, told the *Journal of Commerce* that drivers who were able to work five days per week a year ago are working two to three days a week now because container volumes have "plummeted."

Total imports into NY-NJ see sharp drop to start 2023

Total monthly TEU volume of NY NJ containerized imports, with year-over-year change



Source: S&P Global

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"Our partner carriers are sharing they are receiving a ton of applications, and they've got drivers ready and waiting to go, but there's no freight for them," Holck said.

An executive for a Newark-based motor carrier who asked not to be identified told the *Journal of Commerce* that his volumes are down 20% from a year ago. Drivers who had left to get their own carrier authority for hauling containers or work for other trucking companies are now looking to come back, he said.

“Drivers are suffering with where volumes are at currently,” the source said.

Driver load ‘selectivity’ has diminished

The downturn has pushed spot rates for drayage sharply lower, Holck said. The rate to haul a container to major distribution centers in Allentown, Pa., is about $1,400, Holck said, compared with $2,500 last year.

Over the last two years, shippers would need to tender freight two weeks in advance of its arrival to secure a trucker, who could also be more selective about which marine terminals they would pull loads from and the types of freight they hauled. Now drivers are much more willing to take any work that’s available.

“They were cherry picking loads,” Holck said. “Since the beginning of the year, the selectivity and lead time has changed tremendously.”

Low truck rates are also causing more shippers to switch from intermodal rail, Holck said. Shippers can transload a container to a dry-van trailer and have it delivered to Chicago in two days for about $2,000, compared with over $3,000 last year. Intermodal service from NY-NJ to Chicago is also two days, but truckers can face delays in retrieving a container at the receiving end, Holck said.

Christy Mendick, president at truck brokerage SFC Intermodal, told the *Journal of Commerce* that over the past two years, drayage rates could sometimes be as much as $5 to $6 per mile higher than other trucking segments. But drayage rates are now sometimes just $1 per mile over truckload or flatbed rates, she said.

And with the premium for drayage hauls dropping, some looking to pick up business are cutting corners on the extra insurance, certifications and other costs associated with port trucking, she said.

“We’re getting 30, 40 new carriers looking for freight,” Mendick said. “Some of it is actual true drayage carriers, but part of it is [people] that don’t have the right certifications. Those costs [for drayage operators] can be quite substantial.”

Even with spot rates dropping, shippers have been less eager to push down contract rates with their drayage carriers in order to ensure consistent, reliable service, Mendick said. Still, some shippers are looking to move away from annual contracts to shorter duration deals with their carriers due to the uncertainty about freight demand and the potential for further cost savings.

"Some folks have been very slow to ask for price reductions," Mendick said. "But there are few customers that are looking at once-a-quarter contracts or every six months."

Others are taking the opposite approach, Holck said. While quarterly pricing was more common during 2021 and 2022 as rates and demand surged, Holck said he is seeing shippers lock in annual rates now thanks to the greater availability of drivers.

"People are putting out year bids again because they feel we're at the bottom of the spot market," he said.

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