# Intermodal Transportation Overview 2017

With 2017 behind us it's now time to address the debacle and the actual reasons why there were equipment issues & allocations by all providers, subpar transit times, and drayage capacity issues that still exist today.

Yes, Mother Nature and her hurricanes plus one well timed fire didn't help the situation but the reality was as follows.

1) In early July the CSX (one of the four class one railroads) out of Jacksonville Florida imploded with the Federal Government stepping in taking control. The issue was the volume of freight moving to Intermodal because of the lack of Over the Road truck capacity. Driver issues, escalating rate structures and a strong economy produced higher demands than usual historically.
   What this represented and produced was an imbalance of equipment supply with sixty five percent of the national intermodal fleet stuck on the east coast and a bottleneck with dray capacity and drivers issues. Next, the LTL shippers opted to move their business over to the other class one eastern railroad, Norfolk Southern. NS also couldn't handle the increase with the same issues and reasons as the CSX producing a complete bottleneck of the east coast and demand now rising on the west coast with peak season demands.

   End result; equipment allocation came into play five weeks early, first week of August, the highest demand point or true start of the grass seed fall shipping season. Parallel to our needs, the import demand out of Long Beach, CA was in full swing with ten thousand import containers stockpiled in the LA market. Containers still stuck on the east coast with full trainloads of empties being sent west to meet the demands resulting in surcharges of $ 500 to $ 1000 per container covering cost and controlling the need.

   Now you have the big picture.

2) Subpar transit times – This is a cause and effect of number one. Basically with the east being bottlenecked by both railroads (CSX & NS) the only way out of the situation was to slow down the inbound trains producing new bottlenecks in Chicago now producing the same result as the east coast.

End result; the standard transit time of 9 to 11 days (Westcoast to East Coast) went up to 13 to 15 days and longer because of dray capacity and present backlogs for pickup and delivery.

3) Dray Capacity and the issues – Nationally each of the Intermodal ramps around the US are all facing the same issues, driver capacity and increased volumes with all ramps running at full capacity and above / 110 to 115 %.

PNW – We have the same issues as everyone else with 2017 producing other challenges. Basically, we don't have enough dray capacity in Portland. With volumes increasing in the local Portland / Vancouver area there is less support for the business out of the Willamette. Additionally, traffic congestion in Portland and the I-5 corridor South / Wilsonville, OR produced issues of driver turns. This further reduced the appetite for drivers to make the trip into the valley. Reality of the situation is that your business became secondary and a filler for their needs. Now you add a multi-stop pickup in . . . you get the picture.

End result; requested 3 day notification for pickup became <u>7 to 10 days</u> during peak season.

Overview – 2017 was the worst year I've seen compared to the previous twenty-eight I have been involved with. Implosion of a railroad, imbalances of equipment, dray capacity issues, allocation early with what equipment we had, and a timely fire basically doubled the anticipated transit time sending the industry into turmoil.

# 2018 – What to Expect and Changes

**Spring Business**

- Equipment – slower time of the year with possible a two or three week spike because of the Nursery Stock Industry. No real issues foreseen.
- Dray Capacity – New problems will arise with the implementation of the new ELD Laws that went into effect in December 2017. Presently the first reports indicate a 10 % decrease in driver numbers with companies now offering incentives stealing each other's drivers.
- Pricing – Normally we see no or minor increases. This year we can see major increases in some lanes which is the carrier's way of saying they don't want the

business for various reasons. Dray capacity, equipment imbalances, long hauls from ramp and the cause and effect of the ELD Laws and simple economics of supply and demand will all drive prices up.

**<u>Fall Season</u>** – This will be a repeat of 2017 but worse because of all the things stated above. With higher demands on equipment supply and fewer drivers plus the ELD Laws we will again see increases along with companies being more selective on what the dray carriers want to handle.

## <u>Immediate Changes</u>

1) No More multi – stop pickups or deliveries, you'll now need to work that out internally with each shipper / customer. Dray carriers don't have the time with the new ELD Laws and congestion in all markets.
2) Cut the weight to 41,000 product weight plus pallets with a gross weight of 42,000. Over weight issues add cost, take time that drivers no longer have. The more we see of these types of issues the less dray capacity we'll have producing new issues. Cut the weight.
3) Longer drays & hours of service. We've been informed by our carrier base that anything out 200 miles or a four hour average could cause a shutdown situation with the ELD Laws in effect. If lay overs happen they'll be built as a separate line item and charged accordingly. This is more of an FYI

Looking to the future I see that we need to be proactive in how we approach the seed industry not only today but the future. I ask that you get this info out to your internal people, sales people, and customers.

Start thinking about the fall now getting us projections of what equipment supply you'll need (regardless of who your carriers are) Start thinking about drop and pull with equipment pools. If you have tractors / trucks start thinking about doing your own dray, think outside the box and start talking now about the 2018 fall.

Thank you for reading this and reach out to us if you have thoughts or questions so we can work together in resolving a new storm called the ELD Laws.

Best Regards

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