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JOC Intermodal Savings Index

An Analysis of the Domestic Intermodal and Truckload Markets

3Q 2021

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Senior Editor, Journal of Commerce

Journal of Commerce | **Insight**

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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.

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 5.7 percent in the third quarter compared with a year ago, according to the Intermodal Association of North America. International volume squeaked out a small 0.9 percent increase in the third quarter.

Perhaps it's not surprising that the major service disruptions in intermodal have been on the international side, not domestic. To the extent there were service issues in the third quarter, they were related to Norfolk Southern Railway's recall of 5,100 chassis, which resulted in metering and kicked freight to CSX Transportation in Bedford Park. The repairs have been completed and channel checks indicate domestic intermodal service is a lot more fluid in Chicago today than three months ago.

Other problems revolved around container and chassis supply, an issue the international intermodal community knows well.

In this report, we outline how the JOC Spot ISI has fallen after Union Pacific Railroad instituted surcharges in Dallas, Houston, Los Angeles, Seattle, Stockton, and Portland. International shippers are transloading to 53-foot trailers, not 53-foot containers, in Los Angeles because trucks are cheaper. UP has priced spot business in California high enough to discourage the loads.

However, JOC's Contract ISI is hitting record highs as truckload contract rates continuing to climb while intermodal contracts don't reset until early 2022.

Table of ISI values

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

3 Month	6 Month	12 Month
Spot ISI	Spot ISI	Spot ISI
115.9	118.6	117.4
Contract ISI	Contract ISI	Contract ISI
139.2	138.0	134.9

Source: IHS Markit ©2021 IHS Markit

The historical JOC Contract ISI monthly average is 125.8 (25.8 percent savings) and the JOC Spot ISI average is 114.5 (14.5 percent savings).

The JOC Contract ISI is trending above historical averages while the JOC Spot ISI is quickly falling back to average. In fact, September's Spot ISI was 113.1, down from 114.7 in September 2020.

The Regional Breakdown

Row Labels	JOC Contract ISI	JOC Spot ISI
Midwest	**132.7372897**	**129.394267**
Mountain	120.5504133	108.198419
Northeast	129.6532284	136.222305
Northwest	137.1015569	130.806827
Southcentral	126.482716	123.248448
Southeast	138.8199948	136.769286
Southwest	135.5800538	130.96823
Mountain	**128.6610281**	**115.073888**
Midwest	155.8185449	128.925828
Southwest	101.5035113	101.221949
Northeast	**139.7456281**	**130.50953**
Midwest	144.3689116	136.556046
Mountain	125.2515319	112.775021
Northwest	149.5116823	136.204954
Southcentral	130.3670037	115.758873
Southeast	126.8876763	125.510809
Southwest	153.2669562	134.194997
Northwest	**131.866103**	**108.743352**
Midwest	135.2164843	130.731457
Northeast	128.1173261	114.967664
Southcentral	126.7071823	106.835913
Southeast	141.7769289	125.273783
Southwest	129.2981394	87.1355138
Southcentral	**126.8039929**	**115.762917**
Midwest	126.1338267	104.243523
Northeast	138.5974721	119.259309
Northwest	128.80902	133.405295
Southeast	101.3126122	112.980707
Southwest	133.6556795	123.863727
Southeast	**127.8557054**	**120.373913**
Midwest	132.7489584	126.568785
Northeast	117.4581644	122.725787
Northwest	147.5504288	142.254293
Southcentral	109.5238734	109.936572
Southeast	111.7729872	81.775542
Southwest	133.4236899	126.959994
Southwest	**143.3913555**	**89.0413129**
Midwest	148.47933	91.2458506
Mountain	100.2098087	58.4307023
Northeast	151.7289947	103.159814
Northwest	126.5994929	61.4707748
Southcentral	144.9764669	79.8981303
Southeast	146.7396716	92.7708054

What We Heard on Earnings Calls

"As far as box turns, we're working with our customers every single day on how to improve that number related to their actions that are influencing it. Now they're not the only influencer, certainly our rail providers are moving somewhat slower than we would have anticipated. So, at this point, I would have said at the end of Q2 that I can't imagine it getting worse. And you know what, it did." — Darren Field, President of Intermodal, J.B. Hunt

"We've got an investment here that's coming on in the first half of next year of chassis. We feel good about that. We've got ample containers, we're going to improve our competitiveness here in the first half of the year. We've got GPS that we're investing in. I can't say enough about how much capacity opportunities are there in the Inland Empire," — Lance Fritz, CEO of Union Pacific.

"We have much more we could do relative to intermodal based upon what we have available… Certainly, the increased container count will help with that, but so will just getting some of these heart attack events that we've been dealing with on a kind of a reoccurring basis. I don't know if heart attack and reoccurring is the right way to frame that. But if we can get that behind us, we can get some more confidence in the customer and we can convert more freight which should be moving on the train," — Mark Rourke, CEO of Schneider National.

"We would also believe that we're going to see improved volumes next year. One, we get our containers fully on-boarded and two, we'll see some improved fluidity and we're starting to see some sequential improvement in fluidity in turn times. We didn't see that from Q2 to Q3, but here at Q4, we're seeing some of that sequential improvement. And if that continues, and we maintain strong pricing, it could really create a nice benefit for 2022," — Phillip Yeager, President of Hub Group

"Our primary competitor is truck, and you saw that spot rates in the truck market were up 21% year-over-year in the third quarter. As we have an opportunity to revisit our contracts and the relative value of our product, we're going to price to the market as we've always done, which is why we've delivered our revenue per unit (excluding fuel) increases in intermodal for 19 consecutive quarters," — Alan Shaw, Executive Vice President, Norfolk Southern.

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 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 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 Intermodal Savings 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 our data contributors if you have further questions.

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

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