# Drayage Costs Rise as Service Levels Drop

**by Rich Roche - Monday, February 19, 2018**

Container drayage services, to and from intermodal ocean and rail terminals in the U.S., are rapidly changing this year. The new standard is lower service levels at higher costs, with the main contributing factor being the national driver shortage.

### The National Driver Shortage

When the new Electronic Logging Device (ELD) requirement went into effect last December, the already short-staffed industry lost trucking companies and drivers, as many of them did not want to comply with the program’s driving hours. When the ELD enforcement starts April 1, we may see even more trucking companies and drivers quit the business.

Draymen—who are already some of the lowest paid truckers in the country—are not compensated for their wait-time at congested terminals when they pick up or return containers. As volume continues to grow at our nation’s ports, the larger ships are causing congestion, which is resulting in longer wait-times for draymen. The growing economy and reduced unemployment is also increasing the shortage, since many draymen are leaving their trucks behind to move to better paying opportunities.

These factors are aggravating the driver shortage as it approaches crisis level.

**The Snowball Effect**

As the driver shortage worsens, trucking companies are altering their normal operations to handle the increased demand. Previously, drivers might have picked up and delivered several containers in one day, whereas now, they are forced to park the containers they've retrieved and go back to get more before the end of free time. Parked equipment exacerbates the already precarious balance of equipment flow, resulting in both chassis and container shortages. This is particularly evident at interior rail ramps like Chicago, Memphis, Dallas, and Houston where we have seen it take a week or more to free up chassis. This creates a snowball effect and increases the chance of exceeding the allotted free time.

Once the free time is exhausted, the rail terminals may charge demurrage and the ocean carriers may charge detention, daily. This can happen even when some or all the fault lies with one or both of those parties. As consequence, demurrage and detention billing are also rising, which further increases overall drayage costs.

**What We Are Doing in the Meantime**

When this happens, Mohawk works with the carriers and terminals to mitigate or eliminate the charges by requesting extended free time. However, our requests are not always heard and if granted, the amount of extended time is arbitrary at best. Frequently, we must pay the fees just to collect the container but arguing for a refund after the fact is generally unproductive.

I recently testified before the Federal Maritime Commission (FMC) on their hearing about Fair Port Practices. In the weeks since, the FMC has been considering a new policy or regulation on the application of detention and demurrage charges. Until that time, carriers and terminals can hide behind their tariffs even when the cargo owner is not at fault for the equipment shortages or delays. In short, this may get worse before it gets better, but Mohawk will continue to mitigate these charges when we can.

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