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JOC Intermodal Savings Index

An Analysis of the Domestic Intermodal and Truckload Markets

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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.

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:

- 110 = Intermodal 10% cheaper
- 120 = Intermodal 20% cheaper
- 90 = Truckload 10% cheaper
- 80 = Truckload 20% cheaper

Rule of thumb: Higher index values signify strong intermodal savings. Lower index values little or no intermodal savings. For an in-depth review, please read our "Methodology" on page 9.

Executive Summary

Domestic container volume fell 2.4 percent in the fourth quarter compared with a year ago, according to the Intermodal Association of North America. International volume plunged 16.2 percent,but most of that cargo went to truckload rather than domestic intermodal on both the East and West Coasts.

What is surprising is the lack of seasonality in the intermodal volume month to month, yet the challenges across the US to provide consistent, reliable door-to-door service. The standard deviation month-over-month volume out of the Southwest — Arizona, California, and Nevada — was down 42% in 2021 compared with 2019. Standard deviation nationally, excluding the winter storms in February 2021 that paralyzed Texas, fell 25 percent in 2021 versus 2019. There was no real peak season.

Service was inconsistent, nevertheless, with slower trains speeds and 53-foot chassis shortages in Q4.

"Rail velocity took a little bit of a step back in the fourth quarter. We would anticipate rail velocity to have some improvement. I know that all of our rail providers want nothing more than for velocity to improve," said Darren Field, president of J.B. Hunt Intermodal, on the fourth quarter earnings call.

Spot intermodal savings fell in the fourth quarter sequentially, but it was within long-term averages for a fourth quarter. Contract intermodal savings hit new recordS on a three-, six-, and 12-month basis.

Table of ISI values

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

	3 Month	6 Month	12 Month
Spot ISI	113.2	114.6	118.4
Contract ISI	141.1	139.8	137.2

Source: IHS Markit ©2022 IHS Markit

The historical JOC Spot ISI monthly average is 126.3 (26.3% savings) and the JOC Spot ISI average is 114.6 (14.6% savings).

That presents an opportunity for Class I railroads and intermodal marketing company to raise contract rates 10% or more in the US in 2022 while still maintaining a strong price savings to shippers. Later in this report we will outline some specific examples.

Expect JOC's Spot ISI to recover in Q1 with peak season surcharges canceled..

What We Heard on Earnings Calls

"We've got a favorable pricing environment. We're about 10%, 15% in on a lot of the bids that we're looking at. And again, it's a favorable pricing environment. We'll have to see how that plays out in the second half of the year, but right now it looks good." — Kenny Rocker, executive vice president of sales and marketing, Union Pacific Railroad.

"We're bringing on Knight-Swift this year. They are a strong industry leader. And then in the future, we'll bring on Schneider…As we look at our own IMCs that we have out there and our own equipment, we're doubling down on investing there. We invested in almost 6,000 chassis. We're bringing on GPS. So, we feel like we've got a great mixture to offer those private asset players that are on our network and the ones that will be utilizing our equipment." — Kenny Rocker

"While working to overcome the workforce planning hurdles, we remain focused on leveraging productivity initiatives to move freight for our customers. These efforts did bear fruit, but our service quality was significantly below where we needed it to be… Let me be clear, our top priority is to drive the service improvements our customers expect and need, and we will get there." — Cindy Sanborn, COO of Norfolk Southern Railway.

"We did see improvements in the quarter and parts of the network, specifically the speed in which customers were able to turn our equipment. However, those improvements were effectively offset by further deterioration in other parts of the network, namely rail velocity. For the quarter, box turns achieved minimal improvement from the third quarter. Needless to say lots of work remains to be done…Predicting the exact timing of improvement in the network fluidity is difficult, particularly in light of some of the more recent disruption caused by new COVID cases impacting our own and our customers operations." — Darren Field, president of J.B. Hunt intermodal.

Methodology

The Journal of Commerce evaluates more than 190 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 the value is 20 percent higherthan 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 mode to move freight.

JOC calculates regional index values for the Midwest, Mountain, Northeast, Northwest, Southeast, South Central, and Southwest US, using the regional map of IANA. A national number is calculated on a weighted basis 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. Your input is critical to provide accurate insights for shippers to make informed modal decisions with logistics partners.

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 IntermodalSavings Index sample.

We also thank Jason Miller of Michigan State University for his three-month forward forecast, a new feature in our quarterly reports.

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 ourdata contributors if you have further questions.

Finally, we thank our parent company, IHS Markit, fortheir continued support of JOC.

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