



Transportation Mid-Year Review 2018

Intermodal – With the new ELD laws in full effect for both Over the Road and Intermodal drayage carriers we're now seeing the fall out of the full effect. Capacity and pricing on the Over the Road application has pushed the demand over to the Intermodal application that are presently at a twelve-year high or 120 % full capacity by ramp across the US domestic market. Cause and Effect – Because of the demand on all types of equipment (both OTR and Intermodal) and a very strong economy the effect has produced an implosion in the rail system producing longer transit times with congestion at all ramps with dray capacity being taxed to the point that containers are being delayed on both pickup's and deliveries. The other side of this is that the drayage community has become more selective on what business they will or won't take. Applications of multiple stops, cargo weight and long drays are becoming secondary business driven by the new ELD laws, time is money. The other side of the drayage community with the ELD Laws and not knowing where they will be when they run out of hours has produced drayage carriers to move over to tractors with sleepers moving out of the day cabs that we've come accustomed to in the past. Sleeper tractors produce heavier equipment and less cargo weight to maintain the 80,000 gross set by the federal government.

Intermodal Recommendations and Changes for 2018

Fall Grass Seed Season

- **Multi-Stop Loads** – With the ELD Laws this function takes much longer and will become a filler or secondary business with the drayage carriers regardless if it's at the origin or destination. The other side is that the stop off charge cost will double or triple depending on the distance and time factor for each load. Pricing for this application will be determined on a case by case scenario. [Please plan to handle product moves internally at the Origin.](#) Destinations as stated will be priced as requested and secondary business adding additional transit time and cost.
- **Cargo Weight**- As stated earlier, drayage carriers are moving away from day cabs because of the ELD Laws to sleeper cabs with the new shut down process, heavier tractors equal less cargo weight. Moving forward we feel that the 41,000 plus pallets will offset possible over-weight issues and what dray carriers will accept, again, time is money and they / dray carriers don't have time to be adjusting loads or an abundance of driver supply to handle over weight situations. Also note that drayage carriers are predominantly owner operators and if they have weight issues they will pass on your business – again in your best interest 41,000 LBS plus pallets will be the norm this year.

- **Transit Times** – With present congestion issues, Intermodal ramps at 120 % full capacity and shortages of dray power issues 2017 produced transit times of 6 to 8 days in the mid-west, 11 to 15 days to the Northeast and Southeast, Florida market at 13 to 17 days, Memphis ramp, 9 to 12 days, Kansas and St Louis Ramps 7 to 10 days and Texas market at 8 to 11 days all as a norm. Taking the 2017 transit times numbers adding 5 days to the mix plus order notification of 7 to 10 days for pick up will give you an idea of the actual transit times and when you need to order to meet your customer's needs. Sooner is definitely better.
- **Equipment Supply / Allocation** – 2017 was a nasty year on the equipment side with the issues produced by the CSX RR (Eastern carrier) and equipment flow's producing imbalances / equipment shortages out of the Portland market. 2018 with longer transit time and equipment turns plus factors of congestion and drayage power issues will make 2017 look like a cake walk. Then you throw into the mix the ELD Laws and shortages of over the road capacity and you now have a perfect storm. Equipment will be extremely tight!!!
Allocation – This is a process that our rail partners put into play when equipment becomes tight. Basically our allocation is based on the volume numbers for the first six months of the year and unfortunately this spring season because of Mother Nature made it one of the worst seasons for volume that we've seen in some time thus producing lower allocation numbers than 2017.
Note all rail vendors have informed us if standard and allocated equipment supply is maxed out a peak season surcharge will come into play. What that represents is a \$ 300.00 to \$ 500.00 added cost over and above the quoted rate based by vendor per container.
- **Rates** – You'll see increase across the board with rail vendors determining where they want equipment being either minor increase by need or higher increase seeing they don't want the business. Drayage carriers are presently taking larger increases by percentage of dollars using ELD Laws, congestion and driver shortages as the determination for the increase. Honestly the increases are all over the board and driving us crazy.

Over the Road – Supply and demand with a strong economy and fewer drivers with the added ELD Laws will produce shortages on the equipment side and pricing levels that will be at an all-time high. Like the drayage community they will also become selective on what they want or don't want by weight, destination, what you're willing to pay and what's best for them. Transit times will be increased because of the hours of service issues with the ELD Laws. Longer transit times will affect driver and carrier income levels thus the offset with higher pricing –

Basically, supply and demand with additional pay for carriers / drivers is the affect with the cause being aging drivers and ELD Laws.

Recommendations – Intermodal – Get this letter to all internal sales and customers, so they can plan if waiting on new crop. IF PRODUCT IS AVAILABLE THEN MOVE AS MUCH AS POSSIBLE BEFORE MID JULY. Equipment and pricing is the justification and this will also produce additional capacity with higher volume numbers and allocation.

Recommendation – Over the Road – If you use asset based providers, give them projections by lane asking for commitments so you can plan.

If you use brokers, again start discussing what they can provide and add additional carriers / brokers to your list. We all have our own business and carriers possibly giving you additional capacity.

Greg and I have been moving your product for thirty years plus and have never ever seen the present climate of our vendors and the transportation world. We won't apologize for what we can't control but we can be informative giving you some understanding and knowledge of the PERFECT STORM OF 2018.

Regards to All and our best for the 2018 fall shipping season.

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