

WHITE PAPER

WHY SHIPPERS ARE CHOOSING INTERMODAL

Intermodal shippers are better prepared for surges in demand and have the benefit of scalable capacity and predictable schedules. Due to the service and reliability of rail transportation, shippers who use intermodal are in a more strategic position to manage their supply chains.



INTERMODAL SERVICE IMPROVEMENTS AT A GLANCE

Industry investment has resulted in significant improvements in railroad velocity, **resulting in better, more consistent service.**

**RAILROAD
VELOCITY
TREND**

AT ITS
HIGHEST
LEVEL IN
3
YEARS

**EQUIPMENT &
INFRASTRUCTURE
2015 INVESTMENT**
\$10.9 BILLION BNSF | NS | CSX

Performance levels for intermodal are even higher and dramatically better than last year, where transit time, speed, and reliability are very important, as this market is the growth engine for CSX long-term.¹⁰

Frank A. Lonegro
CSX Executive Vice President & Chief Financial Officer

WHY SHIPPERS ARE CHOOSING INTERMODAL

Over the past several years, rail carriers have been hard at work, making capital investments to upgrade and expand their networks. Billions in capital expenditures have been and continue to be invested to improve infrastructure, speeds, and service offerings. As a result, railroad velocity has steadily improved, and service is back to early 2013 levels. With increased performance in the areas of reliability and speed, shippers continue to find significant value in intermodal service offerings.

INFRASTRUCTURE INVESTMENTS

Railroads haven't been keeping it secret that they are using multi-billion dollar investments, revamping their dwell-time policies, and implementing efficiencies to improve their service offerings across the board.

To ensure they continue operating a safe and reliable network with the speeds and capacity needed to service the anticipated volumes of today and tomorrow, key players such as BNSF Railway (BNSF), CSX, and Norfolk Southern (NS) announced continued capital expenditures for 2016 for amounts in the billions – \$4.3, \$2.4, and \$2.1, respectively.^{1,2,3}

To offer perspective, consider the rough allocation breakdowns BNSF provided:¹

- **\$2.8 billion** for core network and infrastructure replacement and maintenance
- **\$300 million** to continue positive train control implementation
- **\$600 million** for equipment acquisitions
- **\$500 million** for expansion and continuation of 2015 projects

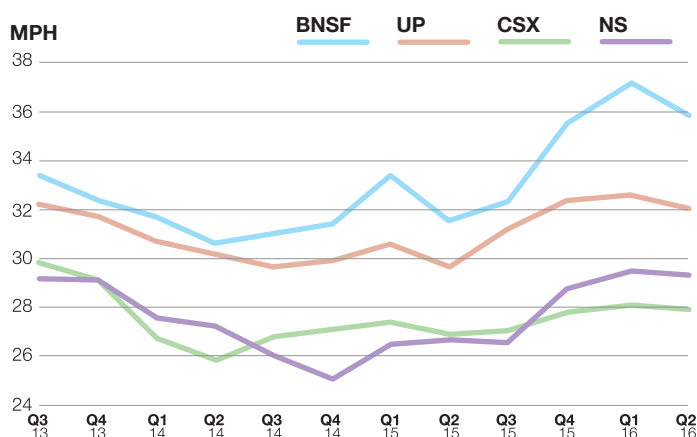
“Our railroad is in the best shape it has ever been. Each year, our capital plan works to balance our near term need to regularly maintain a vast network that is always in motion with the longer term demand outlook of our customers.”¹

Carl Ice
BNSF President & Executive Officer

Intermodal investment doesn't stop with the railways. Key partners such as J.B. Hunt – with the largest fleet of 53' containers in the world – continue to invest in revenue equipment to meet customer capacity needs. In total, J.B. Hunt invested \$534 million in 2015 net capital expenditures for trucks and trailing equipment and plans to invest another \$468 million in 2016.

IMPROVING TRAIN SPEEDS

Train speeds have steadily improved over the past several quarters. The four-week average for Class 1 intermodal train speeds recently achieved levels not realized in years – bringing intermodal service back to early 2013 levels.⁴



“During this time, we achieved near all-time best service levels.”¹¹

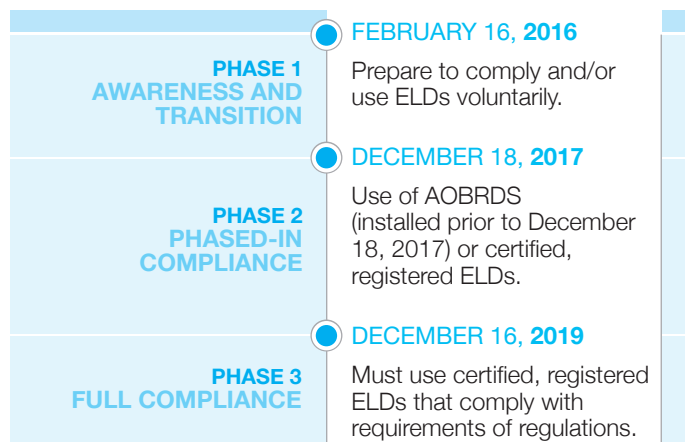
James A. Squires
Norfolk Southern Corporation Chairman,
President & Executive Officer

ELD MANDATES

With the U.S. Department of Transportation's Federal Motor Carrier Safety Administration's (FMCSA) December 2015 mandate, all motor carriers have until December 18, 2017 to begin using electronic logging devices (ELD) on all trucks manufactured after 2000.⁵ This change will impact an estimated 67% – 3.1 million drivers – who are currently using paper logs.⁶

The mandate could cause a shift in capacity with smaller carriers and owner operators who are currently using paper logs when they switch to electronic logs. It is estimated drivers who have been operating beyond the legal hours will see a double-digit reduction in productivity.⁷ As a result of this mandate, intermodal may experience even more volume in 2017. In preparation, forward-thinking shippers are securing their positions in the intermodal system now.

ELD IMPLEMENTATION TIMELINE



DRIVER STAFFING AND FUEL

Intermodal's overall cost-effectiveness contributes to its strong appeal as well. Intermodal providers often have lower driver turnover, translating into higher levels of service for shippers. Intermodal also positions shippers to avoid service interruption from a driver shortage, which according to the American Trucking Association (ATA) could jump from 26,000 to 73,500 if the economy picks up even slightly in 2016.⁸ Additionally, intermodal provides significant advantages in fuel economy.

ENVIRONMENTAL FOOTPRINT

Intermodal also supports green initiatives and benefits shippers who must comply with environmental regulations and manage carbon footprints. Railroads, on average, are four times more fuel efficient than trucks. Since greenhouse gas emissions are directly related to fuel consumption, this results in a 75% reduction in greenhouse gas emissions when freight is moved by rail instead of over the road.⁹

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