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RAIL/INTERMODAL:

90 Inbound Logistics • May 2016

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Moving in the Right Direction

**THE DEMAND FOR
SUPPLY CHAIN
EFFICIENCY AND SPEED
POINTS TO INVESTING
IN AND MAINTAINING
U.S. RAIL/INTERMODAL
INFRASTRUCTURE.**

As shippers continue to increase demand for supply chain efficiency and speed, and focus their attention on improving the environment by reducing emissions as much as possible, U.S.-based transportation organizations are investing considerable funds in either developing or restoring their rail/intermodal infrastructure.

Currently, the United States is home to approximately 1,100 intermodal facilities, including container yards, depots, and rail terminals, according to the Intermodal Association of North America. This aggregate, especially for rail terminals, is expected to rise in the coming years.

“Intermodal infrastructure investments will create new services and open new opportunities to reach a broader array of shippers in traditionally under-served areas,” says Phil Shook, director of North America intermodal services for Eden Prairie, Minn.-based third-party logistics (3PL) provider C.H. Robinson. “These investments are planned to help make intermodal a more attractive option for shippers, limiting the number of miles freight has to travel by truck after reaching the intermodal terminal.”

“As intermodal service continues to improve, it presents a compelling story for shippers looking to capitalize on potential cost savings,” he adds.

Improving New Mexico's Infrastructure and Economy

On April 1, 2014, Omaha, Neb.-based Union Pacific (UP) opened a 2,200-acre rail facility in Santa Teresa, N.M. The Santa Teresa Intermodal Ramp was a \$400-million investment. In addition to its prime location along UP's Sunset Route, a 760-mile rail line that connects El Paso to Los Angeles, the facility also offers shippers a variety of logistics efficiencies.

The facility's intermodal ramp currently offers an annual lift capacity of 225,000 units, and is capable of growing to 700,000 units as it attracts new customers. An eight-lane automated gate system improves truck turn times, as well as gate and terminal throughput. Much like the intermodal ramp, the system can also be expanded—to 12 automated gates—as volume rises. Of equal importance, the facility maintains 74,000 feet of track, which can potentially rise to 145,000 feet if necessary.

Given the fact that the facility is located at a site that Union Pacific believes is pivotal for shippers interested in reaping the economic benefits of shipping freight by rail, along with the notion that rail transportation is four times more fuel efficient than trucking (a statistic previously released by the rail carrier), the ramp is expected to have an overall economic impact of at least \$500 million. The facility also has created hundreds of permanent jobs for residents in surrounding communities. In fact, by 2025, when the facility is projected to reach full capacity, it will employ more than 600 workers.

Candidates for Conversion

To expand its service offerings and capture a share of the 9 million truckloads that are potential candidates for intermodal conversion in the East, Jacksonville, Fla.-based CSX Transportation has invested more than \$700 million in its intermodal network since 2011.

“CSX is building the intermodal network of the future, which includes considerable investments in new and expanded terminals,” says Wesley Ann Barton, director of intermodal marketing for CSX Transportation. “We are investing in network flexibility that can quickly and nimbly adapt to changes in the market environment, including any potential shifts in freight flows.

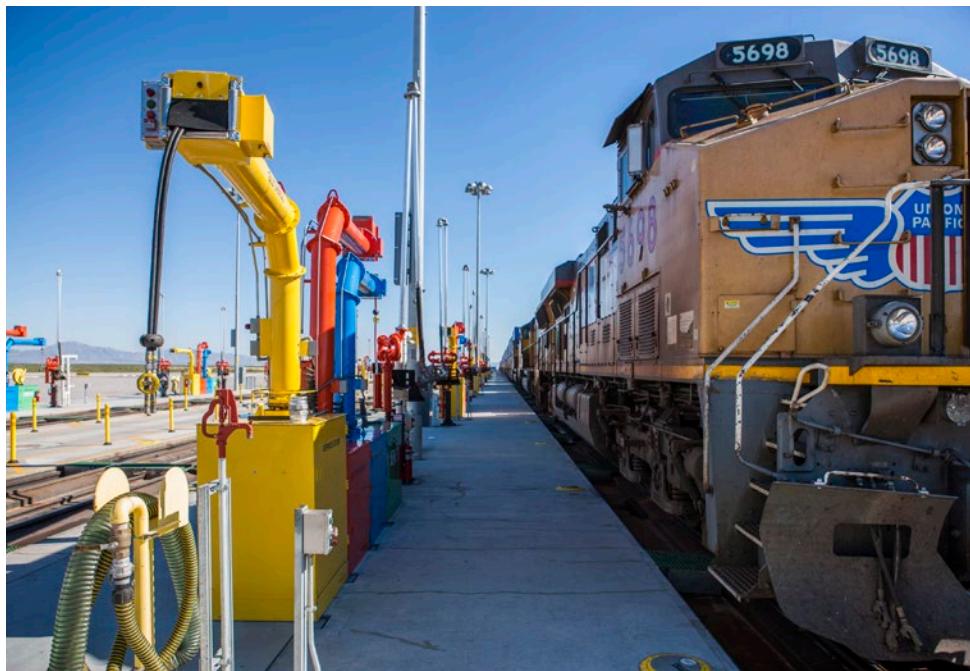
“Significant infrastructure development is needed and underway at East Coast ports, and efficient rail connectivity will be a key factor to success,” she adds.

In 2011, CSX opened its 500-acre Northwest Ohio Terminal in North Baltimore, Ohio, a suburb of Toledo. The \$175-million

investment currently handles at least 30 trains per day, resulting in an annual throughput capacity of nearly 2 million containers.

Since 2011, the terminal has operated on 24,000 feet of working track; seven wide span cranes currently service eight tracks. Each crane measures 100 feet high and 95 feet wide, weighing in at more than 1 million pounds each. In addition to the working track, the terminal also provides 100,000 feet of block swapping track, as well as parking for approximately 280 units.

To further serve its customer base, CSX invested nearly \$40 million in an expansion project in 2015. As a result, the terminal will now be able to handle up to 1 million lifts annually, an increase of approximately 50 percent.



Union Pacific's Santa Teresa Intermodal Ramp in New Mexico, the newest facility on the carrier's 23-state network, offers Southwest shippers efficiencies along UP's Sunset Route, the rail line running from El Paso to Los Angeles.

“Traditionally, shippers have turned to intermodal rail to move freight more than 1,000 miles,” Barton says. “But, thanks to infrastructure developments, shorter lengths of haul — 500 to 1,000 miles long — can be good candidates for intermodal conversion opportunities.

“By identifying and converting sub-optimized freight from the highway to intermodal rail, shippers can realize immediate and long-term benefits, including the ability to secure access to scalable capacity, reduce freight transportation costs 10 to 15 percent, and cut carbon emissions by 75 percent, when compared to moving freight solely over the road,” she adds.

Immediate Access to Intermodal Rail

As the largest port complex in the United States, the twin ports of Los Angeles and Long Beach are well regarded as the Pacific gateway for products that are imported from Asia. In response, Carson, Calif.-based Watson Land Company, one of the country's leading industrial developers, has created millions of square feet



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of master-planned centers that are located less than 20 minutes away from the complex.

In addition to proximity to the ports of Los Angeles and Long Beach, the company's master-planned centers are also close to Union Pacific's Intermodal Container Transfer Facility, which serves multiple shipping lines, and a BNSF Railway intermodal facility.

"Our master-planned centers are developed within locations that provide immediate access to major freeways, ports, airports,

Watson Land Company built its first master-planned center in the 1960s. Today, that facility measures 6.5 million square feet, and is almost entirely located within the Port of Long Beach's Overweight Corridor.

"Watson Land Company is uniquely positioned, with more than 11 million square feet of its portfolio located in Carson," Ryan adds. "This designation allows master-planned center customers to handle import and export containers, thus providing an opportunity for significant transportation cost savings by consolidating shipments into fewer containers."

As a further means of cost reduction, Watson Land Company also has a Foreign Trade Zone (FTZ) designation on more than 8 million square feet of its distribution buildings. Through the FTZs, Watson Land Company can significantly reduce operating costs, particularly through methods such as single weekly entry of containers, which reduces merchandise processing fees, and duty deferral.

Industrial Real Estate Hotspots

Since 2002, CenterPoint Intermodal Center (CIC)-Joliet/Elwood has been the largest master-planned inland port in North America. Owned and operated by Oak Brook, Ill.-based CenterPoint Properties, a transportation-advantaged real estate company that develops, acquires, and manages industrial real estate, the CIC-Joliet/Elwood features more than 6,500 acres of rail and highway adjacent land.

Aside from its accumulation of property, the CIC-Joliet/Elwood also offers logistics professionals an ideal location, as it can reach 65 percent of the country's population within a one-day drive. Consequently, two of the world's largest Class I railroads, BNSF Railway and Union Pacific, operate intermodal rail terminals on the property.

The 770-acre BNSF Logistics Park Chicago is considered North America's most active inland rail terminal, as it provides international intermodal service to and from each of the West



Investment in talent will continue to grow the intermodal industry. Union Pacific, for example, develops and delivers quality programs and services to attract and retain a skilled, diverse workforce.

and intermodal rail," says Lance Ryan, executive vice president and chief operating officer of Watson Land Company. "This provides companies speed and flexibility – whether they are trans-loading imports, exporting raw materials, or distributing their own manufactured products."

The Must-Haves

When evaluating intermodal service, make sure these two features are available.

24/7 accessibility. Intermodal rail terminals should have 24/7 accessibility, which provides carriers maximum flexibility, particularly in the times they can pick up loads and bring them into ramps (at origins), or pick up at ramps and deliver to customers (at destinations).

"In contrast, a terminal that is accessible only eight hours per day, five days a week results in a higher cost to serve because all the work needs to be concentrated in a tighter window of time," says Tom Bartel, director of intermodal strategic planning for Schneider, a transportation services provider based in Green Bay, Wis. "Terminals with fewer operating hours can still offer excellent service, but the cost of providing that excellence is higher."

Density. If intermodal rail terminals have or enable higher

volumes, they can also enable higher service levels.

"Typically, terminals with high density levels offer more service options, including more sources of backup assistance," Bartel says. "While building consistent, repeatable processes is always the cornerstone of service excellence, having a backup supply has merit. Even just-in-time operations typically keep some level of safety stock."

But lower density levels do not automatically result in low service or high cost. "For example, terminals closer to a shipping or receiving point can provide lower dray costs versus a more dense long dray coverage from a larger ramp," Bartel says.

"Or a smaller location may enable a more customized solution, versus the standard options available at a larger location," he adds. "There are always tradeoffs, but in general, density enables low-cost, high-service options."

Coast's primary ports. On the other hand, the 835-acre Union Pacific Intermodal Terminal, which opened in 2010, offers international and domestic service to and from every West Coast port.

"In addition to its location—40 miles southwest of Chicago—the CIC-Joliet/Elwood offers logistics firms and retailers in-park container and equipment storage, as well as lower fuel and drayage costs," says Michael Murphy, chief development officer for CenterPoint Properties.

A rise in intermodal facilities across the United States is leading to the development of industrial real estate hotspots – areas in close proximity to multiple transportation modes and population centers – according to Murphy.

"Organizations that capitalize on intermodal have more options for moving goods, making them less likely to experience increased expenses or unanticipated delays due to natural disasters, infrastructure concerns, or other supply chain fluctuations," Murphy explains.

Intermodal's bottom-line savings potential has driven the development of industrial real estate. "As firms seek new ways to cut costs, the prospect of having immediate access to cost-effective transportation methods more than offsets the initial investment of relocation or facility development," he adds.

Costs Remain Top Priority

According to a survey conducted by Georgia College and the University of Tennessee, 36.7 percent of shippers view cost reduction as their first priority in 2015, a 4.5-percent rise over 2014's findings.



CenterPoint specializes in developing intermodal industrial parks to help rail carriers and shippers enhance their supply chains to perform more effectively and reduce transportation costs.

And, the Council of Supply Chain Management Professionals finds that more than 60 percent of supply chain costs are associated with transportation-related expenditures.

"Shippers can reduce transportation costs and secure access to alternative capacity by diversifying their modal portfolio and incorporating rail for freight moves longer than 500 miles," says Barton. "Furthermore, by locating near intermodal terminals, shippers can easily access a reliable source of scalable capacity that can cut transportation costs by 10 to 15 percent, when compared to truck-only freight moves." ■

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