



IANA

**INTERMODAL ASSOCIATION
OF NORTH AMERICA**

What's Driving Intermodal

May 12th 2020, 12:00 PM ET



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- Panelist presentations will be followed by audience question & answer session
- Audience will be muted
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- A recorded version of this webinar, including the slides, will be available in the near future





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Where Do We Go From Here?

IANA Webinar Series –
What's Driving Intermodal

May 12, 2020

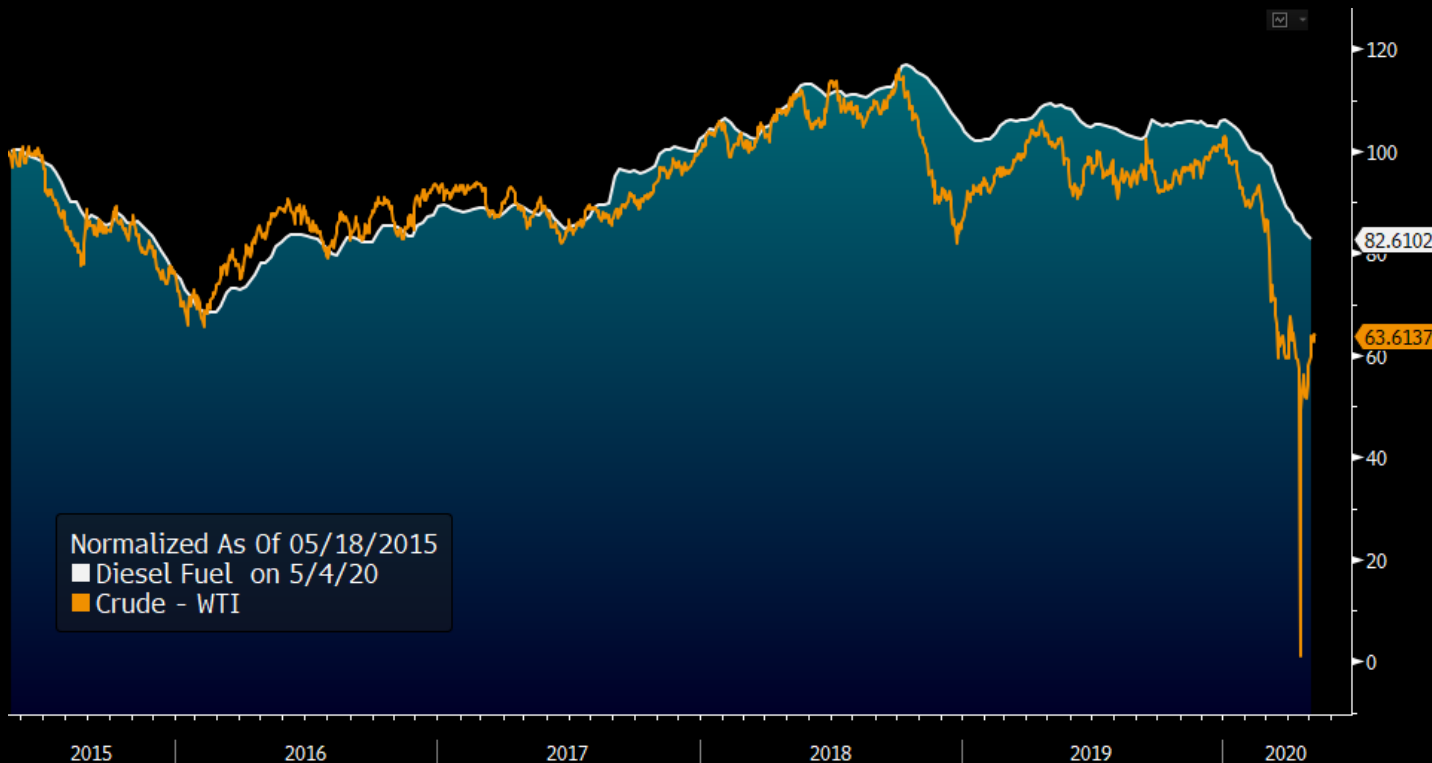
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Trade Tension, Pandemic, Crude Collapse Slams the Brakes on a Stimulated Economy

Indicator	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Economic Activity										
Real GDP (YoY%)	2.3	2.1	2.3	0.3	-7.0	-4.2	-3.1	-0.8	6.7	4.7
Real GDP (QoQ% SAAR)	2.0	2.1	2.1	-4.8	-27.3	9.0	6.4	4.8	4.0	3.0
Consumer Spending ...	4.6	3.1	1.8	-7.6	-22.8	6.2	4.5	3.2	2.8	2.6
Government Spendin...	4.8	1.7	2.5	0.7	2.4	2.1	1.5	1.5	1.5	1.5
Private Investment (...)	-6.3	-1.0	-6.0	-5.6	-25.1	-0.4	5.0	7.3	5.0	4.4
Exports (QoQ% SAAR)	-5.7	1.0	2.1	-8.7	-16.2	2.0	5.0	4.3	3.5	4.0
Imports (QoQ% SAAR)	0.0	1.8	-8.4	-15.3	-21.0	1.9	4.6	4.1	4.5	4.1
Industrial Production (Yo...	1.2	0.2	-0.7	-1.7	-8.6	-5.6	-3.6	-0.3	2.3	2.6
Price Indices										
CPI (YoY%)	1.8	1.7	2.1	2.1	0.6	0.6	0.7	1.1	2.0	2.1
PCE Price Index (YoY%)	1.4	1.4	1.4	1.6	0.8	0.8	0.9	1.2	1.8	1.8
Core PCE (yoy%)	1.6	1.7	1.6	1.8	1.5	1.3	1.3	1.2	1.6	1.7
Housing Market										
Housing Starts (000s SAA...			1336	1444	1100	1173	1233	1253	1295	1320
New Home Sales (000s S...			710	715	520	596	624	663	668	690
Existing Home Sales (Mln...			5.4	5.4	4.7	5.0	5.1	5.2	5.3	5.4

Source: Bloomberg L.P.

Crude Collapse Impact Felt By All Freight Modes



An oil-supply glut and lack of coordinated efforts, in our view, to slow the flow of crude have resulted in a 37% collapse in crude prices over the last 12-months.

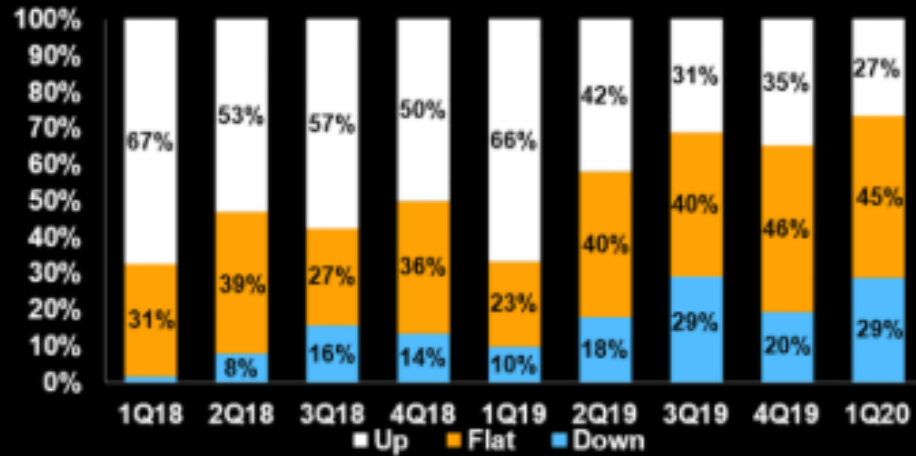
Diesel fuel prices are down 24% during the same period and could move lower on sustained weakness in crude.

Weaker energy prices have created both challenges (lower demand) and opportunities (lower costs, tanker owners) for freight markets.

Source: Association of American Railroads, Bloomberg Intelligence

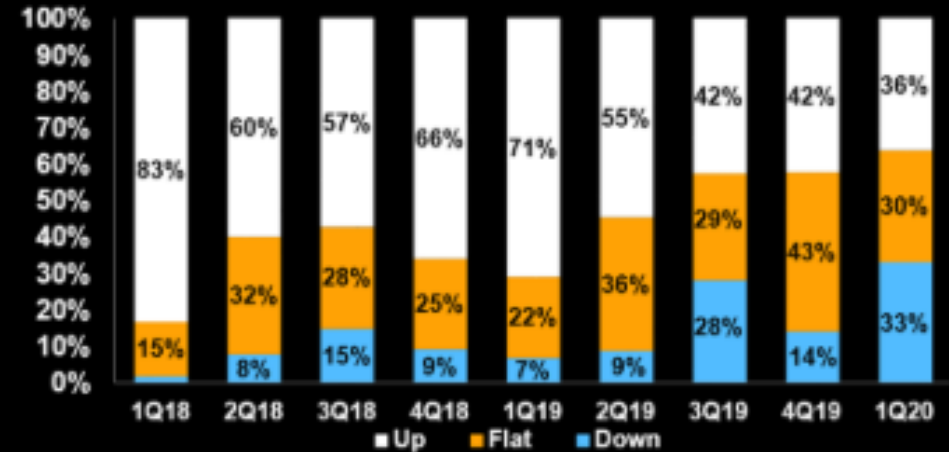
Trucking Sentiment Gets Depressing

Trucking Pricing Outlook Over Next Six Months



- Rate expectations have become increasingly pessimistic
- Sentiment is at levels not seen since 2015
- A rate recovery has likely been pushed further down the road

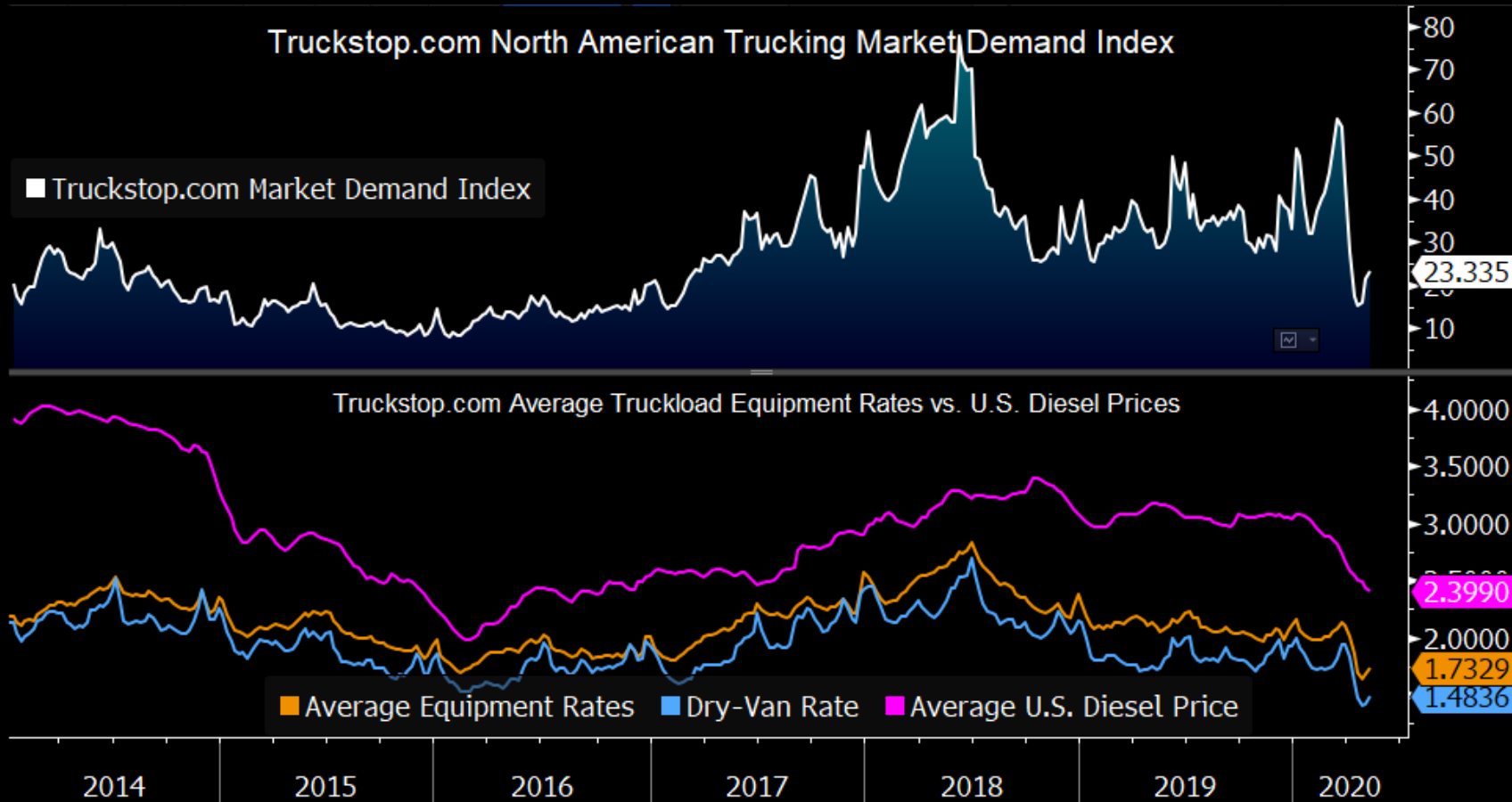
Trucking Demand Outlook Over Next Six Months



- Pandemic drove demand expectations lower
- Sentiment at record lows since survey began in 2013
- The surge in demand during early March was not broad-based

Source: Bloomberg | Truckstop.com 3Q19 Survey, Bloomberg L.P.

Truckload Spot Market Looking for the Bottom



As of the week ending May 11th:

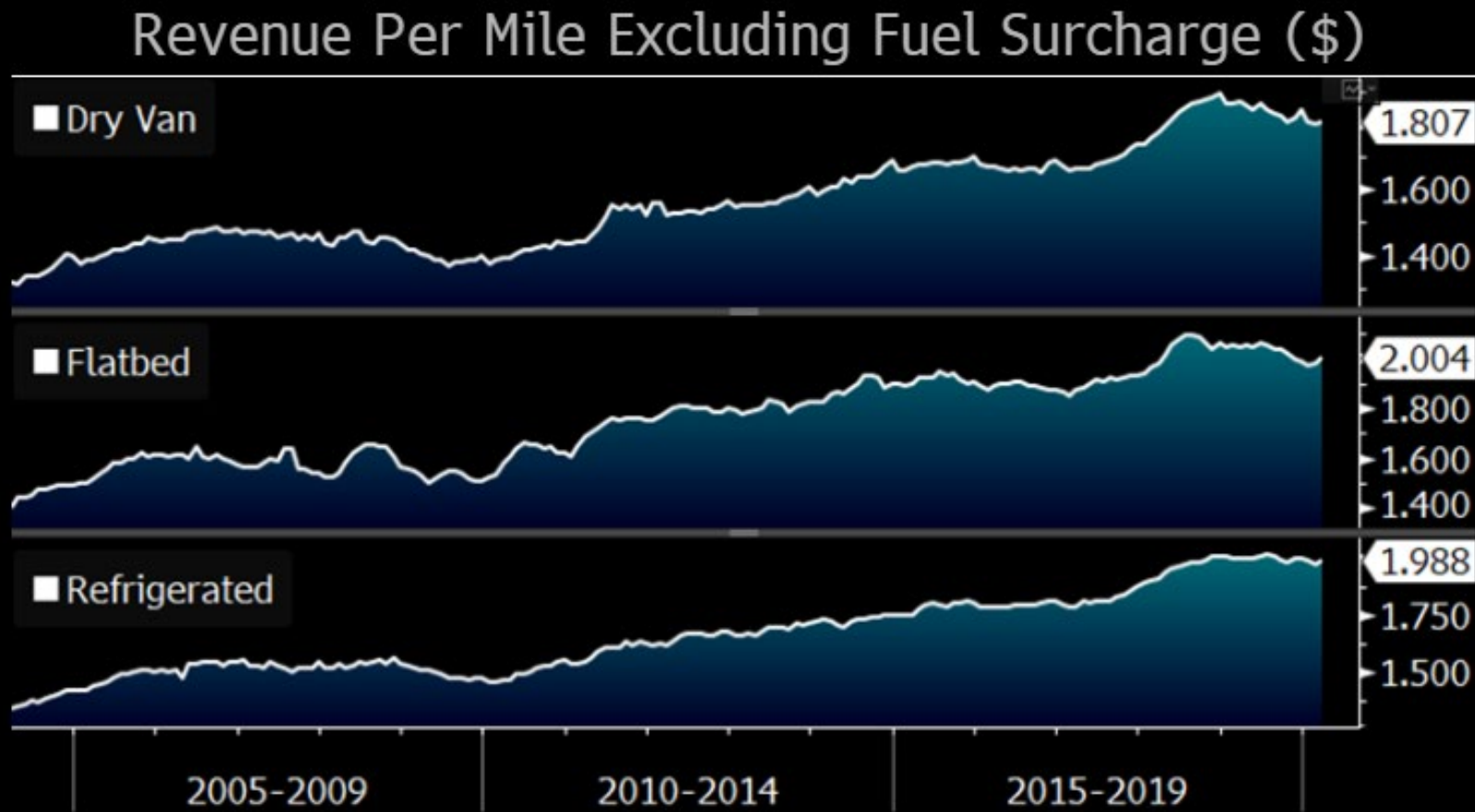
MDI collapsed 40% on average quarter-to-date in 2Q compared to last year.

Truckload spot rates have fallen 17% in 2Q and are down 8% on average in 2020.

More capacity needs to leave to market to support higher rates.

Source: Truckstop.com, U.S. DOE, Bloomberg Intelligence

Depressed Spot Market Bleeding into Contractual Truckload Rates

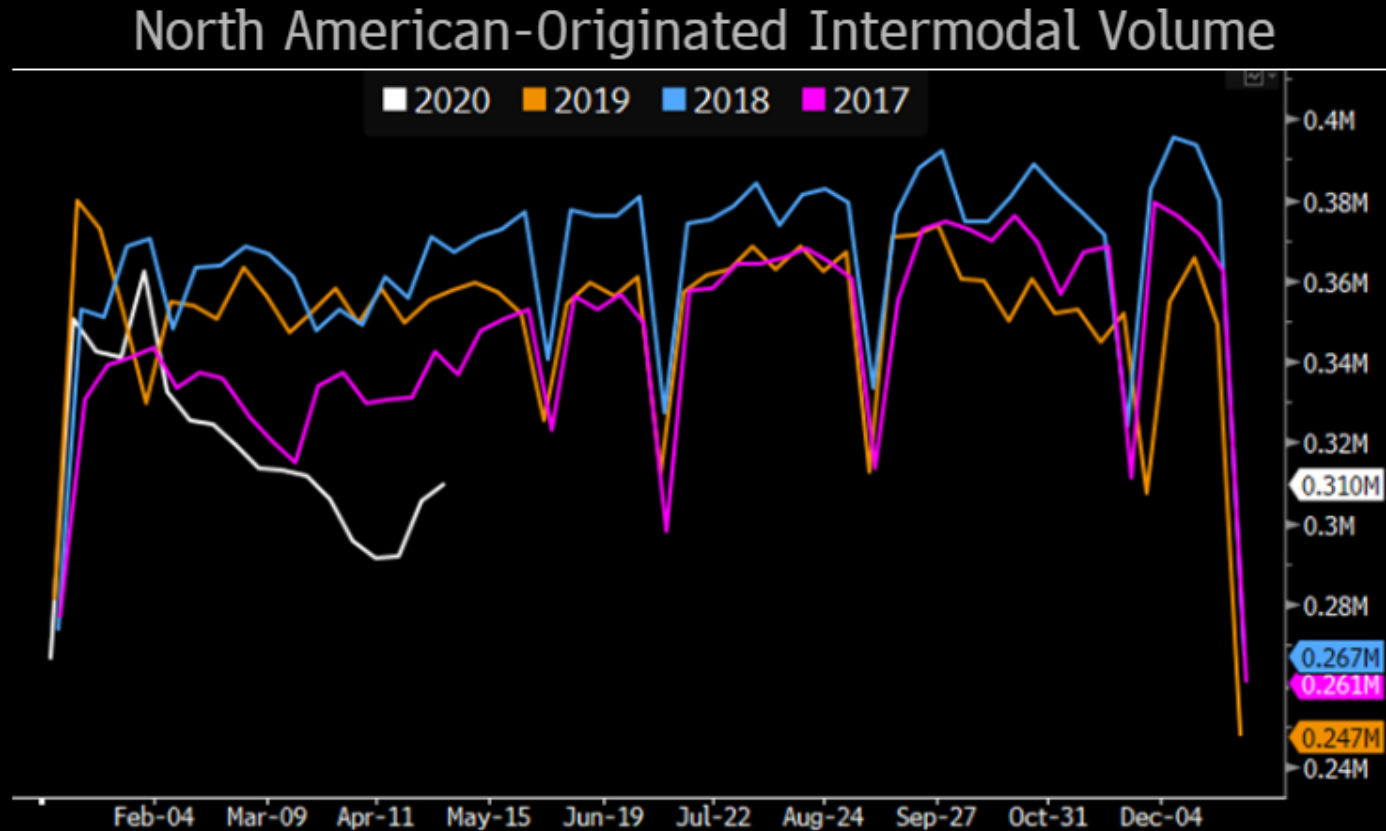


Weaker truckload spot pricing continued to bleed into the contractual market.

Growth in average truckload revenue per mile contracted 1.9% in March and down 2.3% in 1Q20.

Rate pressure persists as load volumes have been trending down by mid-to-high single digits in April, according to some carriers.

Weak Trucking Market Exacerbating Waning Consumer Demand



Source: Association of American Railroads, Bloomberg Intelligence

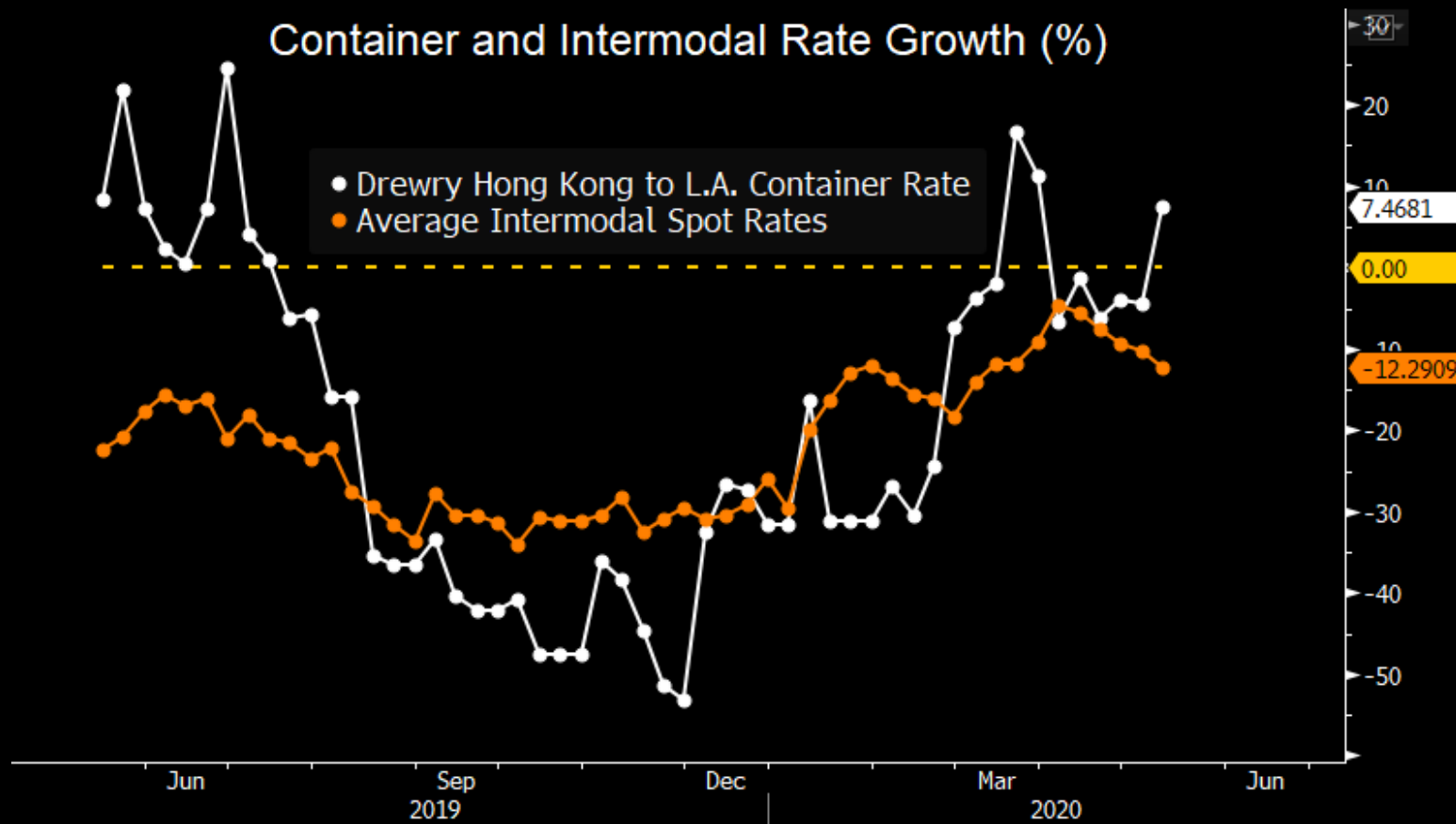
Intermodal declines accelerating in 2Q with volumes down 10% year-to-date and off 16% quarter-to-date.

Soft trucking market making it a more compelling option for shippers.

Resumption of some imports may mitigate weak domestic demand near-term.

Uncertainty over consumer demand as economic weakness persists.

Lower Intermodal Volumes Lead to Declining Rates



Domestic intermodal spot rates are down 13% on average in 2020, following last year's 20.5% decline.

Container rates from China to the West Coast are down about 12% on average this year.

Source: Drewry Shipping Consultants, Intek Freight & Logistics, Bloomberg Intelligence

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IANA Webinar Series – What's Driving Intermodal

May 12, 2020

Patrick J. Casey, Vice President, Fleet Management

2019 Compared to 2018

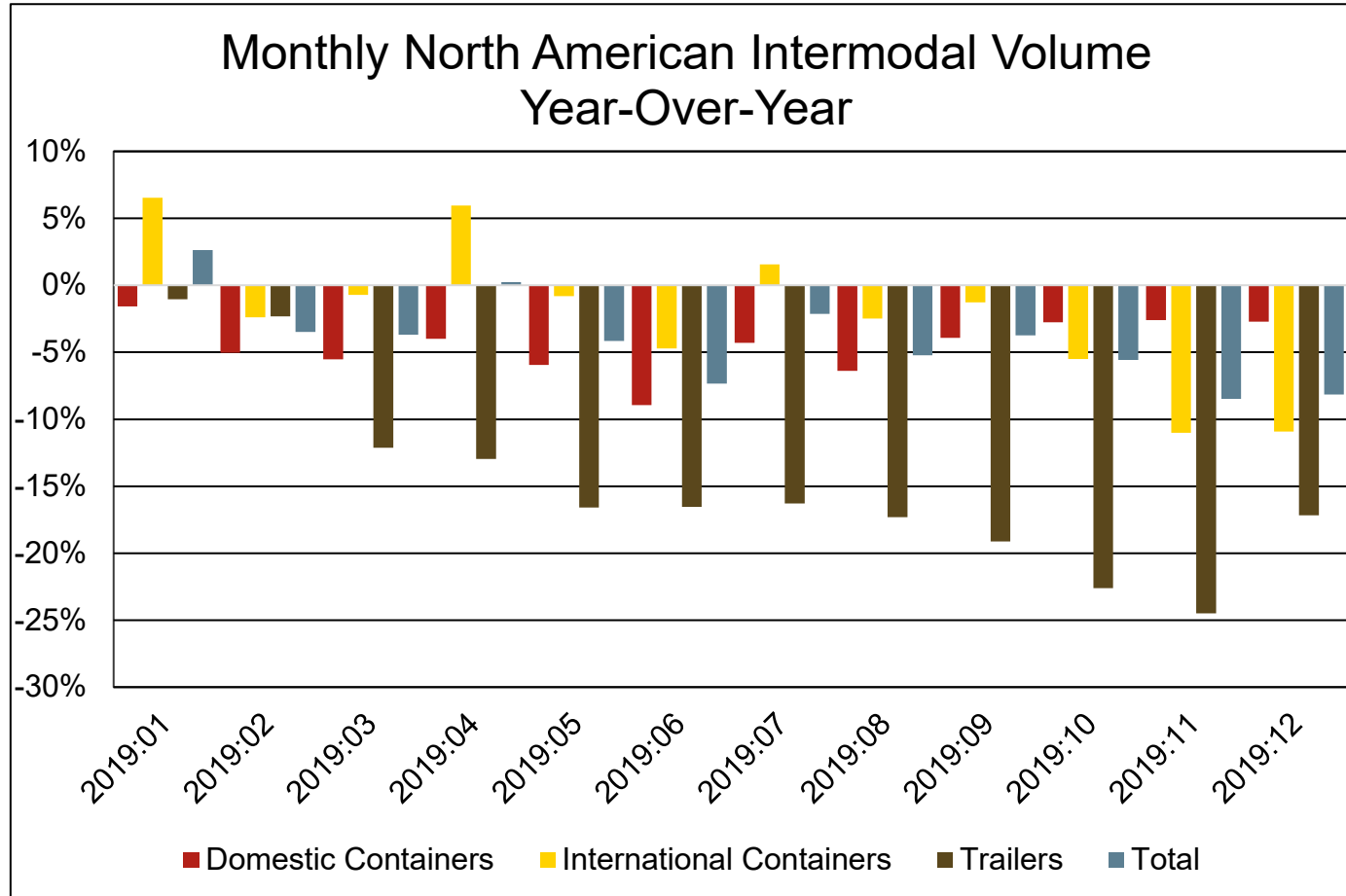


2019 Intermodal Volume in North America

	2018	2019	Change
International Containers	9,558,448	9,347,644	-2.2%
Trailers	1,444,571	1,227,511	-15.0%
Domestic Containers	7,928,304	7,570,940	-4.5%
Total Domestic	9,372,875	8,798,451	-6.1%
Total Intermodal	18,931,323	18,146,095	-4.1%

Source: IANA

2019 Monthly Volume and Causes for Decline



Source: IANA, TTX

- » NA container imports were up just 0.4% in 2019
- » U.S. trade tensions with China negatively impacted growth
- » The share of imports to the East Coast continued to rise in 2019
- » Q4 international volume fell sharply after a pre-tariff surge in Q4 of 2018
- » Domestic containers were pushed down as trucking had greater capacity and lower prices
- » Import-related transloading also impacted the DC decline
- » Volatile trailers turned back significantly after late 2017 / early 2018 growth – both COFC conversions and service rationalization

2019 Intermodal Loads by Origin Region

Origin Region	2018		2019		Growth
	Units	Share	Units	Share	
Midwest (MW)	5,109,296	27.0%	4,913,769	27.1%	-3.8%
Southwest (SW)	3,487,515	18.4%	3,272,644	18.0%	-6.2%
Southeast (SE)	2,428,239	12.8%	2,384,549	13.1%	-1.8%
Northeast (NE)	1,850,916	9.8%	1,751,198	9.7%	-5.4%
Western Canada (WC)	1,608,394	8.5%	1,593,779	8.8%	-0.9%
Eastern Canada (EC)	1,355,748	7.2%	1,330,615	7.3%	-1.9%
South Central (SC)	1,377,433	7.3%	1,279,577	7.1%	-7.1%
Northwest (NW)	799,582	4.2%	741,222	4.1%	-7.3%
Mexico (MX)	639,330	3.4%	601,851	3.3%	-5.9%
Mountain Central (MC)	274,870	1.5%	276,891	1.5%	0.7%

Source: IANA

Top 2019 growth lanes

Corridor	2018	2019	Growth
Midwest-Western Canada	351,010	383,147	9.2%
Western Canada-Midwest	433,361	454,720	4.9%
Intra-Southeast	1,192,691	1,219,033	2.2%
Intra-Midwest	324,796	331,811	2.2%
Northeast-Southwest	197,279	198,894	0.8%
Midwest-Northwest	478,297	481,276	0.6%
Western Canada-Eastern Canada	694,041	695,270	0.2%

Source: IANA

Largest 2019 decline lanes

Corridor	2018	2019	Growth
Southwest-South Central	916,902	845,716	-7.8%
Southwest-Midwest	1,619,369	1,504,343	-7.1%
Midwest-Northeast	1,252,605	1,184,538	-5.4%
Northeast-Midwest	1,176,605	1,124,967	-4.4%
Midwest-Southwest	1,593,069	1,523,884	-4.3%
South Central-Southwest	784,388	752,510	-4.1%

Source: IANA

2020 Q1 Compared to 2019 Q1

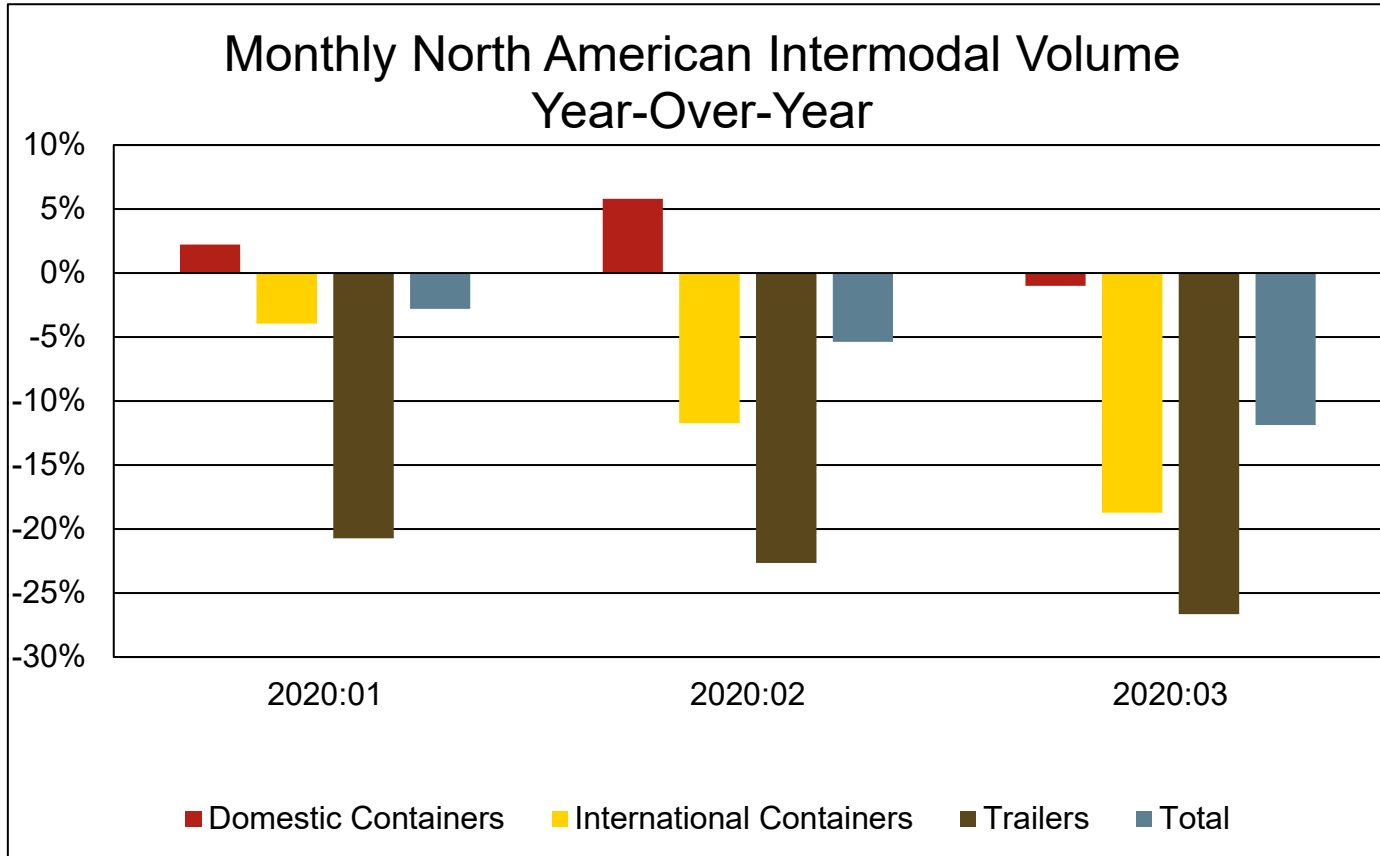


2020 Q1 Intermodal Volume in North America

	2019 Q1	2020 Q1	Change
International Containers	2,319,551	2,057,685	-11.3%
Trailers	336,227	257,805	-23.3%
Domestic Containers	1,821,916	1,862,499	2.2%
Total Domestic	2,158,143	2,120,304	-1.8%
Total Intermodal	4,477,694	4,177,989	-6.7%

Source: IANA

Q1 2020 Monthly Volume and Impact



- » Significantly slowing economy was the main driver
- » NA container imports fell 6% - this reflected both the continued trade war and the COVID-19 impact on both supply and demand
- » The share of imports to the U.S. East Coast continued to rise in early 2020
- » Domestic container loads started growing before the slight March decline
- » Trailer volume fell even more quickly than in 2019, with tough year-over-year comparison and continued COFC conversions

Source: IANA, TTX

2020 Q1 Intermodal Loads by Region

Origin Region	2019 Q1		2020 Q1		
	Units	Share	Units	Share	Growth
Midwest (MW)	1,221,681	27.3%	1,155,178	27.6%	-5.4%
Southwest (SW)	800,271	17.9%	712,775	17.1%	-10.9%
Southeast (SE)	604,661	13.5%	573,662	13.7%	-5.1%
Northeast (NE)	440,682	9.8%	414,194	9.9%	-6.0%
Western Canada (WC)	376,440	8.4%	358,666	8.6%	-4.7%
South Central (SC)	334,114	7.5%	298,777	7.2%	-10.6%
Eastern Canada (EC)	319,117	7.1%	297,862	7.1%	-6.7%
Northwest (NW)	187,760	4.2%	157,682	3.8%	-16.0%
Mexico (MX)	124,011	2.8%	144,159	3.5%	16.2%
Mountain Central (MC)	68,979	1.5%	65,034	1.6%	-5.7%

Source: IANA



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Largest decline lanes in 2020 Q1

Corridor	2019 Q1	2020 Q1	Growth
Southwest-South Central	213,658	177,022	-17.1%
Northwest-Midwest	118,653	100,384	-15.4%
Midwest-Northwest	121,464	103,458	-14.8%
South Central-Southwest	193,727	170,550	-12.0%
Southwest-Midwest	367,656	328,307	-10.7%
Intra Western Canada	90,509	81,635	-9.8%
Midwest-Western Canada	90,892	82,228	-9.5%

Source: IANA

A few significant increases in 2020 Q1

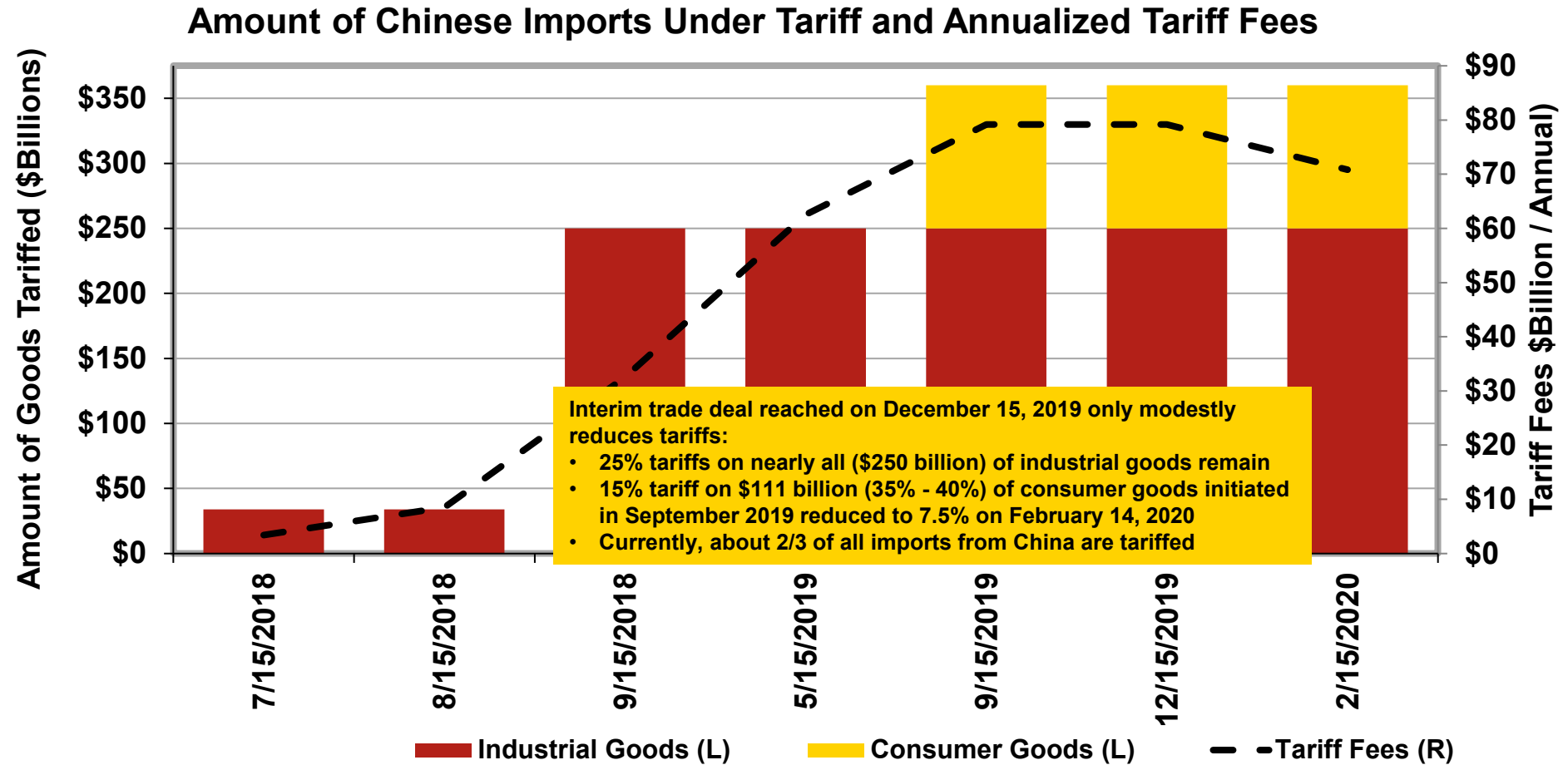
Corridor	2019 Q1	2020 Q1	Growth
Midwest-Northeast	291,403	293,198	0.6%
Intra-Mexico	84,049	103,218	22.8%
Western Canada-Midwest	97,026	101,751	4.9%
Southeast-Midwest	77,608	79,294	2.2%

Source: IANA

2020 Full Year Intermodal

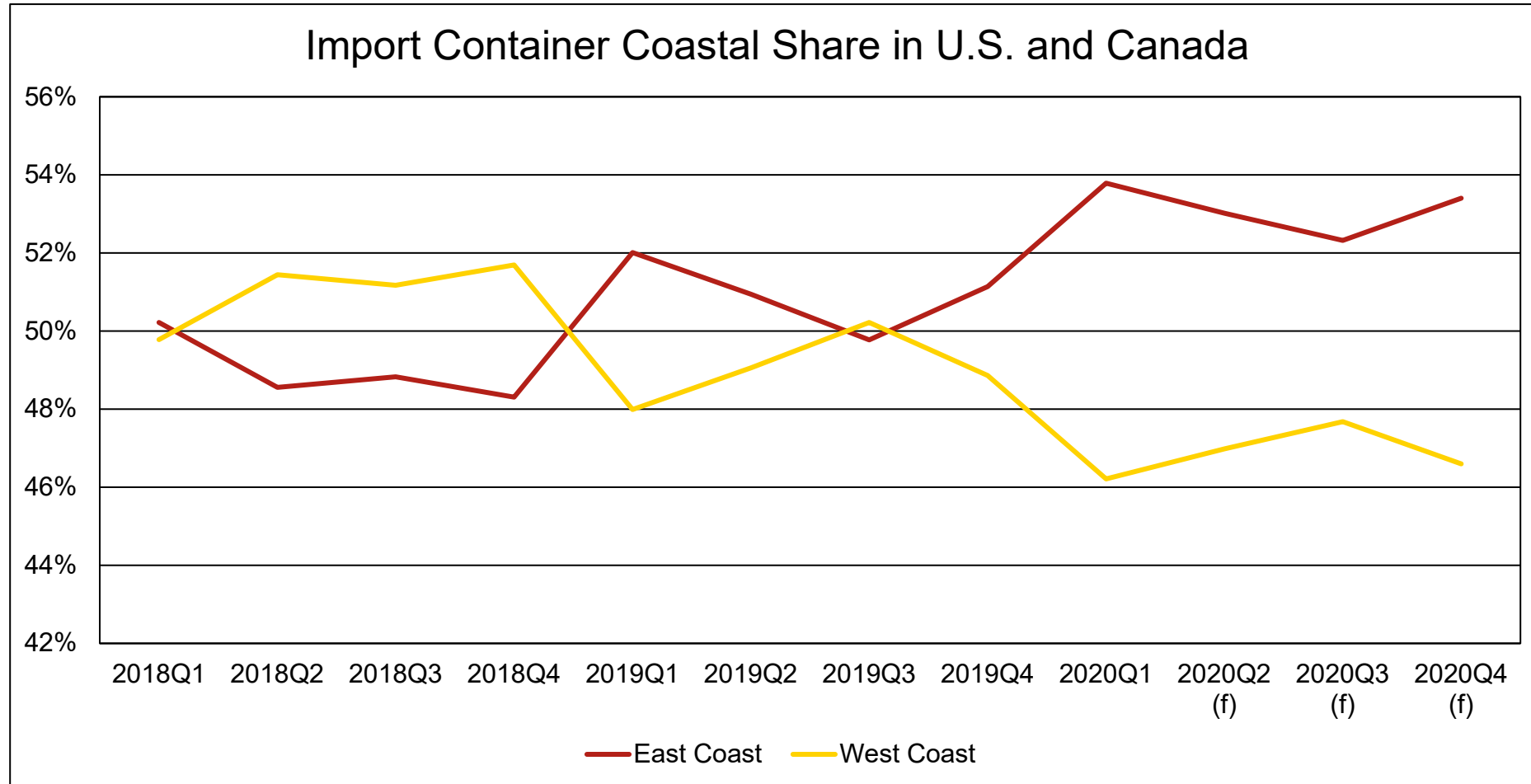


\$361 billion of Chinese imports still under tariff (2/3 of the total) & tariff fees reach \$70 billion annually



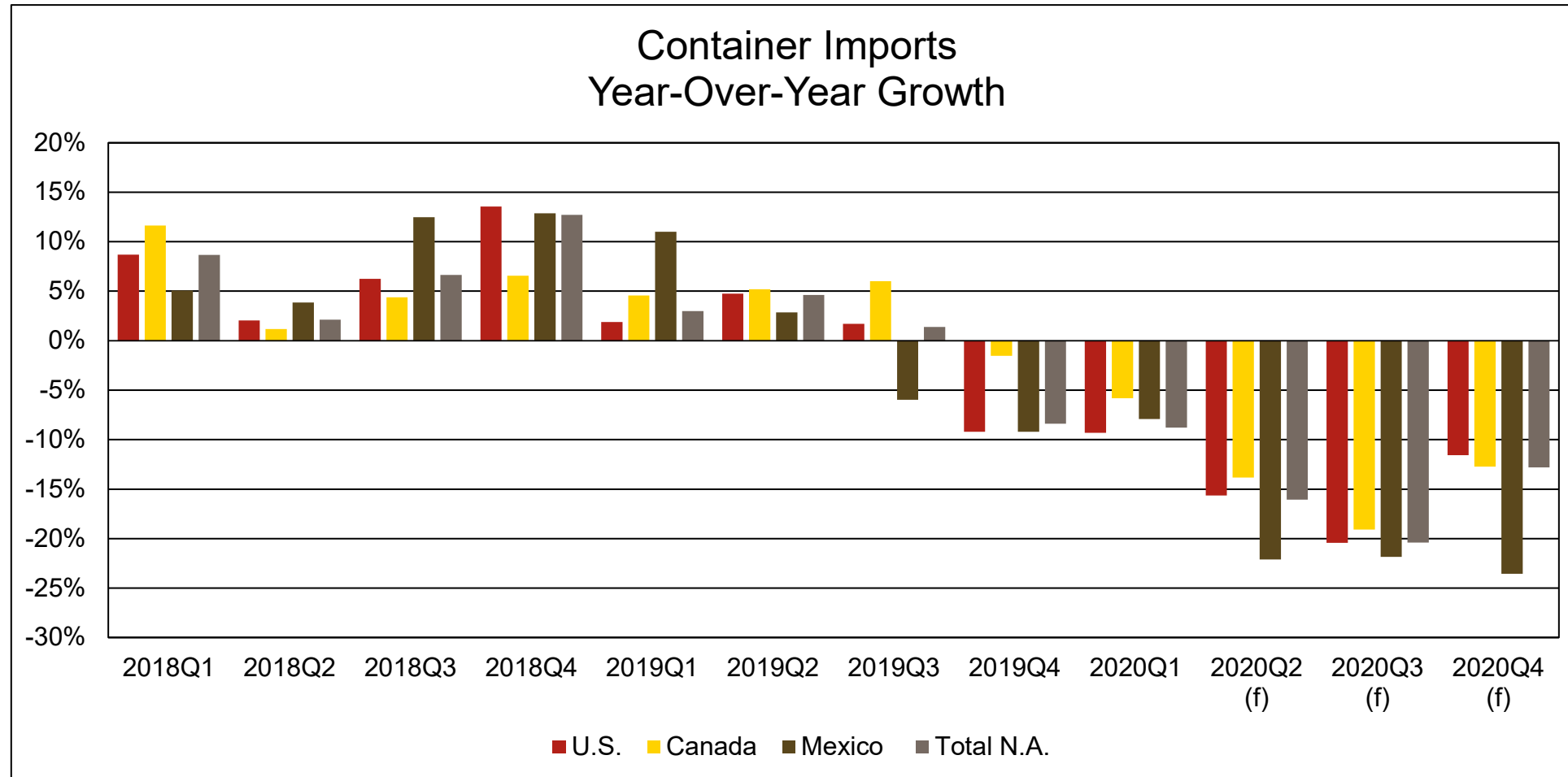
Source: TTX, NASSTRAC, MEMA, WSJ

Import container share will continue to move from the West Coast to the East Coast



Source: PIERs, TTX

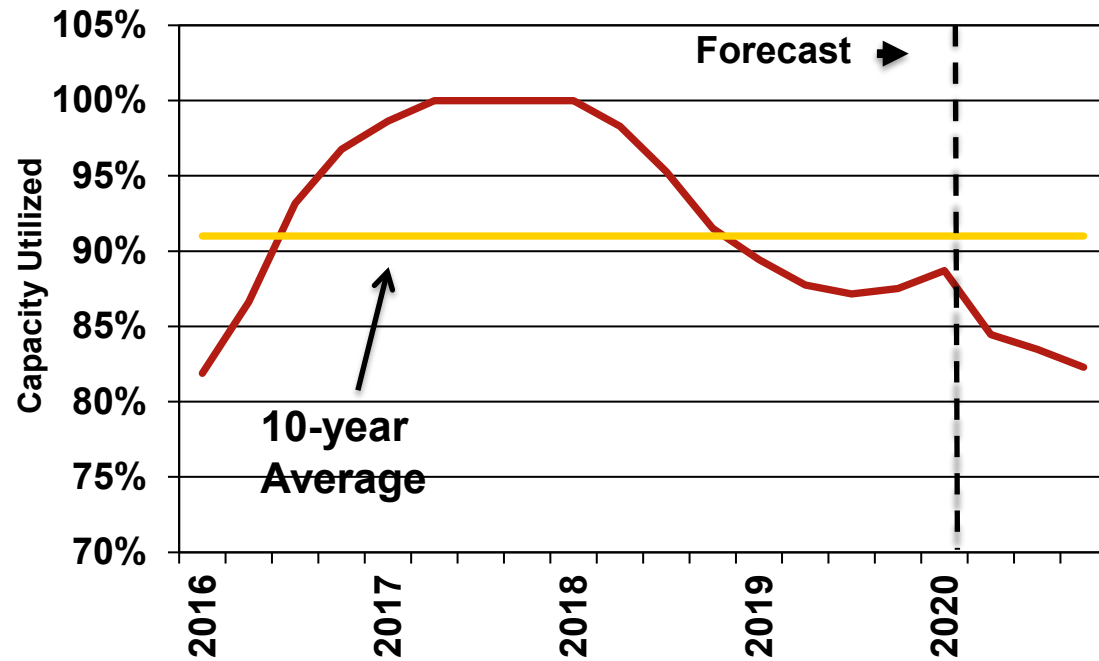
Container Imports are expected to be down significantly during the COVID-19-related weak economy



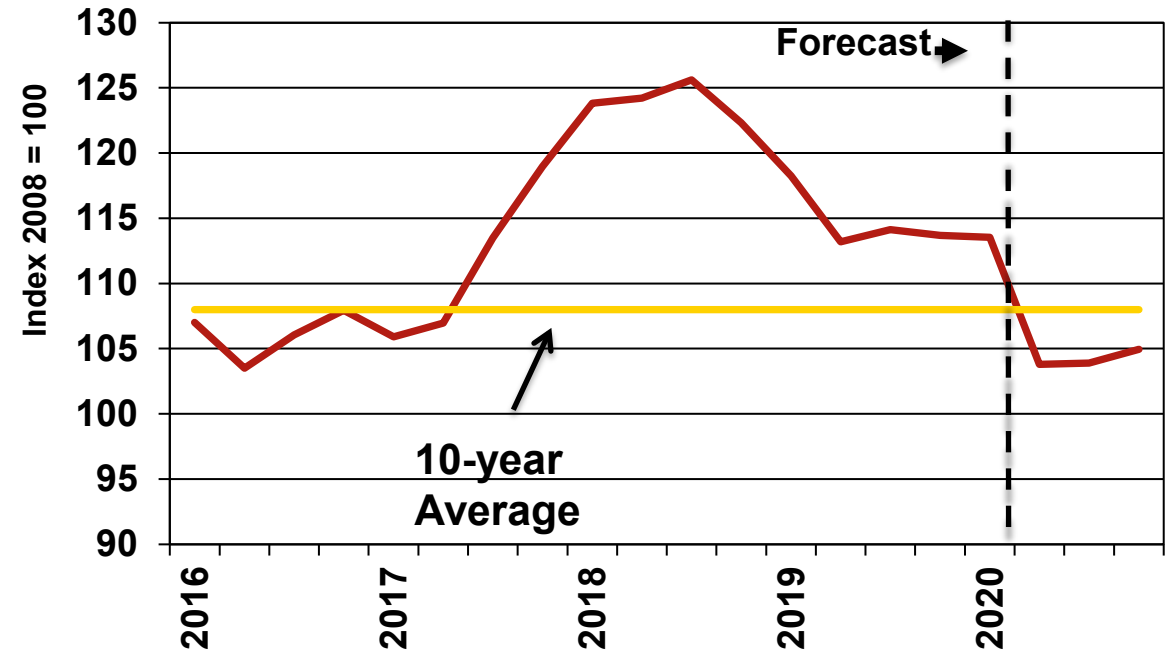
Source: PIERS, TTX

Trucking Capacity and Trucking Rates

U.S. Trucking Capacity Utilization

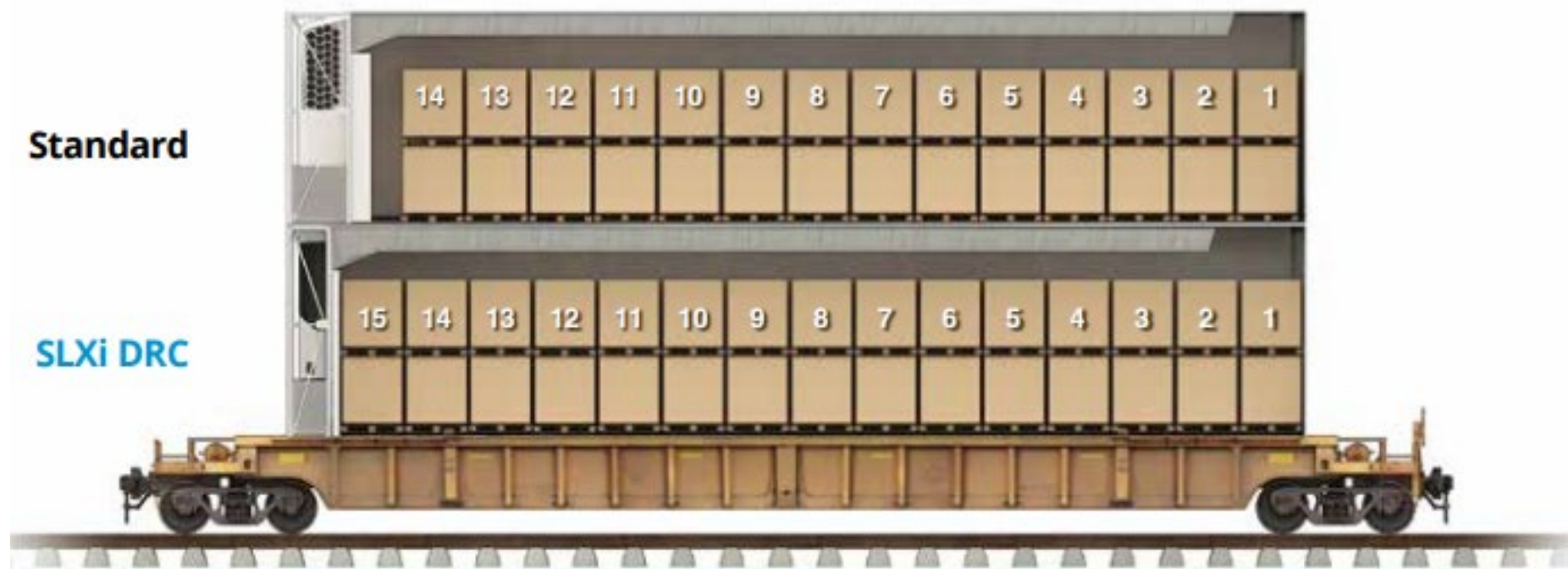


Dry Van Truck Rate Index



Source: FTR Transportation Intelligence

...conversions of traditional TOFC segments
(temperature-controlled, LTL/Parcel) accelerate



Source: Thermo King

To what extent is intermodal making inroads into E-commerce shipments?



**Amazon warehouse, Eastvale, Ca
2 of the 7 units are COFC containers**

Source: New York Times,

Full Year 2020 Intermodal Growth Outlook

- » This year is the most difficult period to predict in the history of intermodal
- » If the COVID-19 weak economy, trade war, low fuel prices and significant trucking capacity continue, there likely will be double-digit intermodal declines
- » To what extent will railroads convert service improvements into volume gains?
- » Intermodal growth could happen in the second half of 2020 if the economy recovers significantly
- » If auto production resumed sometime soon, that could drive many more auto parts into intermodal traffic

Full Year 2020 Intermodal Growth Outlook

- » With tariffs not changed, continued shift from China and to the U.S. East Coast will continue, and imports and IPI volumes will decline – or could change quite a bit if tariffs rise or drop significantly
- » And tariffs have not increased domestic production in a meaningful way to help boost domestic intermodal
- » Legislative threat for the increased truck size and weight (TS&W) remains – perhaps even accelerated by COVID-19
- » However, trailer loads likely will continue to decline even if the rest of intermodal turns back up



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Q&A

**John
Woodcock**

Director of Market
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Peter Wolff

Director of Market
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Q&A

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