

Trailer hitch

Rising US trailer demand hitting roadblocks

By William B. Cassidy

TRUCK TRAILER AVAILABILITY is dwindling in the US, even as changes in shipper distribution strategies create greater demand for the ubiquitous 53 foot rolling box. US trailer orders dropped to 14,400 units in April, a 52 percent plunge from March, according to preliminary data from ACT Research. Manufacturing headwinds and demand are pushing production backlogs well into 2022.

“Some OEMs have indicated they are not accepting orders until longer-term component and materials supplies and pricing can be determined,” Frank Maly, director of commercial vehicle transportation analysis and research at ACT, said in a May 18 statement. Some “revisiting” of pricing and reassessment of equipment delivery dates likely contributed to the month-over-month drop in orders, he said.

That drop does not mean demand for trailers is weakening; in fact, it has probably never been stronger. The year-to-date order volume calculated by ACT is up 164 percent year over year, at just above 102,000 trailers. That is a better indicator of demand than the year-over-year increase in orders in April, which comes out at 3,600 percent, according to ACT. But that is comparing the current hot market with the worst month of 2020.

Demand for trailers is being stoked in unusual ways by the COVID-19 pandemic, according to a soon-to-be published study authored by several supply chain academics. The study found the uncertainty introduced by the pandemic resulted in carriers shifting capital investment toward trailers, said Jason Miller, associate professor of logistics at Michigan State University and one of the upcoming study’s authors.

That shift is partly due to a lack of available truck drivers, Miller said. “Determining how this [increase in trailer investment] will ultimately

affect industry capacity is challenging,” he said. On one hand, he said, it could result in a longer period of elevated spot truck prices. On the other hand, larger trailer pools could allow for more extensive drop-and-hook operations that can reduce dwell times, increasing capacity in the process.

“The tightening of capacity, related to the need for more drivers, caused fleets to expand their trailer capacity,” Don Ake, vice president of commercial vehicles at FTR Transportation Intelligence, said in an interview May 19. “You don’t



US trailer orders dropped 52 percent in April from March, but demand for the ubiquitous 53-foot rolling box has never been stronger. Shutterstock.com

want the driver sitting, so you go to increased drop-and-hook usage. It started with dry vans, but now it’s being used in the reefer [refrigerated] market and with flatbeds.”

A few years ago, refrigerated trailers would not have been offered in a drop-and-hook program because the cost of the asset meant fleets kept them rolling. “Now you have refrigerated warehouses being designed with space for drop-and-hook trailers,” Ake said. “Where 15 years ago it didn’t make sense, now it’s a standard operating process.” The massive and ongoing surge in e-commerce that began in 2020 also creates demand for more trailers, as businesses serve more regional warehouses and fulfillment centers.

Production delays

However, strong demand for trailers, like demand for ocean containers and chassis, is running into production roadblocks also attributable to the pandemic.

“The implicit demand for our product exceeds our ability to deliver based on the world that we live in right now,” Brent Yeagy, president and CEO of trailer manufacturer Wabash National, said in an April 28 first-quarter earnings conference call.

Certain trailer components have become more difficult — and expensive — to source. Low supply, high demand, and rising input costs have pushed steel prices to record highs. “When you get into components, [processing] chips are a significant issue,” said Ake. “Tires are in tight supply. Spare parts, even simple stamped components, are difficult because some Tier 1 and Tier 2 suppliers who were disrupted by the February freeze in Texas haven’t been able to recover.”

When it comes to what customers pay for trailers, “it doesn’t matter what product, market, or which segment you belong with at Wabash, we’re having a conversation with you,” Yeagy said.

Wabash sold an additional 725 trailers in the first quarter, an 8.5 percent year-over-year increase. Without constraints, it could have sold more, but even with normal pricing and supply of components, scaling up trailer manufacturing capabilities to meet demand would be a challenge because labor is in short supply.

Constrained manufacturing capacity and high demand contribute to tight trailer capacity on US highways. “You cannot order another trailer in 2021; they just don’t exist,” Webb Estes, vice president of process improvement for Estes Express Lines, said in a recent interview. “That’s how critical trailers are right now.” The less-than-truckload carrier has already ordered 3,800 trailers for delivery this year.

“We were lucky to get to the well early,” before manufacturer build slots for 2021 filled up, said Estes.

On the truckload side, J.B. Hunt Transport Services is adding 3,000 trailers this year to its J.B. Hunt 360box program, which blends trailer assets with the intermodal trucker’s digital load-matching platform. Native digital trucking brokers such as Convoy and Transfix are expanding drop-and-hook services, too.

Trailer manufacturers are taking note. “What J.B. Hunt is doing and

how it's acting in the overall logistics market is part of how Wabash National views the future," Yeagy said. "Brokerage and asset-enabled brokerage solutions is something that we are very keyed into going forward." Those solutions will only increase the demand for trailers that manufacturers, for now, are having trouble meeting.

Global imbalance

US trailer shortages — or the inability to get trailers where they are needed — are part of the larger equipment imbalance in global trade that has affected major markets from Asia to Europe to North America. Record freight demand and slower circulation of equipment are swamping the supply of containers, chassis, and trailers. In US intermodal rail markets, more over-the-road trailers are being pulled into service to answer a shortage in domestic 53 foot containers.

But the problem is more than just rising demand. Changes in distribution strategies also boosted trailer orders last year and in early 2021. The massive surge in e-commerce spending during the COVID-19 pandemic accelerated trends toward more frequent, smaller shipments, requiring more trailers, trucks, and drivers. In effect, more trailers are required to move the same amount of freight.

And just as shipping lines experience difficulty retrieving empty containers, trucking companies are reporting difficulty getting trailers back from receivers and customers, with some trailers delivered to big box distribution centers taking days to be unloaded and returned. That is leading to delays and a breakdown in scheduling similar to that seen at intermodal railyards, ports, and other locations.

Operational inefficiencies may play as much of a role in creating capacity shortages as the physical lack of equipment or drivers. That is especially true at a time when shippers are changing distribution strategies and increasing reliance on equipment such as trailers and international and domestic containers in managing inventory. Disruption attributed to the COVID-19 pandemic has only made the situation worse. [JOC](#)

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Changing chassis

Southeast pool must 'evolve' to meet surging demand: port authorities

By [Ari Ashe](#)



JOC file photo

TWO WEEKS AFTER the South Carolina Ports Authority announced it would be exiting the regional South Atlantic Chassis Pool (SACP), port authorities in neighboring states remained optimistic they can address shortfalls in the SACP within the next two years.

The core issue in the Southeast pool has been the quality — as well as the quantity — of marine chassis. According to port officials in Georgia, North Carolina, South Carolina, and Florida, chassis are near the end of their useful lives, and many lack safety features such as LED lights, anti-lock brakes, and radial tires.

The port authorities have tried to get the intermodal equipment providers (IEPs) that own the chassis together with pool administrator Consolidated Chassis Management (CCM) to resolve the problem since 2018 but have been unsuccessful.

Meanwhile, pressure has increased on the chassis fleet as port volumes continue to rise.

Container imports into Savannah,

Wilmington, and Jacksonville, the three seaports still served by the SACP, have jumped nearly 30 percent year over year in the first four months of 2021, according to PIERS, a sister product of *The Journal of Commerce* within IHS Markit. Compared with the same period in 2019, import volumes were still up 20 percent this year.

"The SACP can't stay in a steady state; there must be an evolution," Griff Lynch, executive director of the Georgia Ports Authority, told *The Journal of Commerce*. "The pool needs to be improved, and we're working on that. We're talking with the IEPs and CCM, and you'll see that we've got a good plan in place."

Brian Clark, executive director of the North Carolina State Ports Authority, told *The Journal of Commerce*, "We want to see the assets upgraded. We want to see the assets in sufficient quantities, and to be in the right locations to support our growing trade."

The Jacksonville Port Authority said in a statement it is involved in the conversations to maintain a steady and reliable chassis supply, but all three authorities declined to provide specifics on those plans.

Easier said than done

Lynch said he is particularly motivated to inject more chassis into the SACP due to the massive influx of cargo flowing through Savannah's terminals. "I don't think anybody anticipated that kind of growth, and I certainly think the chassis folks are in that same kind of vein where they're behind where we need to be with chassis," he said.

That might be difficult, however, as anti-dumping duties, countervailing duties, and tariffs placed on Chinese-made chassis have tripled the cost of sourcing chassis or chassis components from China.

North American manufacturers Cheetah Chassis, Hercules Chassis, Stoughton Trailers, and Hyundai Translead have been inundated with orders from the South Carolina Ports Authority, Virginia Ports Authority, area IEPs, and drayage operators, and it could be well into 2022 before those orders are fulfilled. [JOC](#)

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