



# US Intermodal Savings Index

An Analysis of the Domestic Intermodal and Truckload Markets  
1Q2020

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# US Intermodal Savings Index

## An Analysis of the Domestic Intermodal and Truckload Markets

**Ari Ashe**, Senior Editor, Journal of Commerce

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

### How to Read Our Index

The *Domestic Spot Intermodal Savings Index* (“Spot Index” or “Spot ISI”) and *Domestic Contract Intermodal Savings Index* (“Contract Index” or “Contract ISI”) are measured from a neutral base reading of **100 points**.

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
- 95 = Truckload 5% cheaper
- 90 = Truckload 10% cheaper

**Rule of thumb:** High numbers are good for intermodal. Low numbers are good for trucking. For an in-depth review of the Spot and Contract Index, please read our “Methodology” in the back.

### Executive Summary

Despite five consecutive quarters of contracting overall intermodal volume, domestic intermodal was a bright spot in the months prior to the COVID-19 pandemic striking the US supply chain in April.

Intermodal volume slipped 6.7 percent year over year in the first quarter, according to the Intermodal Association of North America (IANA), but domestic container traffic grew 2.3 percent during the same period. International intermodal powered the decline, plunging 11.3 percent year over year.

The impact of COVID-19 rippled through the international markets in March and domestic US markets in April. Given the unique timing, both the Spot and Contract index values were strong in the first quarter. Given the historic nature of the pandemic, however, JOC has calculated preliminary estimates for April 2020 and will focus as much of this commentary on the current climate as possible.

**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
115.8	115.4	112.7
Contract ISI	Contract ISI	Contract ISI
118.0	119.2	118.8

Source: IHS Markit

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JOC’s Spot ISI surpassed the historic average of 113.9 (13.9 percent savings) between January and March 2020 due to weak spot intermodal rates. Spot truckload rates declined 1.8 percent year over year, but spot intermodal plunged nearly 15 percent. Intermodal marketing companies (IMCs), which sell capacity to shippers, attribute this to the railroads “rightsizing” spot rates after misjudging the truck market in 2019.

The opposite occurred in the Contract ISI, which ended below its historical average of 124.5 in each month. Contract truckload rates declined from \$1.91 per mile during the same period last year to \$1.76 per mile, but contract intermodal rates rose from \$1.45 to \$1.46 per mile.

Once COVID-19 arrived in the US, JOC’s Spot ISI dramatically reversed course. The April reading was 102.9, the weakest month since February 2019 and a stark reversal from 116.5 in March 2020.

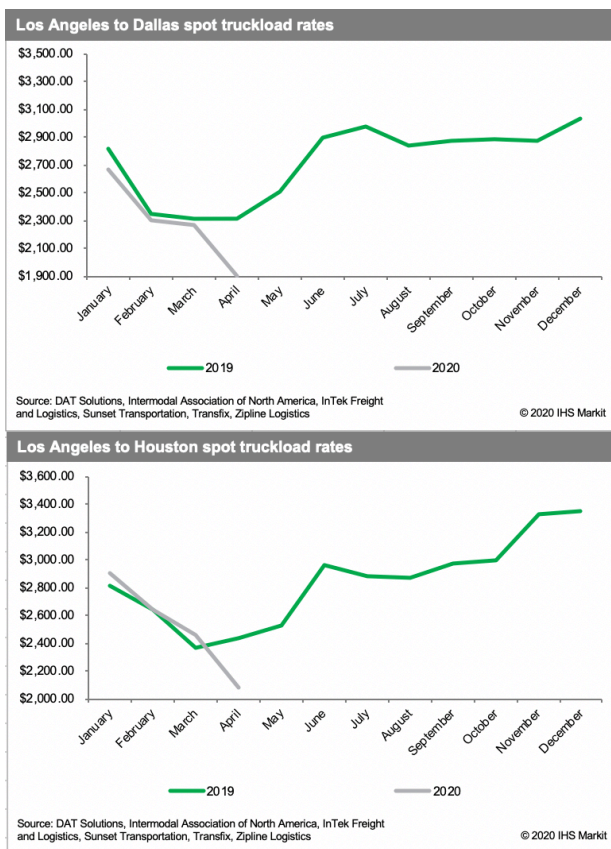
JOC’s Contract ISI slipped only one point sequentially to 118.2 in April. Contract markets are typically less volatile during sudden disruptions such as COVID-19.

## The Future Outlook

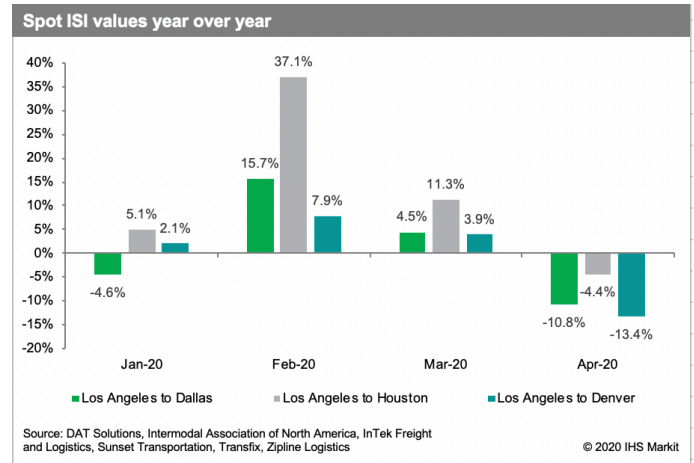
The most severe impact in April was in the Southwest region, with a preliminary Spot ISI reading of 99, the weakest since December 2018. The April Contract ISI was 113.8, the weakest since April 2016.

Let's study three lanes to see what happened in April:  
1) Los Angeles to Dallas; 2) Los Angeles to Houston; 3) Los Angeles to Denver.

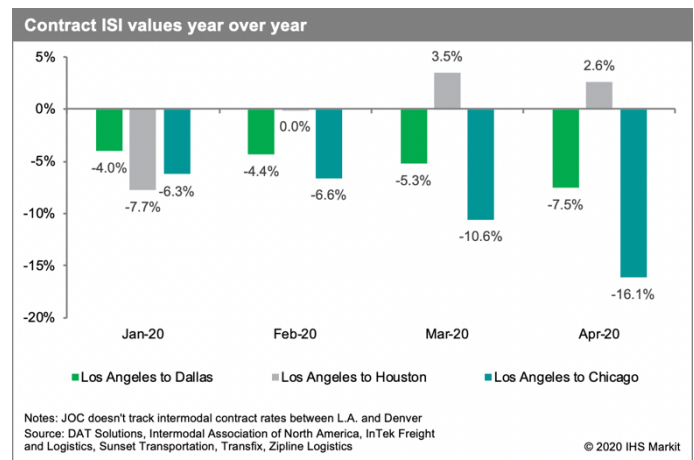
First, spot truckload rates in 2019 and 2020:



Another way to view this is a Spot ISI year over year.



Next, let's look at contract rates. JOC's Contract ISI declined nationally in Q1 because truckloads rates decreased 5.6 percent year over year while intermodal contract rates increased 1 percent.



Notice the sharp decline in the spot truckload rates and ISI values, and a muted reaction on contract ISI values.

Looking forward, there are several questions that will dictate how the two indexes will evolve in 2020.

- 1) How will railroads and IMCs respond if truckload spot rates don't quickly stabilize?
- 2) What will happen when shippers resume intermodal contract bids? Will railroads budget on price? Will IMCs cut margin to lower rates?



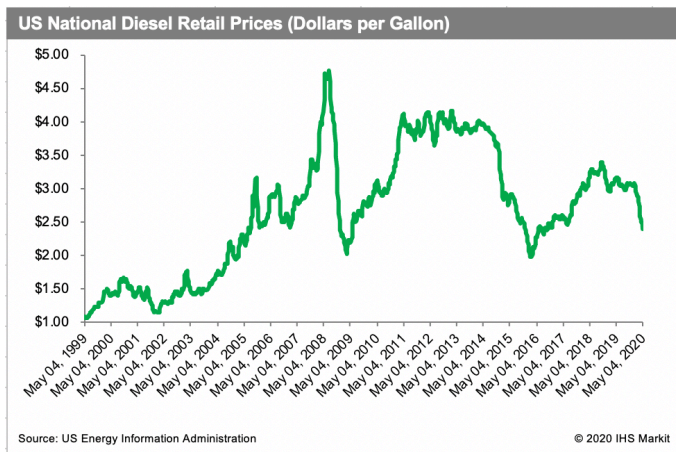
- 3) How much pressure will the C-suite apply on transportation teams to slash 2020 spending? Will such pressure cause a strategic supply chain executive to be more transactional? Will the focus on spending benefit intermodal?

## Insights from the Experts

JOC spoke with Knight-Swift Transportation CEO Dave Jackson. He runs the largest one-way, for-hire US truckload carrier, as well as an intermodal franchise that grossed \$445 million in 2019.

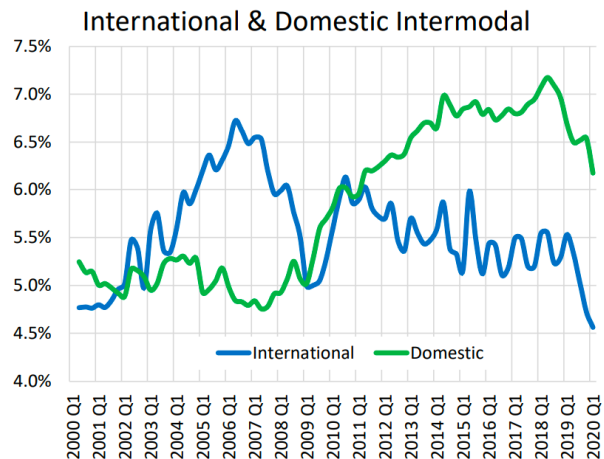
Jackson said as long as diesel rates remain at historic lows and truck drivers are hauling loads at unsustainable rates, demand for domestic intermodal will be soft. As truck driver Chad Boblett reminds us, “my monthly costs are \$5,400, even if I don’t move my truck.”

“Intermodal is a \$15 billion industry that didn’t really exist 15 years ago,” said Jackson. “What really changed is diesel fuel went up in 2008. That scared people, we thought energy costs would stay up long term, and intermodal took off. Now there are very few people who think diesel prices are headed back to \$4 to \$5 a gallon.”



“Intermodal will always have a role, but I don’t know if it will have \$15 billion worth, unless there’s an external event such as \$5 per gallon diesel fuel.”

Lawrence Gross, a longtime intermodal analyst who runs Gross Transportation Consulting, said intermodal lost market share in the first quarter and he expects this to persist through 2020. This chart measures revenue moves of 500 miles or greater.



Sources: IANA ETSO Data, Transport Futures, Gross Transportation Consulting

“Domestic intermodal market share trends will be the result of decisions made by the railroads and whether they continue to emphasize current margin over long-term volume gains. Intermodal service appears to be at very high levels, but this alone will not be sufficient to drive gains in the absence of more aggressive pricing versus truck,” Gross said. His forecast calls for domestic intermodal volume to fall 11.3 percent in 2020, including quarter-over-quarter declines in the second and third quarters.

Jim Filter, senior vice president of intermodal for Schneider National, said on a May 5 webinar that Schneider’s container fleet will shrink by roughly 5 percent due to demand. But he also urged shippers to resist turning into transactional customers.

“You have three intermodal carriers that represent 70 percent of the market, and [shippers] don’t want to burn a relationship. It’s going to be more harmful long term than any short-term gain,” he said.

But what if the transactional, short-term thinking comes from the C-suite? What if it’s an ultimatum: slash costs or lose your job?

Filter acknowledged to JOC after the webinar that he also understands transportation leaders might be boxed into transactional, short-term thinking in 2020. Schneider seeks meetings with decision makers to explain why it’s a bad idea.

## Historical Perspective

Although domestic container volume rose in Q1, the total domestic number declined 1.7 percent when trailers were added into the equation, according to IANA. Early commentary in earnings calls last month indicated a sharp downturn across domestic intermodal in April.

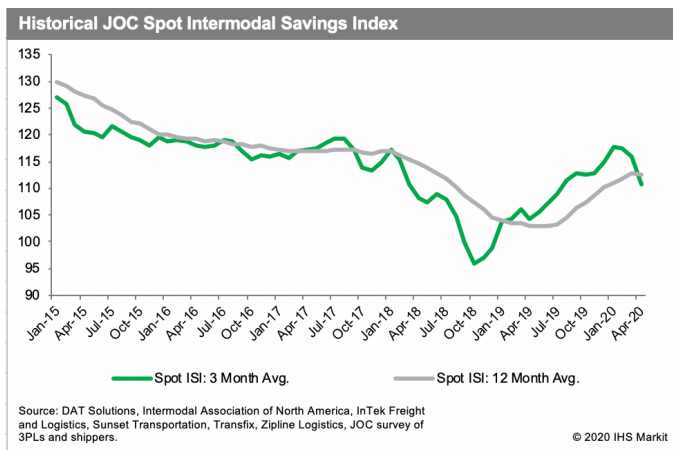
“We’re experiencing meaningful declines in volume probably to tune of mid- to high-single-digits. As we get into what we’re learning about the future, we don’t have visibility into what probably the back half of May and June represent, but certainly for the next three to four weeks I would expect that trend to continue,” Darren Field, president of intermodal for J.B. Hunt said April 14. “And this is just my opinion, but I would expect volumes in intermodal to be in the double-digit negative for the quarter.”

Hub Group announced intermodal volumes were down 16 percent in April as of its April 30 earnings call.

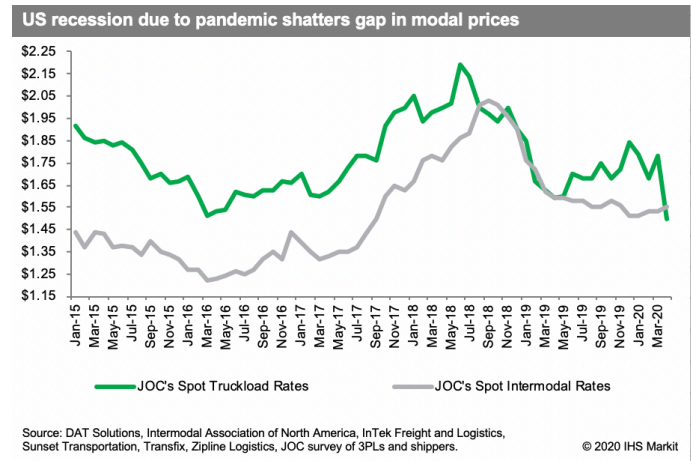
Data from the Association of American Railroads (AAR) shows volume has been down more than 10 percent each week since Week 9, although AAR data doesn’t separate domestic and international like IANA.

## Spot ISI in 2020

The trucking industry is the primary factor in how much shippers save on intermodal. The Spot ISI chart shows the crater of 2018, the rebound in late 2019, and the potential for a new crater in 2020.



Another look shows how sharp the picture shifted in April.

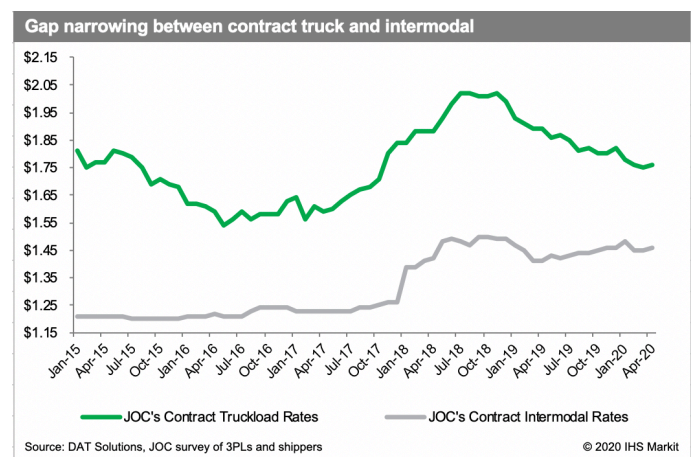


“It’s important for us to maintain [our] vision...and not chase the spot truck market...That’s not within the long-term best interests of our corporation,” Norfolk Southern COO Mike Wheeler said April 29.

## Contract ISI in 2020

JOC’s Contract ISI may eventually move, but it hasn’t happened yet and won’t probably move until the contract truckload and contract intermodal bids reset to the new economic reality.

Key questions include: How much can shippers claw back contract truck rates in upcoming bids? What are the pricing strategies of railroads and IMCs on new contracts? If railroads don’t budge on rates, will large IMCs conceded margin to provide rate reductions to shippers? What about non-asset-based IMCs?



## The Distance Discussion

The length of haul is a key factor in modal decisions. Longer distances help railroads to defray their costs with minimal impact on the shipper.

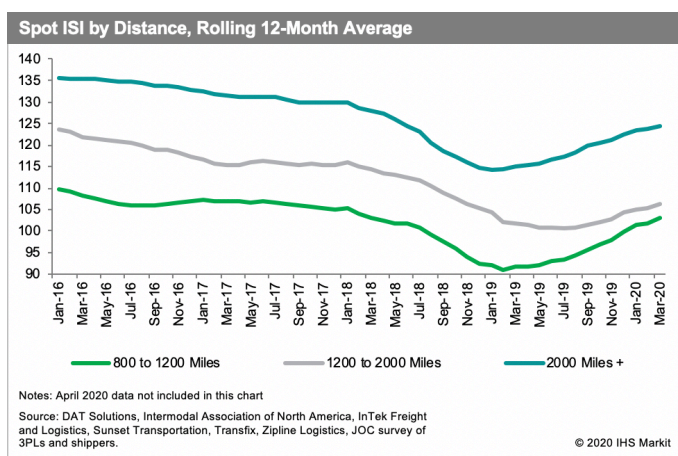
### Less than 700 Miles

JOC tracks seven lanes of 700 miles or less. The lanes are either “pro-trucking” — meaning truck pricing is generally lower than that of intermodal — or “up for grabs,” with a 12-month average reading of 93.6. The pro-trucking lanes consist of Atlanta to Jacksonville, Atlanta to Orlando, and Salt Lake City to Los Angeles. *Up for grab* lanes, such as Syracuse to Chicago and Baltimore to Chicago, may flip to pro-trucking lanes if the US recession persists.

### 800 to 1,200 Miles

This is the distance with the most heated competition between trucking and intermodal. Many of these lanes connect the Midwest, Southeast, and Northeast.

The rolling 12-month Spot ISI average for this distance (green line below) was 103.1 prior to the April swoon. If the recession persists, expect this number to fall below the base of 100. Intermodal will need to provide stronger savings to gain conversions. The record rolling 12-month for this segment was 109.6 in January 2016, lower than the historical US average Spot ISI of 113.9.



The rolling 12-month average should stick between 90.4 and 113.3, which we can say with 95.5 percent confidence based on two standard deviations.

Competitive truck pricing in lanes such as Atlanta to Elizabeth, NJ, Charleston to Chicago, and Charlotte to Chicago make intermodal a tough sell.

### 1,200 to 2,000 Miles

The 1,200- to 2,000-mile segment (gray line) was 106.4 in March 2020 on a rolling 12-month basis. Expect this number to also fall toward the base of 100 in Q2, although the rolling 12-month average has never actually fallen below 100 in this segment.

### 2,000 Miles+

On a rolling 12-month basis, this segment had a strong rebound in recent quarters and will be more insulated from the impacts of the US recession. The Spot ISI 12-month average was 124.6 in March, up from 115.0 in 1Q19. While this number might slide in the coming months, it has never fallen below the national average of 113.9 since JOC began tracking this data in January 2015.

Out of 44 lanes we track at this distance, only two were not pro-intermodal: Cincinnati to L.A. and Cincinnati to Stockton. Even those two lanes, however, the truck rate was only competitive on spot loads. The intermodal contract rates delivered a good bargain.

## The Market Breakdown

In this section, we examine which markets are pro-intermodal, pro-trucking, and up for grabs.

We encourage shippers to use this as a beginning — not an end — to a discussion with your partners about your network. In other words, don't make any modal decisions solely on what you read in this report.

Please evaluate the next infographic like a traffic light.

**Green** means go — strong intermodal savings.

**Yellow** means slow down — truck is competitive.

**Red** means stop — little or no intermodal savings.

Given the accessorial fees common in intermodal rail service, such as detention, per diem, and block and bracing, a **yellow** lane can easily flip **red** since JOC excludes these fees in our calculations.



**GREEN:**

Index value is greater than 110. These are pro-intermodal lanes in which shippers should feel comfortable they are receiving a good value.

Allentown to Dallas  
Allentown to Houston  
Atlanta to Chicago  
Atlanta to Los Angeles  
Atlanta to Oakland  
Atlanta to Seattle  
Boston to Chicago  
Boston to Los Angeles  
Charlotte to Los Angeles  
Charlotte to Stockton  
Chicago to Atlanta  
Chicago to Elizabeth, NJ  
Chicago to Los Angeles  
Chicago to Phoenix  
Chicago to Seattle  
Dallas to Boston  
Dallas to Seattle  
Elizabeth to Chicago  
Elizabeth to Dallas  
Elizabeth to Los Angeles  
Elizabeth to Seattle  
Houston to Los Angeles  
Houston to Oakland  
Jacksonville to Los Angeles  
Kansas City to Los Angeles  
Los Angeles to Atlanta  
Los Angeles to Elizabeth, NJ  
Memphis to Los Angeles  
Miami to Chicago  
Oakland to Atlanta  
Orlando to Chicago  
Philadelphia to Dallas  
Seattle to Atlanta

**YELLOW:**

Index value is between 100 and 110. Shippers should have a deeper discussion on these lanes with logistics providers because although they are saving some money, truck rates are competitive.

Atlanta to Dallas  
Baltimore to Chicago  
Chambersburg to Chicago  
Chicago to Chambersburg  
Chicago to Houston  
Chicago to Salt Lake City  
Cincinnati to Los Angeles  
Cincinnati to Stockton  
Dallas to Chicago  
Dallas to Elizabeth, NJ  
Denver to Chicago  
Elizabeth to Atlanta  
Elizabeth to Dallas  
Hartford to Dallas  
Houston to Fresno, CA  
Kansas City to Portland  
Little Rock to Los Angeles  
Los Angeles to Chicago  
Los Angeles to Dallas  
Los Angeles to Houston  
Miami to Los Angeles  
Miami to Stockton  
Philadelphia to Chicago  
St. Louis to Stockton  
Reno to Dallas

**RED:**

Index value less than 100. These are pro-trucking lanes.

Atlanta to Jacksonville  
Atlanta to Orlando  
Atlanta to Philadelphia  
Boston to Orlando  
Charleston to Chicago  
Charlotte to Miami  
Chicago to Dallas  
Chicago to El Paso  
Chicago to Houston  
Dallas to Atlanta  
Dallas to Los Angeles  
Denver to Los Angeles  
El Paso to Chicago  
El Paso to Columbus, OH  
Elizabeth to Denver  
Elizabeth to Orlando  
Houston to Allentown  
Houston to Chicago  
Houston to Elizabeth, NJ  
Jacksonville to Dallas  
Laredo to Chicago  
Laredo to Oakland  
Los Angeles to Dallas  
Los Angeles to Denver  
Los Angeles to Seattle  
Miami to Elizabeth, NJ  
Oakland to Dallas  
Orlando to Boston  
Orlando to Elizabeth, NJ  
Phoenix to Chicago  
Reno to Dallas  
Salt Lake City to Chicago

Source: IHS Markit

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“We expect that our domestic intermodal business will slow down considerably and is slowing down considerably now and for the foreseeable future... Clearly, there is a lot of competition from the trucks. There’s a lot of trucks out there and we’re going to compete harder and try to win some business, but that’s kind of the environment right now.” – Mark Wallace, CSX Transportation executive vice president of sales and marketing.

“There is no question the service right now is as good as we’ve seen it. It’s exceptional. I think the issue is the competitive rate structure right now. Obviously, fuel is extraordinarily cheap. Obviously, the demand for truckload capacity is just not there. And as a result, a lot of over the road motor carriers are basically running just to kind of survive,” – Dave Yeager, CEO of Hub Group.

“Intermodal will likely not start to improve until we get to the third quarter. Right now, the DCs are largely full, waiting for the economy to reopen... So we expect that as economy slowly reopens, you’re going to need to let those DCs bleed down a little bit... But we’re getting inklings that by the June, July time frame, it should start to pick up,” – Michael Morris, CFO of Forward Air.

Out of 187 lanes JOC studied for this report, 113 (60.4 percent) were green lanes, 39 (20.9 percent) were red, and 35 (18.7 percent) were yellow in 2019.

## Quotes from Earnings Calls

“The early feedback would suggest we have a bit of share gain, 5% to 8% or so, at slightly lower pricing on the truckload side and a more material share gain on the intermodal side, again, with slightly lower pricing,” — Mark Rourke, CEO of Schneider National, acknowledging concessions on rates and margins to win intermodal share.



## Methodology

The Journal of Commerce evaluates 187 lanes in our study of intermodal savings. Each month we send estimates on 45 lanes to a group of 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 retail invoice rates for the previous month.

Those responses are used to calculate the two indexes.

The base value is 100, which means rates are identical in both modes. If intermodal rates are 20 percent cheaper, then the value is 20 percent higher than 100, or 120. If truck rates are 20 percent cheaper, then the value is 20 percent lower than 100, or 80. The *rule of thumb*: higher numbers are good for intermodal, lower numbers are for trucking.

JOC calculates regional index values for the Midwest, Mountain, Northeast, Northwest, Southeast, South Central, and Southwest US.

A national number is then calculated on a weighted basis using 53-foot equipment flow data from IANA. The sum of the weighted regional values becomes the national ISI.

## Acknowledgements

Although we cannot disclose the identities of most contributors to the 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 InTek Freight and Logistics, Sunset Transportation, Transfix, and Zipline Logistics.

We thank Rick LaGore of InTek Freight and Logistics for providing weekly intermodal spot data on more than 115 lanes. We make slight variations to his data based on asset-owning intermodal marketing companies offering slightly lower rates.

We also thank IANA for tracking the equipment flows of containers and trailers on the rails. Without this key

data, our weighted national ISI and market-by-market analysis would be impossible.

DAT Solutions played a key role to fill some of the gaps in our data before our launch. We also consult DAT Solutions to ensure the estimates sent to our partners are as accurate as possible for a review.

We sincerely thank Rick, IANA, and DAT for the valuable data they bring to the transportation space.

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

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