

Creating Chassis Pools



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Ocean Carrier Equipment Management Association (OCEMA)

- Association of 19 major international ocean carriers
- Lead ocean carrier organization for U.S. intermodal equipment issues
- Operates under an agreement on file with FMC



Chassis Pool Evolution

The U.S. System is Different

Current U.S. chassis provision model has been in place for 50+ years

- Ocean Carriers own or lease chassis
- Ocean Carriers have provided chassis for customer use
- Many wheeled facilities inland; more grounded facilities at ports
- U.S. system is not the system used elsewhere in the world



Pool Structures

- Rental Pool
 - Leasing company operated
 - “Rent-A-Chassis”
- Co-operative (“Gray”) Pool
 - Users contribute and share chassis and costs
 - Neutral management
 - Alliance pools
 - Broad acceptance slowed by differing service, facility and chassis ownership configurations

Benefits of Pooling

- Improved utilization
- Reduced inventory
- Increased velocity
- Centralized inventory control
 - Forecasting/Repositioning
- Standardized M&R
 - Safety/Reliability
- Reduced congestion
 - Reduced truck turn times
 - Positive environmental benefits
- Regional efficiencies
 - Less repositioning



Ports and Terminals Initiate Change

- Congestion crisis at rail and marine facilities in 2003-2005
- Wheeled and grounded facilities running out of space
- Lengthening truck queues
 - Economic and environmental impact
- Desire for one-size-fits-all chassis solution to reduce chassis footprint

Hampton Roads Chassis Pool

- HRCP II formed in 2004
- Collaboration of VIT and OCEMA
- Converted existing small cooperative pool into port-wide gray pool
- Pool formed as LLC owned by VIT
- Formed management company (VIM) to handle day-to-day operations
 - 4 terminals located throughout Hampton Roads
 - Approximately 12,500 chassis; originally 22,000

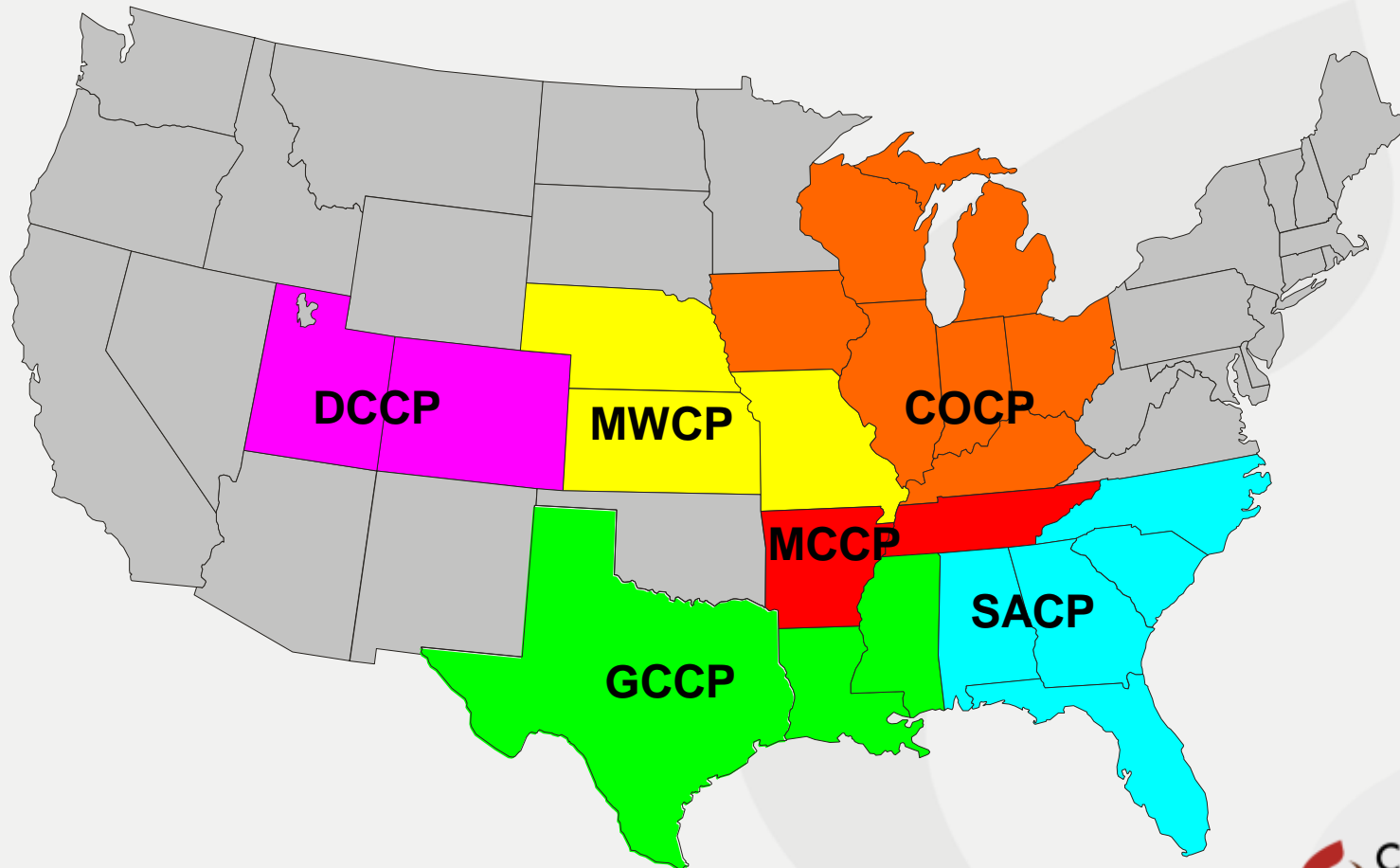
Consolidated Chassis Management



- Response to the congestion crisis and requests by ports and rail terminal operators for “gray” chassis fleets
- Unprecedented in scope; first truly regional pools
- A unitary gray fleet (Approx. 128,000 units)
 - Common operating rules
 - Single pool manager
 - Single information system (CMS)
- Central neutral management of chassis stock levels, M&R
- Operates as a cost pass through to pool members
- Largest U.S. Intermodal Equipment Provider “IEP” of Chassis (FMCSA regulatory status)

The CCM Program Today

- Six regional co-op pools operating at over 240 intermodal locations
- Over 127,000 chassis under co-op pool management



Structural Considerations

Requires Coordination Among Regulated and Unregulated Entities

- Ports
- Terminals
- Ocean Carriers
- Motor Carriers
- Railroads
- Shippers
- Regulators



Shipping Act Requirements (FMC)

- Cooperative Working Arrangement among ocean carriers and or marine terminals requires FMC Agreement
- Authorizes agreement between entities
 - Formation and operation of pool
 - Allocation of costs
 - Discussion with third parties
 - Antitrust immunity for regulated entities

Additional Regulatory Considerations (FMCSA)

- Who is the IEP?
- Intermodal Equipment Providers (IEPs) must register with FMCSA
 - IEP is either the interchange party with motor carrier or a party that has contractually accepted responsibility for the maintenance and repair of chassis
 - CCM Pools are registered as the IEP for pool chassis (as party contractually responsible for M&R).

Ownership & Liability

- Chassis liability of provider and pool manager arises from M&R failure or over-the-road operation
- Most accidents caused by drivers/third parties
- Can Terminal and Pool be insulated from liability?
 - Corporate structure
 - Indemnity and insurance arrangements with pool manager and other pool participants

Operational Participants

- Terminal Operators
- Pool Owner
- Pool Manager
- Chassis Contributors
- Chassis Users
- M&R Vendors
- Motor Carriers

Pool Agreements

- Terminal License/Access Agreement
 - Relationship with terminal
- Management Agreement
 - Management and business functions
- M&R Vendor Agreement
- Contribution Agreement
 - Contributor responsible for number and condition of chassis at induction
- User Agreement
 - Entity that takes chassis from pool
 - User has primary responsibility/liability to pool and contributors for OTR operation

Basic Elements of A CCM Regional Pool

- Owned by subsidiary of CCM Pools LLC
- Non-Exclusive License with port/rail terminals for pool locations
- Inventory and M&R Management of the pool by professional manager
- Operational Interface with Intermodal Terminal by Pool Manager (Inventory, M&R, Operations, etc.)
- Contracts for chassis use between pool and users
- Inventory of Carrier Contributed Units augmented as necessary by leased units
- FMC Agreement authority

Interchange Agreements

- UIIA (commercial agreement for use of pool chassis)
 - Traditional agreement for use of containers and/or chassis between equipment providers and truckers
- Not generally a concern for gray pool
 - Gray pool does not directly interchange with motor carriers
 - Interchange is between pool user (rental entity, ocean carrier, etc.) and motor carrier
 - But pool benefits from interchange indemnities/insurance arrangements
- Leasing company arrangements (rental pool)

The Future of Chassis

Chassis Provision Models are Evolving

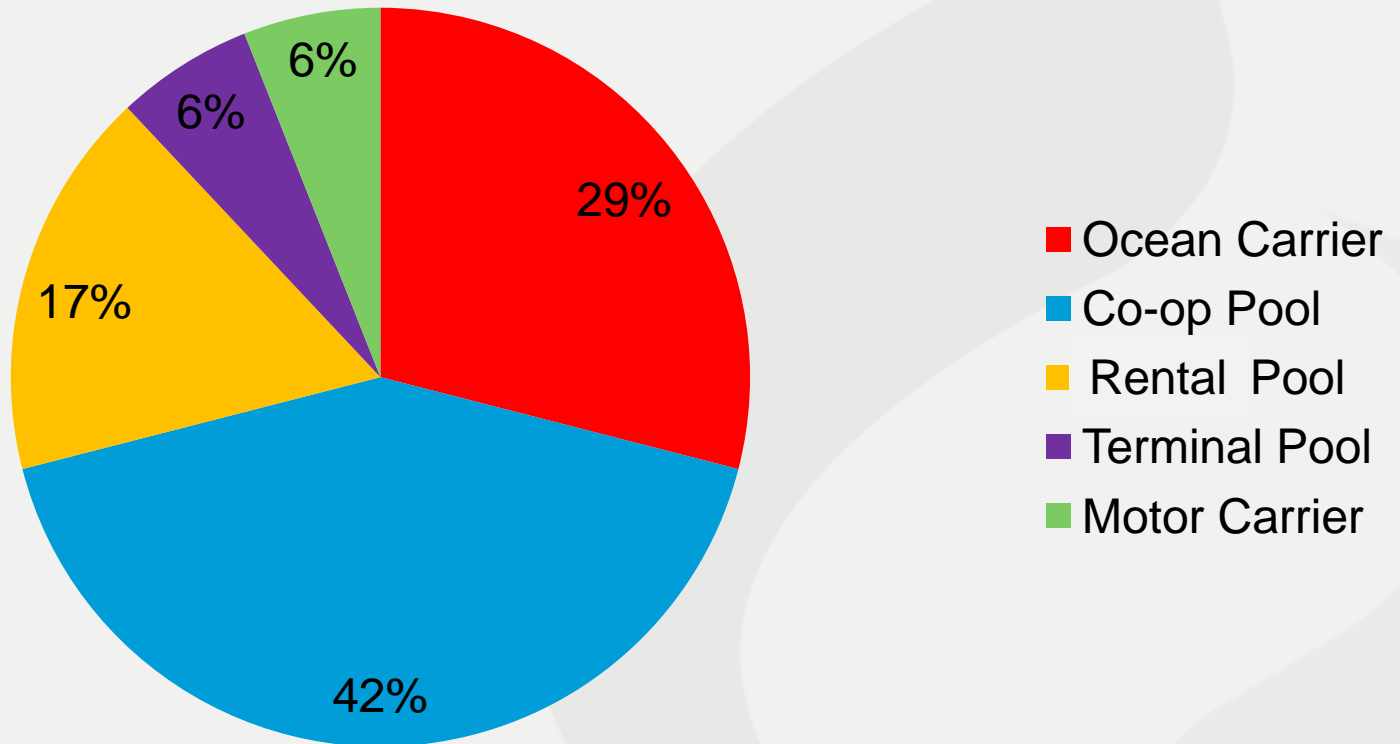
- For years, lines have wanted a way “out of the business”
 - Not a core part of their expertise as ocean carriers
 - No physical control over use/return
 - More efficient for others to operate chassis
- “Perfect Storm” of circumstances has fueled change
- Some will fully exit; others will do so over time; some may continue status quo
- Each line will make decisions based on operational needs and commercial requirements
- Shipper, ocean carrier, and motor carrier business processes must consider this “flexible evolution”

OCEMA's Chassis Census

- 19 OCEMA ocean carrier members own/lease approximately 237,457 international chassis
 - Down from 434,361 in 2007 (from same members)
 - Chassis leasing companies now own ~ 350,000 chassis (~ 2/3 of international fleet)
 - Motor carriers getting into ownership (NACPC), but more slowly

How Are Chassis Supplied in U.S.?

Ocean Container Chassis Supply Market in the U.S. by Chassis Supply Model



What We Know:

There will be several different models, driven by the market...

Although the basic processes by which chassis are provided will not change, the provider may change:

- **Co-op pools**
- **Rental pools**
- **Trucker provided**
- **Shipper fleets**
- **Terminal fleets**
- **Others?**



The Wheeled Terminal Environment – Changing Slowly

- Many marine and rail terminals are “wheeled” operations requiring pre-positioning of chassis to unload ships or trains
- Unlikely to change quickly, particularly in rail environment
- Difficult for smaller entities to participate
- A key factor in pooling arrangements

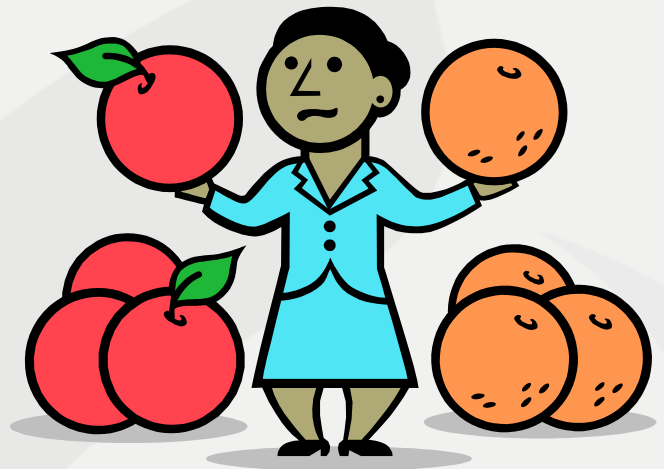


CCM Utility Model

- CCM's Unitary Pool Concept (UPC)
 - A single pool for all users that wish to participate
 - Allows flexibility to accommodate entities that cannot or do not wish to contribute chassis to the pool
 - Increases service & competitive options for equipment users
 - Allows chassis lessors to make chassis available from CCM pools (“pool within a pool”)
 - Facilitates pool and terminal efficiencies

Accommodating Options

- CCM open pool concept allows for multiple provision models, from status quo to total divestiture
- Open to MC's, Leasing Companies, Shippers, 3PLs, VOCCs, NVOCCs, etc.
- Operates on a cost pass through “non-profit” basis
 - Low cost chassis provision alternative
 - Industry utility
 - Facilitates competitive options



Q&A

Thank you. For more information, please contact us at:

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