The first six months of 2015 saw continued intermodal growth in North America, revealing distinct industry trends, and an analysis going back more than a decade provides further insights.

When scrutinizing 12-month periods spanning from July to June, the 12 months ended June 2015 demonstrated several trends, including two that are most notable:

• Overall volume was up by 5.6 percent; however, this outcome was straddled by the marine international shipping container (ISO) segment, up 4.7 percent, and the segment of domestic units of 48 feet and greater length, up 6.7 percent.

• Clearly, the marine ISO volumes were impacted by the West Coast labor situation.

When analyzed over an 11-year period, more definitive trends emerge, including:

• The entire industry grew by 29 percent.

• In the first four years of this period, the marine ISO segment was the industry growth driver; however, since then, it now lags the overall industry volume growth, being up 20 percent vs. 29 percent for the overall industry. Historically, the predominant corridor is between the West Coast and interior markets.

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Exclusive to Intermodal Insights

Several Trends Emerge Under Scrutiny of Intermodal Industry’s Success

By Ted Prince

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The segment’s share has dropped in the transcontinental corridor, while its share has grown in the corridor between the East Coast and the interior markets. This would seem to reinforce conventional wisdom that there has been some vessel diversion to the East Coast from the West Coast.

- Since those first four years, the growth driver has been the segment of domestic units of 48 feet and greater length. While this segment closely tracked the industry through the first half of the past 10 years, since then it has grown faster than the overall industry. It is up 60 percent in this period — a growth rate twice that of the overall industry.

- Volume for domestic units of 45 or fewer feet in length has declined 58 percent in this period, although it has remained somewhat stable for the past four years. This would indicate that these “boutique” equipment types have a residual value that resists intermodal obsolescence.

- The share mix of international and domestic has fluctuated during this period. Marine ISO share

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Volume by Segment

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<tbody>
<tr>
<td>Domestic &gt;= 48</td>
<td>38%</td>
<td>36%</td>
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<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
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<tr>
<td>Marine ISO</td>
<td>54%</td>
<td>57%</td>
<td>59%</td>
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12 Months Ending June 30th
reached 60 percent right before the 2008 economic crisis and has steadily declined since then. It was 50.3 percent for the most recent 12 months and 50.8 percent for the preceding 12 months.

- This analysis also reinforces the notion that the marine ISO segment is predominantly an east-west business and that coastal port substitution — which would generate north-south volumes — remains more theory than reality.

- What is striking is that, over this period, there has been almost no geographical corridor change in domestic intermodal — as a percent of volume. While there is a great deal of discussion about new intermodal corridors, it does not appear that they represent any significant mix changes.

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An intermodal seasonality model was developed to quantify this phenomenon by measuring the difference between the maximum and minimum volume quarters. In general, the seasonal peaks that traditionally characterized intermodal volumes have decreased over the past years. This would reaffirm intermodal’s emergence as a core carrier rather than as a peak supplement. (The marine ISO increase for the past year is probably an anomaly attributable to the West Coast issues.)

An intermodal length of haul (LOH) model was developed to measure intermodal traffic. It found:

• The marine ISO segment has the longest LOH. This makes sense given the preponderance of volume off the West Coast; however, there does not seem to be any impact of shorter hauls from the East Coast — even with recent cargo diversion. The domestic business has a slightly shorter LOH.

• This result is consistent with a preponderance of volume off the West Coast — offset by increased eastern volumes.

• The most significant result is that LOH has remained relatively unchanged by segment over the past five-plus years. This finding, along with the corridor analysis, indicates that there is no quantitative evidence supporting the belief that intermodal LOH is decreasing. In other words, shorter LOH markets are growing proportionately at the same rate as longer LOH markets.

Longtime intermodal industry leader Theodore “Ted” Prince is currently chief operating officer of Overland Park, Kan.-based Tiger Cool Express LLC, an asset-based, bimodal provider specializing in movement of fresh produce and temperature-controlled perishables. The views expressed are those of the author.