JOC Intermodal Savings Index

An Analysis of the Domestic Intermodal and Truckload Markets

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US Intermodal Savings Index

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The Journal of Commerce (JOC) provides an in-depth quarterly report into the US intermodal market to facilitate conversations between shippers and logistics companies about modal decisions.

I. How to Read Our Index

The *JOC Domestic Spot Intermodal Savings Index* ("Spot ISI") and the *JOC Domestic Contract Intermodal Savings Index* ("Contract ISI") is measured with **100** as a neutral base.

Index values greater than 100 signify intermodal is cheaper; values less than 100 indicate truckload is cheaper. Index values are linked to percentages:

- 140 = Rail 40% cheaper
- 130 = Rail 30% cheaper
- 120 = Rail 20% cheaper
- 110 = Rail 10% cheaper
- 100 = Rail and Trucking tied
- 90 = Trucking 10% cheaper
- 80 = Trucking 20% cheaper

The JOC Contract ISI measures contract intermodal against contract truckload rates. The JOC Spot ISI compares spot intermodal with spot truckload rates.

II. Executive Summary

While intermodal volume for the entire industry fell 6.6 percent year over year in the first quarter, the numbers were the result of a double-digit decline in international volume as shippers gravitated more to transloading, according to the Intermodal Association of North America.

Domestic container traffic grew 5.2 percent year over year in the first quarter. Volume grew out of every region in the US, including a 3.7 percent increase out of the Midwest, the largest origin for domestic intermodal US shipments.

Intermodal service was inconsistent and unreliable, however, adhering to the adage that when volume goes up, service goes down. Intermodal train speeds were slower in the first quarter compared with 2021 for all Class I railroads except Kansas City Southern Railway, according to the Association of American Railroads.

Despite subpar service in the quarter, intermodal providers delivered strong savings to shippers. The JOC Contract ISI set a first quarter record, and the JOC Spot ISI had the second highest first quarter since 2015.

Table of ISI values

Contract and Spot ISI: 3 Month, 6 Month, 12 Month Rolling Averages.

	3 Month	6 Month	12 Month
Spot ISI	122.5	117.9	118.3
Contract ISI	137.7	139.0	138.5

Source: IHS Markit ©2022 IHS Markit

Since 2015, the JOC Contract ISI averages 125.7 (25.7 percent savings) and the JOC Spot ISI averages 115.5 (15.5 percent savings) monthly.

Intermodal providers may want to monitor the JOC Spot ISI in the second quarter. We anticipate that as truckload spot market rates continue to slide, the JOC Spot ISI will also fall quickly, especially if fuel surcharges remain high.

Rail fuel surcharges right now are more than 50 percent of the ramp-to-ramp base rate. While diesel is also a high cost for trucking, small motor carriers do not have the leverage to pass fuel costs on shippers in this market.

VIII. What We Heard

"Six months ago, midway through last year or even in the third quarter of last year, we would have anticipated stronger growth than we achieved, but that equipment we added really was consumed by weakness in velocity. And I don't want to beat a velocity drum here on the call all day today. Our rail providers all know that it needs to get better. They are all working very hard to improve that. We're very aware that they can improve that, fully anticipate that they will. The question remains when does that begin to show up. And certainly, during the first quarter, there were some challenges in that area. We're turning down thousands of loads per week and feel strongly that we have more volume to grow as velocity picks up," — Darren Field, President of Intermodal, J.B. Hunt.

"I would guess given the growth that we're seeing, first through Knight-Swift and then with Schneider, and the continued growth, it's probably fair to say the ratio of privates versus EMP-UMAXes grows towards the private side," — Lance Fritz, CEO of Union Pacific.

"CSX is committed to intermodal growth with both CSX-owned rail asset users and privately-owned domestic container providers. CSX continues to order new rail asset containers and refurbish its existing fleet to meet growing market demand. We have also committed to outfitting our UMAX fleet with GPS units to improve asset utilization and customer experience. CSX views [the] rail asset as a key portion of its intermodal portfolio and will continue to invest as needed to capture growth, along with our asset-based partners," — CSX Transportation statement to JOC.com

"We've taken a very hard look at our effectiveness in terms of throughput efficiency and our ability to deliver capacity for the market through our terminals. And in many cases, there's a lot of inflation working its way through the entire US economy that manifests itself, of course, at the terminal level as well. But what we are focused on is ensuring, number one, that we have the capability at the terminal level to handle the volumes that TOP SPG is going to deliver for us going forward. We are reconfiguring some of those contracts as we speak to both make sure that we have that capacity for the future as well as ensure that the type of operation that we have is the one that we need," — Alan Shaw, CEO of Norfolk Southern Railway.

"We know that our rail partners have been working very hard on their service product for quite some time now. And it is an across-the-board sort of effort, including capital investments, bringing on more resources and getting terminal congestion and contractors really in the right place. I think it's taken some time, but we are seeing momentum that we hope is going to continue. And I think, you heard on probably both those calls the level of detail and metrics and focus that they have on it to get it right. And that's something we're going to our customers with to show, 'hey, we do think that there is a real run rate here for service improvement and an opportunity to convert more.' And so, we're sharing those statistics on a daily, weekly basis and hoping to garner more volume from truck."— Phil Yeager, president of Hub Group.

"We chose to announce the western rail partner change to the Union Pacific a year in advance so we could operate in an open and transparent manner with our stakeholders, namely our dray drivers and our customers and importantly, to act with integrity and be highly respectful of our long-term relationship with the BNSF team. It speaks to the quality of their organization and leadership as we are collectively working through this transition in a constructive and professional fashion. The timing also gave us the open airtime to develop a robust plan with the Union Pacific to execute the change with a very high level of operational excellence and be in a regular communication with all our stakeholders to allow them to be an ally in the change." — Mark Rourke, CEO of Schneider National.

IX. Methodology

The Journal of Commerce evaluates 115 lanes in our study of intermodal savings. We send estimates on 45 lanes to 3PLs and shippers under non-disclosure agreements.

Our estimates include margins and fuel but exclude accessorial fees such as detention, demurrage, per diem, lumper fees, blocking and bracing. Our contributors review transactions and provide broker-to-shipper invoice rates. Those responses are used to calculate the two indexes.

The base value is 100, which means truck and intermodal rates are identical. If intermodal rates are 20 percent cheaper, then our Index value is 20 percent higher than 100, or a value of 120. If trucking rates are 20 percent cheaper, then the value is 20 percent lower than 100, or a value of 80.

Higher index values indicate intermodal provides better value to the shipper. Lower index values indicate intermodal has limited or no price advantage to trucking, which tends to be a quicker, more reliable, and resilient than intermodal rail.

JOC calculates regional index values for the Midwest, Mountain, Northeast, Northwest, Southeast, South Central, and Southwest US, using the regional map of the Intermodal Association of North America.

A national number is calculated on a weightedbasis using IANA's 53-foot equipment flow data.

Acknowledgements

Although we are prohibited from disclosing the identities of most 3PLs and shippers contributing to the JOC Intermodal Savings Index, we thank them for participating.

We can identify Cargo Chief, InTek Freight and Logistics, Sunset Transportation, Transfix, and Zipline Logistics as valued JOC Intermodal Savings Index partners.

Transfix is a digital online freight broker. Loadsmart — a competitor to Transfix — provides data for our JOC Shipper Spot Truckload Rate Index, tracking broker-to-shipper rates on more than 4,000 lanes, which we compared with our smaller JOC Intermodal Savings Index sample.

We thank Jason Miller of Michigan State University for his three-month forward forecast.

We thank Rick LaGore, CEO of InTek, for providing weekly intermodal spot data on more than 115 lanes.

We average his numbers with FAK transactional rates published by Class I railroads and asset-based IMCs to provide a complete view of the spot market.

We thank IANA for tracking containers and trailer flows on the rails. Their data allows us to weigh our national number appropriately to actual freight flows

We thank DAT Solutions — Ken Adamo, Dean Croke, and the entire data team — who ensure our estimates to the 3PLs and shippers are as accurate as possible.

We appreciate all the data that Cargo Chief, DAT Solutions, IANA, InTek, Loadsmart, Sunset, Transfix, Zipline Logistics bring to the industry. Our goal is to build upon their great work and industry expertise.

We highly encourage our readers to contact us and our data contributors if you have further questions.

Finally, we thank our parent company, IHS Markit, part of S&P Global, fortheir continued support of JOC.

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