

Intermodal Transit: A Better Way To Ship

Industrial companies are finding intermodal transportation to be an efficient, cost-saving approach that enhances the supply chain process.

John Bell (Apr/May 10)

Intermodal transportation describes the transfer of products involving multiple methods of movement — by railroad, truck, or ship.

The Intermodal Association of North America (IANA) reports that 17 million to nearly 23 million containers were transported intermodally each year since 2006. Trucking companies, intermodal marketing companies, ocean steamship lines, and railroads provide a cost-effective, efficient, and environmentally friendly way to move freight from origin to destination. Shipments can move directly from a container ship to a truck or train, then arrive at the final destination. Throughout the process, intermodal facilitators or third-party logistics providers arrange each part of the move, from pick-up to drop-off.

The railroad industry has readily adopted intermodal transportation. “We work with a wide range of industries touching every sector of the economy,” says John Lanigan, executive vice president and chief marketing officer of the Burlington Northern Santa Fe (BNSF) railroad. “Intermodal is an integral part of the transportation scene.”

It may become even more important now that manufacturing is beginning to recover along with the economy. The Wall Street Journal reported on Feb. 18 that factories are preparing to hire again, and are even calling laid-off employees back to work. But the Journal noted that some manufacturers still fear a secondary slump, especially if a broader recovery — which will rely on job creation and stronger consumer spending — is delayed. Simultaneously, manufacturers interviewed for the story were positive about adding workers. And on March 15, the Federal Reserve released figures that showed the start of an industrial production recovery.

Hiring factory workers would additionally stimulate the replenishment cycle as manufacturers restock inventories depleted by the recession. Those manufacturers will likely utilize intermodal transport for its high-speed, long-distance service.

Savings and Solutions

Intermodal delivers service, savings, and solutions by combining the best qualities of different transportation modes. It’s also cost-effective: One gallon of diesel fuel moves a ton of freight 423 miles, according to the BNSF.

Besides transportation, intermodal encompasses the facilities and resources to handle inbound and outbound shipments.

“We help cut costs for intermodal users. The more profitable they are, the more they grow,” says Neil P. Doyle, executive vice president, infrastructure and transportation development of CenterPoint Properties, Chicago’s largest owner, manager, and developer of industrial real estate. The company also manages rail, road, and port infrastructure. It provides solutions to enhance supply-chain and operating efficiencies, and owns more than 8,000 acres within its intermodal logistics centers that are strategically located in major transportation markets across the country.

These centers provide a campus-like environment with rail terminal, warehouse and distribution, cross-dock, trans-loading, and container and equipment storage facilities. That reduces drayage and demurrage costs and supports foreign trade zone savings, thus improving efficiency.

CenterPoint’s crown jewel is its 3,600-acre Intermodal Center in Joliet, Illinois, 40 miles southwest of Chicago. With private investment exceeding \$2 billion, construction continues as the company adds more facilities.

The center serves as a transfer point for regional goods distribution, Doyle says. Trains arrive from the West Coast and discharge cargo, which is either warehoused or immediately trucked to destinations in the Midwest. Cargo for export is loaded and shipped to the Ports of Los Angeles and Long Beach, the busiest port complex in America.

Customers also have the opportunity to green their supply chains. Rail is one of the most eco-friendly modes of transportation, especially for a long haul. Minimizing the dray from rail terminals to distribution centers reduces diesel emissions and saves money by burning less fuel.

The center operates in conjunction with the nearby BNSF Logistics Park-Chicago, a 2,200-acre intermodal facility ranked as one of the nation’s largest and most active inland rail terminals.

“We developed the BNSF facility, and together we market the entire complex because we share a common customer base,” Doyle says. “They move the cargo and we warehouse it with over nine million square feet of warehouse facilities.”

Union Pacific’s Joliet Intermodal Terminal, a companion to the complex, is slated to open in the second quarter of 2010. The 785-acre complex will provide domestic and international intermodal service to and from every major West Coast port.

“Intermodal is used for both foreign and domestic imports only when the manufacturing locations are more than 400 to 500 miles from the port city,” says

Tim Feemster, senior vice president and director of global logistics for Grubb & Ellis, a commercial real estate advisory firm. "Most railroads are not set up to do less than 500 miles because of the time element involved."

Land bridge containers are transported by rail to intermodal hubs near their distribution centers, avoiding the necessity of unloading containers at coastal ports.

"Time is money when it comes to distribution," Feemster adds. "Intermodal is the key link to inland port systems at the lowest possible cost."

Hot inland ports include Chicago, Houston, Memphis, and Kansas City. While imports comprise most intermodal shipments, export volume has grown over the past few years.

Expedited Services

Intermodal carriers offer expedited service to manufacturers and retailers that closely monitor containers, ensuring they continue to move and letting customers know where they are at any time.

"Intermodal rail service has become much more reliable and efficient in recent years," Lanigan says. "We provide a combination of value and environmental friendliness."

BNSF has boosted time-sensitive inventory replenishment by reducing transit schedules on 60 percent of its domestic intermodal premium container traffic, and adding 16 more days of service.

"These changes are a direct result of feedback from our domestic carrier customers on what they need to attract more over-the-road freight to a truck-rail intermodal solution," says George Duggan, BNSF vice president of domestic intermodal.

One change includes reducing transit time by seven to 10 hours on its premier transcontinental route between Los Angeles/San Bernardino and Chicago, giving customers morning availability and permitting same-day delivery. Industry sources call Chicago the freight capital of the nation.

BNSF also reduced transit time between Memphis and Los Angeles by four to six hours, and increased Houston inbound and day-of-the-week frequencies. These enhancements supplement the 77 service changes BNSF made to its domestic intermodal service in 2009, reducing overall transit schedules by 300 hours and adding 32 days of additional frequency. BNSF's fastest intermodal service moves 760 miles a day — 200 miles more than a single-driver truck.

Railroads have spent billions to upgrade their intermodal facilities over the past 10 years, Feemster says. That includes double- and triple-tracking routes that allow trains to run in both directions simultaneously. Additionally, companies are enlarging tunnels to permit double-stack trains to pass.

"Double- and triple-tracking improves average train speeds and reduces average dwell time, the time it takes to stop the train and start it moving again," Feemster says.

As for imports, the majority comes from Asia through all U.S. ports.

"But more are coming by water into Gulf and Eastern ports, taking away from Western ports such as Los Angeles/Long Beach, Oakland, Portland, and Seattle," Feemster says. "That's because 77 percent of the U.S. population lives east of Texas," he claims.

On the inbound side, Doyle says auto manufacturers and retailers are the biggest users. For exports, it's agricultural companies transporting grain, soybeans, and other commodities.

Which companies are the biggest intermodal users? The auto industry uses a lot of supplier parts that are transported intermodally, Feemster says. But Lanigan and Doyle say consumer products companies are the top users.

"Nearly every customer is international — either buying things around the world or exporting things," Doyle says. "Very few companies are self-contained."

A Bullish Outlook

Sources are optimistic about the intermodal outlook through 2010.

"There's a replenishment cycle going on as inventories drawn down need to be replaced, so we're hopeful that will grow intermodal volume," says Thomas Malloy, vice president of member services and communications at the IANA.

Lanigan also looks for steady business as orders arrive tailored to customer needs.

"The outlook is very robust," Feemster says. "Intermodal is the second-lowest-cost transportation — the first is water — combining water and rail to provide the best cost scenario for getting products to their major markets."

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