

Intermodal Insights – Voice of the Shipper

Editor's note: This issue of Intermodal Insights includes a new, regular feature designed to discuss the intermodal industry from the perspective of its customers, the beneficial cargo owners, to stimulate dialogue among participants that encourages positive relationships.

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As we enter the new year, we can look back at 2017 and say that it has been a good year for the retail industry. Despite what you may have heard about the death of retail or the zombie malls, the retail industry is poised for a very strong year ahead.

One only needs to look at the incredible numbers from Black Friday, Small Business Saturday and Cyber Monday to see that the retail industry was off to a good start for the holiday season. Those results helped bring November retail sales to a 6 percent increase year-over-year. And that put the numbers on track to meet NRF's forecast that holiday sales — defined as the months of November and December — would grow as much as 4 percent to \$682 billion.

So, what do increased retail sales indicate for the intermodal industry? Hopefully it will mean continued growth in intermodal, which is driven by demand from retail and other shippers. IANA's own numbers show that intermodal cargo continued to grow through 2017 as trade grew.

For some retailers, intermodal has become a key part of their supply chains. Speed to market and reliability are key considerations for retailers. Several have indicated that intermodal rail service has helped to meet those considerations, especially as we see continued challenges in the trucking industry. Ongoing driver shortages, capacity issues and new mandates — such as electronic logging devices — continue to highlight the potential issues that retailers will have to evaluate and solve within their supply chains.

However, that is not to say that intermodal rail doesn't have its own share of challenges. Some retailers have concerns about issues including lack of reliability, inconsistency with rail exchanges, getting on rail and equipment exchange at destinations. We know that these are issues the intermodal industry has identified and is working to solve.

Retail Industry Is Hopeful

We are hopeful that the good news for the retail industry will continue in 2018.

In addition to the benefits of tax reduction legislation, we need Congress and the administration to take action on a major infrastructure initiative. President Trump has long talked about infrastructure as a key priority. While everyone has been waiting for the administration to release its principles, the continued focus on infrastructure is positive. It is important that the message continue about the ongoing issues that our failing infrastructure means for economic growth and global competitiveness.

Our hope is that the infrastructure package includes provisions specific to freight movement, which is a key economic driver. The inability to get goods to market, either here or abroad, in a safe, efficient and timely manner negatively affects our competitiveness. We need to view freight movement through a holistic lens as an end-to-end movement. We can't just focus on one mode or one segment through the supply chain. Freight policy should break down the modal silos and help the entire movement of freight.

Global Trading Relationships

In addition to infrastructure, we need to ensure that we maintain our global trading relationships, including our current free trade agreements. While we agree that we should look at modernizing current FTAs, we must ensure that first and foremost we do no harm to our current partnerships. This includes the North American Free Trade Agreement. Negotiations will continue in 2018 to modernize NAFTA. There is continued fear that President Trump will follow through on his campaign promise to withdraw from the 23-year old agreement, which would hit all segments of the U.S. economy including retail, agriculture, manufacturing and intermodal rail.

Retail's future is bright for 2018. The industry will continue to meet the demands of an ever-changing consumer. As retail changes, so will the industries that help to support retail. This can only be accomplished through continued and enhanced partnerships, which is critical for everyone.