

State of Drayage: Covid-Related Port Restrictions Create Further Strain

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By Nimesh Modi · July 19, 2021

Editor's Note: Nimesh Modi, is CEO of tech-enabled shipping and freight-forwarding platform, BookYourCargo.

It's no secret the logistics industry has taken nothing short of a beating throughout the pandemic.

From container shortages, and massive backlogs at the ports, to the recent resurgence of Covid in southern China's ports, the supply chain and drayage providers, in particular, have seen significant delays and critically tight carrier capacity as a result of subsequent global supply chain disruptions, leaving many shippers questioning where, when and how their shipments will be delivered.

All of these disruptions trickle down and significantly impact drayage operations. The situation in Yantian last month will result in a surge of containers as all the delayed shipments will arrive at U.S. ports at around the same time. This will present a major issue as the drayage industry has been dealing with a chassis shortage for the last year, which has only gotten worse since the Norfolk Southern Railway recalled more than 5,000 domestic chassis just last month.

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To make matters worse, recent tire/rubber and truck part shortages are contributing to more and more drivers leaving drayage, creating a vicious cycle. In fact, one projection estimates the shortage will hit 330,000 drivers by 2024.

The shortage of parts and tires is only exacerbating the driver shortage. If a truck is in need of repair and parts are on backorder for weeks or even months on end, then the trucks are just sitting in the yard and companies are faced with the challenge of retaining drivers while waiting for repairs to be made.

The part shortage is also causing the cost of repair to increase, and when combined with the downtime for trucks, can cause a significant loss of revenue for trucking companies. Fuel is also in short supply which will add to the increase of prices and overhead.

These disruptions can and will be a decisive factor in whether or not a drayage company sinks or swims. Either they optimize their operations to better fit the needs of their drivers or they simply turn to another service.

In Chicago, demurrage bills are exceeding \$10,000 for a single container and drayage providers say congestion in the nation's busiest inland freight hub is the worst they have seen. One shipper there paid more than \$11,000 in storage fees to secure a container with \$250,000 worth of goods inside that was tied up for two months.

With capacity tight and the holiday season quickly approaching, retailers and carriers will continually impress on customers to order early to get shipments on time, to ease capacity constraints and compensate for port delays. But this will still mean surcharges, a result of a never-ending peak season.

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