Shipper Preferences Suggest Strong Mistrust of Rail: The First SP Carrier Choice Survey for the Quebec City - Windsor Corridor

Submission Date: 1 August 2006
Word Count: 7,307
Words: 6,557
Tables and Figures (3): 750 words

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ABSTRACT

The Quebec City-Windsor corridor is the busiest and most important trade and transportation corridor in Canada. The transportation sector is the second largest contributor to greenhouse gas (GHG) emissions in the country. Governments around the world, including Canada, are considering increased mode share by rail as a way to reduce transportation emissions. To understand whether freight mode shift is a realistic means to reduce transportation emissions, an analytical model is needed that can predict the effect of government policy on mode split.

This paper presents the findings of the first such model developed for the Quebec City-Windsor Corridor. The model itself is a stated preference carrier choice model of shippers in this busy corridor. The model was developed using the results of a stated preference survey undertaken in the fall of 2005. The survey was designed explicitly to evaluate shipper preferences for the carriage of intercity consignments, and particularly their preferences for carriers that contract the services of rail companies to carry these shipments via rail. The results of the study show that shippers are very mistrustful of using rail to move their consignments and suggests that increasing rail’s share of freight faces tremendous challenges.
INTRODUCTION

Canada, like many countries, is searching for ways to decrease its greenhouse gas (GHG) emissions. One method considered to reduce them in freight transportation is to increase the proportion of freight transported by rail rather than road.

Evaluating the potential for government policy to be used to move more freight to rail requires realistic analytical and empirical models of mode choice. This paper describes the development of a carrier choice model developed on the basis of a stated preference survey of shippers in the Quebec City – Windsor Corridor of Canada.

It begins with background information on the transportation sector in Canada, its contribution to overall GHG emissions, and some information on intermodal freight transportation in Canada. A literature review of mode choice modeling is followed by a description of the development and design of the current study. Afterwards, the main results of the survey, including a description of the shipper choice model are presented and concluding remarks made.

FREIGHT CO₂ EMISSIONS IN CANADA

The transportation sector is the second largest GHG-contributing source in Canada, producing around a quarter of all emissions. Freight’s GHG contribution stands at around 10% of overall Canadian emissions, with road freight making up more than half of these emissions and rail freight around 10%. At the same time road freight’s contribution to emissions is increasing while rail’s contribution has been declining. Measured in tonne-kilometres (t-km), road climbed from 24% to 37% of freight mode share between 1990 and 2003 [1]. Also road transportation is thirteen times less GHG efficient than rail, with road GHG emission intensity in 2000 being 264 grams CO₂ equivalent per tonne-kilometre shipped, compared to 20 for rail [2].

THE QUEBEC CITY – WINDSOR CORRIDOR

The Quebec City-Windsor corridor (hereafter referred to as ‘the Corridor’) is the strip (more or less 100-kilometre-wide) that hugs the Canada-United States border for roughly 1,100 kilometres between Quebec City, Quebec and Windsor, Ontario (see FIGURE 1).

Quebec and Ontario are the two most populous provinces of Canada containing roughly half its population. The Corridor is home to 85 percent of the populations of Quebec and Ontario, and the location of 3 of the 4 largest Canadian cities. It is also the industrial heartland of the country [3]. Due to this concentration of industry and population, it is the busiest and most important trade and transportation corridor in Canada.

The Montreal-Toronto section forms the busiest segment of the Corridor. Along this corridor by 1997 road had captured 65% of freight tonnage compared to rail’s 35%, a much higher share than in the country as a whole, and up from 60% in 1990 [4]. The importance of this corridor for transportation and its domination by trucking has important implication for understanding the potential to increase rail mode-share and reduce freight emissions both in this corridor and the country as a whole.

PREMIUM-INTERMODAL

The focus of this research was intermodal transportation that could compete directly with truck-only freight transportation in the Corridor. Premium-TOFC was the only competitive intermodal configuration. It refers to railway service configurations that prioritize on-time reliability (through scheduled services and short loading and unloading times), minimize damage risk (through the use of smooth-ride technologies), and provide service schedules that allow carriers to provide the same services to their clients as truck-only services [5,6].

These services are referred to as premium-TOFC because they both involve carrying truck trailers as opposed to marine or domestic containers. Both Canadian National Railway (CN) and Canadian Pacific Railway (CP) introduced premium-TOFC services in the Corridor at the turn of the century. Service has been provided between various combinations of the main Corridor destinations (Chicago, Montreal, Toronto and Windsor), but has been for the most part abandoned by CN, while CP continues to provide service between Montreal and Toronto. As a result, the CP service, called Expressway, was used as the ‘model’ configuration during the study and survey development.
While premium-TOFC was used as the model of a service that could compete directly with trucks, the study should not be seen as a study of the potential of only premium-TOFC services, but rather of the potential for premium-intermodal services.

THE SHIPPER SURVEY

Stated Choice Methods
This section draws on [7] and [8]. In general, Stated Choice Methods involve the use of specially designed surveys in which respondents express preferences by choosing an outcome from a set of alternatives which has been generated according to a particular experimental design. This type of survey is also referred to as choice-based conjoint survey in the marketing literature. Each survey question provides a hypothetical, yet realistic set of alternatives, including the relevant information needed to choose one. Once the experimental choice sets have been designed and respondent choices elicited, the resulting Stated Preference data are analyzed using discrete choice statistical methods to produce estimates of, among other things, the probabilities of respondents choosing particular alternatives under various circumstances and choice options.

Stated Preference (SP) data is distinguished from revealed preference, or RP, data. The latter represent the world as it is. In the context of mode choice, it includes information about the actual shipment choice that a firm has made (e.g. cost, time, type of freight, etc.). It also includes information of the alternatives that were not chosen.

Although RP methods are intuitive, SP methods (and data) can help to overcome the limitations of RP data. First, because all the information relevant to the choice of interest is provided to the respondent, the informational burden is lower for the respondent, and there is no possibility for measurement error in the explanatory variables. Another benefit is that respondents do not need to provide information that might be considered competitively sensitive. Second, by design explanatory variables do not suffer from high correlation. Third, SP surveys can present respondents with choices that resemble current choices, as well as hypothetical future settings. As a result of these benefits, an SP approach was taken for this survey.

Recently, there have been numerous freight SP studies reported in the literature [9,10,11,12,13,14]. SP freight studies can be classified along two important dimensions: how shipping mode is incorporated in the survey, and who the respondents are.

In some of these, choice is between different carriers within the same mode [9,11,14], so-called within-mode studies. In others [12,13,10], mode is included explicitly and respondents are asked to choose between alternative modal configurations for their shipments. These are referred to as between-mode choice surveys.

The appropriate sampling frame of respondents to survey requires a bit of background. Shipping decision-makers are generally classified into three categories: shippers, receivers and carriers. Shippers are the agents that have a shipment that needs to be delivered. The receiver is the agent to whom the shipment is destined. Carriers are the agents (trucking company, rail company, etc.) that actually move the shipment from the shipper to the consignee. These categories are not necessarily mutually exclusive. For example, it is possible for shippers to own their own equipment and deliver their own goods, so-called private shippers. Shippers who hire others (carriers) to ship their goods are referred to as ‘hire and reward’ shippers or shippers using for-hire carriers: referred to here as “end-shippers.” It is also possible for receivers to organize shipments. In this case, receivers can be thought to behave as shippers.

Potentially two agents decide about using intermodal services: shippers and carriers. Generally the latter decides, since the carrier organizes the movements of consignments from end-shopper to receiver. So, while one might think end-shippers are indifferent to how their shipments are carried, provided they arrive in good condition and on time, carrier decisions about using intermodal services will ultimately be constrained by shipper preferences. In effect the end-shippers can be seen as the true backstop for the demand for intermodal services.

This is the reasoning behind the end-shopper survey used here. As a result, while many previous mode choice studies, e.g. [10], this study focused exclusively on the former. It was designed to establish whether a carrier’s use of intermodal services would affect the end-shopper’s choice of carrier.
Because of this, the form of survey instrument was most similar to a within-mode end-shipper survey of freight service choice such as that undertaken by Wigan et al. [9]. The main difference is that the current study includes not only standard carrier and shipment attribute information, but also information on whether the shipment would be carried by rail on a portion of the trip. We refer to this type of study as a carrier choice study.

SURVEY DEVELOPMENT, POPULATION AND DESIGN

Survey Development

An initial literature review of stated preference freight studies was undertaken to establish the attributes used in previous studies. Initial interviews with potential respondents involved asking about factors affecting the shipper’s choice of carrier, employing the commonly used attributes drawn from other studies as a guide. Shippers were also asked what information was necessary to be able to choose between carriers, and what the realistic ranges of attribute values were. Particularly knowledgeable respondents in the Montreal area were asked whether they would be interested in participating in a focus group relating to the design of the survey.

Altogether, five hundred and fifty phone calls were made to two hundred and twenty seven companies. Sixty-five interviews were undertaken and six people agreed to attend the focus group. One person actually attended the focus group. As a result, it was decided to undertake individual interviews in person. This turned out to be a good approach, and all of the six people who had agreed to participate in the focus group and one other respondent, were interviewed.

Once these interviews were completed, the survey instrument was developed. It was web-based and designed using Sawtooth Software’s SSI Web. SSI Web is designed for the development of choice-based conjoint (CBC) studies to be hosted on the internet. It integrates functionality to produce factorial designs at the same time as being a flexible web survey editor.

A preliminary version of the survey was tested by asking for comments from respondents interviewed in the first stage of development, as well as various other knowledgeable informants either in the field of freight transportation or in web-based surveys. Based on comments received, the survey was finalized and launched.

Survey respondents were contacted by a firm specializing in telephone market research. The responsibilities of the firm were to contact the companies in the list provided to them; determine if there was a shipping manager; conduct a preliminary interview to ensure the company was indeed within the survey population; and to ask the shipping manager to participate in the study. If the individual agreed, the firm was sent an invitation e-mail with a link to a URL and a password by which the individual could be associated with his/her responses. Follow-up calls were made if respondents who had agreed to take the survey did not complete it.

Once a survey was completed, the answers were downloaded from the survey host site (also Sawtooth Software) and after some automated manipulation and preparation, the data were ready to be analyzed.

Survey Population

The survey population included all Corridor end-shippers which were either manufacturing facilities with more than 50 employees, or wholesalers and retailers that were either head offices or single locations with more than 50 employees at that location and all third party logistics companies. Third party logistics companies (3PLs) organize shipments on behalf of other companies. The firm’s shipping manager was the target respondent. The list of companies used for the survey was Dun & Bradstreet’s Million Dollar Database (MDDI) of all companies in Ontario and Quebec with more than $1 million in sales or more than 20 employees. In total, 7,004 companies fell into this population.

Survey Design

The survey took the form of what is called in the literature a ‘contextual stated preference’ or CSP survey (e.g. [9]). In fact, there were two surveys, one in English and the other in French, reflecting the primary mother tongues of respondents. The surveys had two parts. The first described the purpose of the survey, as well as describing how the survey was intended to be completed. In addition, some information thought relevant to post analysis was sought. In particular, respondents
were asked: if any of their carriers use intermodal services and whether this influenced their choice of carrier; the proportion of their shipments that fell into one of six shipment categories divided by value and fragility; the proportion of their shipments that were 'by-appointment', and finally the proportion of their shipments that were truckload and less-than-truckload shipments.

The second part of the survey was the actual CSP, involving 18 questions for each respondent (see FIGURE 2). For each question, the respondent was asked choose between three alternative carriers in the context of a particular shipment, whose details were described. The information provided was the origin and destination, when the shipment was to arrive, whether the shipment was 'by-appointment,' whether the shipment was of high or low value, whether the shipment was fragile or perishable, and the size of the shipment (truckload or LTL). Information on value and fragility was not provided explicitly, but rather through the type of commodity that was being shipped. For example, televisions were the shipment used to represent high value, fragile goods.

With respect to carrier attributes, after the literature review, initial interviews and survey testing, it was decided that five attributes would be used. These were: cost, on-time reliability, damage risk, security risk and whether the carrier would send the shipment by rail for a portion of the journey. Unlike many SP freight surveys, time required for shipping was considered an attribute of a shipment and not a carrier. The reason is that from discussions with shippers it was established that shipping times on this corridor were basically standardized (e.g. a Montreal-Toronto shipment is ‘overnight’). As a result, shipping time was not generally a characteristic upon which carriers were chosen since all carriers would offer the same shipping times.

Realistic shipping cost estimates were arrived at using the Freight Carriers Association of Canada and the North American Transportation Council (FCA-NATC) Rating System – Version 3. These estimates were adjusted on the basis of advice from the person responsible for the Rating System in Canada, and checked for realism by shippers contacted during survey development and testing.

The cost attribute, based on the interviews, was given a maximum difference between carriers of 20%. The attribute itself had 3 levels (low, medium and high) with the medium cost being the cost estimate arrived at by the method described above. Cost in actual dollars was presented to the respondents. It was hypothesized that as cost increases, the probability of choosing a carrier would decrease.

The other continuous attributes also had three levels. The values assigned to them based on interviews were as follows: on-time reliability ranging from 85% to 98%; damage risk varying from 0.5% to 3% (LTL shipments had higher damage risks associated with them) and security risk varying from 0.5% to 1.5%. On-time reliability was defined as the proportion of shipments that the carrier delivered that were on time. Damage risk was defined as the proportion of shipments delivered by the carrier that suffered from damage. Security risk was defined as the proportion of shipments delivered by the carrier that suffered from theft. The likelihood of choosing a carrier was hypothesized to increase with on-time reliability and to decrease with damage and security risk.

The last attribute was whether the carrier would send the shipment intermodally. Whereas in previous studies separate modes have been characterized as separate alternatives, it was decided that in this study it would be considered as a carrier attribute. This is because interviews with shippers indicated most shippers were not greatly concerned with how their shipments were carried as long as they arrived on time and in the proper condition. One did note, however, that some shippers might find a benefit for public relations or environmental reasons to use intermodal services. In fact the shipper in question did use an intermodal carrier for just these reasons. Therefore it was decided to include the variable to test whether the fact that a carrier used intermodal services would affect carrier choice.

The factorial design of the surveys was not a traditional fixed fractional factorial design. Traditional fixed factorial designs can employ a single version of the questionnaire that is seen by all respondents. Sometimes respondents are divided randomly into groups, with different groups receiving different ‘blocks,’ or versions of the survey. Each of the blocks contains a subset of the questions in the fractional factorial design. For example, if the fractional factorial design contained thirty questions with different unique attribute value combinations, three different survey versions (ten questions each) might be distributed to respondents. In this study, a ‘random’ factorial design was used with each of the eight versions of the survey having a different factorial design with 300
different sets of questions. The algorithm (part of SSI Web) used for choosing the attribute value combinations ensures jointly the orthogonality (maximizing the efficiency of estimation), balance (that each attribute value is shown an equal number of times) and minimal overlap (each attribute value is shown as few times as possible in a given choice task) of values. It also takes into consideration previous designs that are made so that the same designs are not produced more than once. While this type of design is not necessarily 100% efficient, as is often the case with fixed factorial designs used in choice-based conjoint analysis, in this context, with such a large number of responses they were expected to be 100% efficient. Moreover, these designs allow the flexibility of estimating higher order effects [15,16].

SURVEY AND MODEL RESULTS

The survey occurred between mid-August and early December 2005. All companies in the list sent to the marketing firm were contacted (7,004). Of these companies, 680 agreed to participate. In the end, completed results were obtained for 392 respondents. Respondents came from all of the industries in the initial survey in the approximate proportion of the original company list, with roughly two-thirds from manufacturing and a quarter from wholesalers and retailers. Third party logistics companies were, however, slightly underrepresented at around 6% whereas there were around 10% in the entire company list. The respondents represented a relatively large spectrum of establishment sizes with the smallest being a 3PL of only a few employees and the largest an electronics wholesaler with 1,400 employees. Before presenting the model results, a brief description of the random effects MNL model used in the analysis follows.

A Random Effects Mixed Logit

This subsection draws mostly on Train [17], and in some parts on Kennedy [18] and Hsaio [19]. The workhorse for the vast majority of discrete choice modeling is the multinomial logit (MNL). Most people will be familiar with the MNL and so its description is kept short.

According to the random utility framework, the decision-maker (indexed n) will choose the alternative (indexed j) yielding the highest utility ($U_{nj}$ in Equation 1). While the decision-maker unconsciously knows his own utility function, the researcher does not. The researcher can only observe the choice made and some characteristics of the alternatives and the decision-maker. The researcher can specify a function using the observed characteristics and choice outcomes to produce estimates of what is called representative utility, or the deterministic portion of utility. This is represented by $V_{nj}$ in Equation 1. The deterministic portion of utility is generally represented as a linear combination of alternative and decision-maker characteristics, as can be seen in Equation 2, where the observable characteristics are represented by $Xs$.

\[
U_{nj} = V_{nj} + \varepsilon_{nj} \quad \forall j
\]

\[
U_{nj} = \beta' x_{nj} + \varepsilon_{nj} \forall j
\]

At the same time, there are aspects of utility that the researcher cannot observe and which are considered to make up an ‘error’ term denoted as $\varepsilon_{nj}$. Knowledge of the error term allows the researcher, with the information from the deterministic part of the utility, to make probabilistic statements about the decision-maker’s choice. The assumption about the distribution of the error term determines the model that results. In the case of the MNL, the errors are assumed to be independently and identically extreme value distributed. This assumption allows for the derivation of the well-known, closed-form expression of the MNL (Equation 3), $P_{ni}$ is the probability that individual n chooses alternative i.

\[
P_{ni} = \frac{e^{\beta' x_{ni}}}{\sum_{j=1}^{J} e^{\beta' x_{nj}}}
\]

Critical to the use and derivation of the MNL is the assumption that the errors of each of the observations are independent, both between alternatives, as well as across responses. The validity of this assumption becomes questionable in a context where observations involve more than one response from the same person. A relatively common method of addressing this problem is known as a random effects model. The random effects model tries to incorporate the non-independence of errors
across responses by including an extra, random component to the standard utility model as in Equation 4.

\[ U_{njt} = \beta' x_{njt} + \varepsilon_{njt} + \alpha_n + \varepsilon_j \forall j \]  

(4)

As can be seen, the deterministic, as well as the traditional error component of the utility function are now indexed across time (t) as well as across respondents (n) and alternatives (j). The new error term (α), however, is only indexed across respondents and alternatives, but not time. In other words, this error is individual-specific. As such, it represents the extent to which the intercept of the n\textsuperscript{th} respondent differs from the overall intercept. Since it captures correlation across responses of the same respondent, it eliminates bias from the estimation.

At the same time, there is no closed-form expression to allow for the estimation of such a model. Such a model, can however, be estimated using a mixed-logit analysis by applying simulation techniques. The resulting log-likelihood function to be estimated using maximum-likelihood in combination with simulation techniques is:

\[ \log L = \sum_n \log \prod_t \left( \frac{1}{\gamma_n} \left( P_{nit} \right)^{\gamma_n} \left( 1 - P_{nit} \right)^{1-\gamma_n} dG(\alpha \mid \delta) \right) \]  

(5)

In the mixed-logit, the first part of the function (up to \( dG(\alpha \mid \delta) \)) is the standard MNL, and \( G(\alpha \mid \delta) \) is the mixing function. In particular, \( G(\alpha \mid \delta) \) is the distribution function of \( \alpha \), where \( \delta \) represents the parameters of the distribution. Because \( \alpha \) is a random error component, its mean is assumed (and forced) to be 0 while \( \delta \) is a measure of its dispersion, or standard error.

Intuitively, this model is estimated in the following way. Starting values for the traditional model coefficients (\( \beta s \)) are arrived at using standard techniques. At the same time, \( \alpha s \) are drawn for each respondent from a distribution with a starting value for the standard error \( \delta \). Many draws of \( \alpha s \) are made and the log-likelihood for each draw is calculated. The average log-likelihood value across all the draws of \( \alpha s \) is taken. New values for all of the estimated coefficients (including \( \delta \)) result from an iteration of the maximum likelihood estimation and new draws of \( \alpha \) are taken from its distribution resulting in a new average log-likelihood. This process is continued until the likelihood function is maximized, resulting in the final estimated model coefficients. This is the technique that was used to estimate the random effects multinomial logit model presented below.

BIOGEME was used to estimate this model. BIOGEME is a statistical package designed specifically for discrete choice estimation. It is capable of estimating many different types of discrete choice models, including models requiring the use of simulation techniques for solving integrals for which closed form solutions do not exist. It was designed by Prof. Michel Bierlaire of the Ecole Polytechnique Fédérale Lausanne, in Lausanne, Switzerland. BIOGEME is free and can be downloaded on the internet.

Model Results

The model presented (TABLE 1) was arrived at by testing down from a more general to this more specific model. Altogether three different types of variables were used in model development.

First, carrier attributes included cost, on-time reliability, damage and security risk and the variable indicating the shipment as intermodal.

Second, shipment and shipper attribute interactions with carrier attributes were included, e.g. interactions between cost and shipment type dummy variables, such as by-appointment, high-value or perishable goods. It was generally thought that high-value, perishable, and by-appointment shipments would be less price-sensitive and more sensitive to on-time reliability. High-value and perishable goods were expected to be more sensitive to damage risk. High value goods were also expected to be more sensitive to security risk.

Another type of shipment interaction tested was between shipment distance and carrier attributes. There were no \textit{a priori} notions of the effect of distance on sensitivity to carrier attributes except for the intermodal variable. Anecdotally, through telephone and in-person interviews, it seemed that shippers thought intermodal options were more interesting at longer distances. As a result, the distance-intermodal interaction was hypothesized to be positive.

Shipper attributes interacted with carrier attributes included the interaction of shipper size and geographical information with carrier attributes. For example, shipper size, represented by the number of employees, was interacted with carrier attributes. There were \textit{no \textit{a priori}} hypotheses about the
effect that shipper size should have on carrier attribute coefficients. With respect to geographical
characteristics, the intermodal variable was interacted with shipper distance from existing Expressway
railheads, calculated as straight-line distance; whether the shipper was located between these
railheads; and whether the shipper was located in Ontario.

Distance between the shipper and existing railheads, and a location between them were
hypothesized to have a negative affect on the likelihood of choosing an intermodal carrier. There was
no expectation for the signs of the coefficients interacting carrier attributes with the Ontario locational
dummy.

The third type of variable included were interaction terms between the first two types of
variables and 3PL carriers. The idea behind these was that 3PLs might have different price-sensitivity
for by-appointment shipments than other shippers. Again, there were no a priori hypotheses about the
signs that these 3PL variables ought to have. The final global model is presented in TABLE 1.

Overall, the results are quite reasonable. The model fits well with a pseudo R$^2$ of 0.26. This
result compares with other studies. Wigan et al. [9] report rho squares between 0.51 and 0.56,
Fridstrom and Madslien [14] report a rho square of 0.15 and Vellay and de Jong [10] report rho
squares for their within mode models of around 0.13. Moreover, each of the direct carrier attribute
coefficients is significant and has the right sign. Increases in cost, damage risk and security risk
decrease the probability that a carrier is chosen, while an increase in on-time reliability increases the
probability of choosing a carrier.

Because the cost variable is in natural logarithms, the coefficient of -4.140 suggests that a 1%
increase in cost would result in a 4% decrease in the odds that a carrier would be chosen, and a 10%
increase would decrease the odds by 33%. This figure is in the range of other similar studies. In
Fridstrom and Madslien’s [14] “shipment level” model they report an estimate of -2.21 (half the
magnitude of our estimate), whereas Wigan et al. [9] report coefficients from -0.049 to -0.298. The
latter are based on nominal figures (i.e. the explanatory variable for cost is expressed in dollars and
not natural logarithms). When the present model is rerun with cost in nominal terms, the estimated
coefficient, -0.004, is much lower than their estimates.

The 0.097 coefficient for on-time reliability suggests a similarly strong effect on carrier
choice as cost. Its value suggests that if a carrier’s on-time reliability were to improve by 1%, the odds
of choosing that carrier would increase by 10% (see column Exp(B)) and would increase more than
two and a half times with an increase of 10%. In more intuitive terms, supposing the initial likelihood
of a carrier being chosen were one half, a 10% increase in on-time reliability would improve its
likelihood of being chosen to 70%. It is less straightforward to compare this coefficient with other
studies, since they have tended to quantify on-time reliability in terms of percentage late as opposed to
percentage on-time. Nevertheless, the estimate obtained seems reasonable and indicates extremely
high sensitivity to on-time reliability in the choice of carrier.

The damage risk coefficient, -0.396, indicates an increase of 1% in damage risk would
decrease the odds of choosing a carrier by about a third. This would reduce a probability of 50% to
about 40%. The coefficient is within the range of other studies with Fridstrom and Madslien and
Wigan et al. reporting coefficients of -0.25 and ca. -0.50 respectively. The extremely large coefficients
reported in Wigan et al. likely has partly to do with a stricter definition of damage risk.

While other studies have not reported on security risk, the coefficient reported here, -0.109,
seems reasonable. An increase of 1% in security risk will reduce the odds of choosing a carrier by
10%. This would result in a decreased probability of choosing a carrier from an initial probability of a
third to a quarter.

The coefficients for the continuous variables in the model seem quite strong and reasonable.
The most remarkable result, however, is the value of the intermodal coefficient, -0.810. It implies that
the odds of choosing a carrier that uses intermodal service is more than halved. If for example the
probability of choosing a particular carrier were one half, knowing that a carrier used intermodal
services would reduce its probability of being used to a third.

The coefficients ASC1 and ASC2 are the alternative specific constants. They represent the
location of a particular alternative relative to the others. ASC1 is the alternative specific constant
identifying the first (or left-most alternative in a choice task). ASC2 identifies the second choice task.
Both of these suggest that respondents were more likely to choose the first and second alternative as
compared to the third. In fact, the odds of choosing the first and second alternatives relative to the third were 65% and 72% higher, respectively.

In the final global model, in addition to the five carrier attributes, there were another 12 shipment and shipper interaction variables. There are three significant distance interaction terms: cost, on-time reliability and the intermodal variable. The coefficients on all of these are quite small, but because of the distances included in the survey (550 to 1,400 kilometres), they can have non-trivial effects on the coefficients. For example, for a shipment between Montreal and Chicago, the coefficient on the interaction between cost and distance implies that price sensitivity on this shipping route would be -6.7: close to twice the cost coefficient by itself. Shippers are not only price-sensitive, but they become even more price-sensitive as the distance (and cost of the shipment) increases.

Also of interest, the interaction between distance and the intermodal variable suggest that shippers seem less biased towards rail for longer distance shipments. In fact, for a shipment between Montreal and Chicago, the fact that a carrier ships intermodally will reduce the odds of choosing that carrier by just over 40% instead of by more than 50%.

Statistically significant interaction terms between by-appointment and high-value shipments meet expectations with both of them being less price-sensitive and more sensitive to on-time reliability. Moreover, perishable goods are more sensitive to on-time reliability and fragile goods more sensitive to damage risk.

With respect to shipper characteristics, there are a number of interesting significant interactions. The interaction between number of employees and on-time reliability suggests that larger firms are more demanding with respect to on-time reliability than smaller firms, although this effect is quite small with a coefficient of 0.0000563. With respect to the geographic characteristics of shippers, both Ontario shippers and shippers located between the Expressway railheads are even less likely to choose an intermodal carrier than other shippers.

With respect to 3PLs, the three significant interaction terms suggest that they are less price-sensitive for high-value goods, less sensitive to damage risk, but even more biased against intermodal service than other shippers. The very large coefficient for 3PLs interacted with high-value goods, when considered in combination with other shipment characteristics (i.e. by-appointment goods) results in price sensitivity very close to zero, suggesting that for these goods, for 3PLs, cost may not be important at all.

The $\delta$ coefficient is simply the standard error of the individual-specific term $\alpha$. The fact that it is statistically significant simply confirms that it’s appropriate to include a random error component in the estimation.

In summary, it can be said that the main carrier attributes used in the model all have important explanatory power and that their importance changes in ways conforming to expectations when taking into consideration shipment and shipper attributes. Most importantly for this research, despite a reduced bias against intermodal shipping on longer distance shipments, there remains a strong unexplained bias against using rail for shipments in this corridor.

**MODEL IMPLICATIONS**

This model represents the first attempt to develop a carrier choice model for the most important trade corridor in Canada. As such, it is a useful tool for understanding the importance of factors affecting carrier choice. Moreover, this model can be used to develop market share estimates for different service offerings, whether it be used solely in the road transportation sector, or in order to produce potential market share estimates between road only and intermodal services. Such a model can also be used to test how market share might change under differing circumstances, such as different service offerings, lower prices, etc. Even more importantly, by varying attribute values in a way that might be expected as a result of changing government policy, it would be possible to estimate how such policy might affect the balance between rail and road freight market share (see [20] for such an application).

It is indeed this issue where the model provides the most interesting results. In particular, the coefficient estimate for carriers that use intermodal services implies that irrespective of other service attributes (cost, on-time reliability, etc.) there is a very strong bias against the use of rail. That is, even if a carrier had the same cost, on-time performance, etc. as another carrier, but used intermodal services, the odds of its being chosen would be halved. This can only be interpreted as a bias, because
the purpose of using a factorial design of attribute values is precisely to be able to extract the influence of variables separately, i.e. it cannot be claimed that it is rail’s unreliable on-time delivery that causes such a strong negative coefficient for intermodal, because on-time reliability should already be captured in the coefficient for that variable. The way attributes were presented in the survey ensures that other factors are at play in explaining the results.

This bias probably reflects general shipper perceptions of rail versus truck-only transportation services as appear in the popular or business press (see for a recent example [21]). What is clear, however, is that these results suggest that increasing rail’s share of freight transportation in this corridor will require more than just improvements in the standard carrier attributes. It suggests that rail needs to change its reputation.

**FUTURE WORK**

The results reported in this paper suggest at least two avenues of potential follow-up and future research. The most obvious follow-up to this work is to use this model in an actual market-share and emissions application to attempt to understand what the model implies for the potential to change rail mode share on this corridor. An example of this can be found in the recent work of Patterson, Ewing and Haider [20].

Another avenue for follow-up research would be in a qualitative or marketing research context. That is, while this research clearly reveals that shippers mistrust using rail for their shipments, the actual reasons for this mistrust has not been well explored. More qualitative, market research methods could certainly be used to shed light on this very interesting question.
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20. Patterson, Zachary, Ewing, Gordon O., and Haider, Murtaza. The Potential for Premium-intermodal Services to Reduce Freight CO\textsubscript{2} Emissions in the Quebec City - Windsor Corridor: A Stated Preference Application. Submitted to the Transportation Research Record 1 August 2006.

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### TABLE 1  The Global Model with Shipment and Shipper-type Characteristics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>1% Increase</th>
<th>10% Increase</th>
<th>Std. Error</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost(ln)</td>
<td>-4.140</td>
<td>-4.036</td>
<td>-32.604</td>
<td>0.563</td>
<td>0.000</td>
</tr>
<tr>
<td>Cost(ln)*Distance</td>
<td>-0.002</td>
<td></td>
<td></td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Cost(ln)*By-Appointment</td>
<td>1.700</td>
<td></td>
<td></td>
<td>0.363</td>
<td>0.000</td>
</tr>
<tr>
<td>Cost(ln)*High-Value</td>
<td>1.430</td>
<td></td>
<td></td>
<td>0.370</td>
<td>0.000</td>
</tr>
<tr>
<td>Cost(ln)<em>High-Value</em>3PL</td>
<td>3.710</td>
<td></td>
<td></td>
<td>1.030</td>
<td>0.000</td>
</tr>
<tr>
<td>On-time Reliability</td>
<td>0.097</td>
<td>1.102</td>
<td>2.646</td>
<td>0.010</td>
<td>0.000</td>
</tr>
<tr>
<td>On-time Reliability*Distance</td>
<td>0.000</td>
<td></td>
<td></td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>On-time Reliability*By-appointment</td>
<td>0.050</td>
<td></td>
<td></td>
<td>0.006</td>
<td>0.000</td>
</tr>
<tr>
<td>On-time Reliability*Perishable</td>
<td>0.052</td>
<td></td>
<td></td>
<td>0.006</td>
<td>0.000</td>
</tr>
<tr>
<td>On-time Reliability*High-Value</td>
<td>0.012</td>
<td></td>
<td></td>
<td>0.006</td>
<td>0.040</td>
</tr>
<tr>
<td>On-time Reliability*Employees</td>
<td>0.000</td>
<td></td>
<td></td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Damage Risk</td>
<td>-0.396</td>
<td>0.673</td>
<td>0.453</td>
<td>0.025</td>
<td>0.000</td>
</tr>
<tr>
<td>Damage Risk*3PL</td>
<td>0.222</td>
<td></td>
<td></td>
<td>0.079</td>
<td>0.000</td>
</tr>
<tr>
<td>Damage Risk*Fragile</td>
<td>-0.218</td>
<td></td>
<td></td>
<td>0.043</td>
<td>0.000</td>
</tr>
<tr>
<td>Security Risk</td>
<td>-0.109</td>
<td>0.897</td>
<td></td>
<td>0.036</td>
<td>0.000</td>
</tr>
<tr>
<td>EXP(b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermodal</td>
<td>-0.810</td>
<td>0.445</td>
<td></td>
<td>0.093</td>
<td>0.000</td>
</tr>
<tr>
<td>Intermodal*Distance</td>
<td>0.000</td>
<td></td>
<td></td>
<td>0.000</td>
<td>0.050</td>
</tr>
<tr>
<td>Intermodal*Ontario Shipper</td>
<td>-0.294</td>
<td></td>
<td></td>
<td>0.079</td>
<td>0.000</td>
</tr>
<tr>
<td>Intermodal*Shipper btw Railheads</td>
<td>-0.169</td>
<td></td>
<td></td>
<td>0.072</td>
<td>0.020</td>
</tr>
<tr>
<td>Intermodal*3PL</td>
<td>-0.428</td>
<td></td>
<td></td>
<td>0.134</td>
<td>0.000</td>
</tr>
<tr>
<td>ASC1</td>
<td>0.502</td>
<td>1.652</td>
<td></td>
<td>0.0511</td>
<td>0.000</td>
</tr>
<tr>
<td>ASC2</td>
<td>0.54</td>
<td>1.716</td>
<td></td>
<td>0.0487</td>
<td>0.000</td>
</tr>
<tr>
<td>Delta 1</td>
<td>0.686</td>
<td></td>
<td></td>
<td>0.0578</td>
<td>0.000</td>
</tr>
<tr>
<td>Delta 2</td>
<td>0.622</td>
<td></td>
<td></td>
<td>0.057</td>
<td>0.000</td>
</tr>
<tr>
<td>Log Likelihood</td>
<td>-5708</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likelihood ratio test:</td>
<td>4128</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted rho-square:</td>
<td>0.282</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>7074</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Units of Measurement of continuous variables:

- **Cost**: Natural logarithm of $CAD (Range: 4.9-7.6)
- **On-time Reliability**: % of shipment delivered by the carrier that are on-time (Range: 85%-95%)
- **Damage Risk**: % of shipments delivered by the carrier that suffer from damage (Range: 0.5%-3%)
- **Security Risk**: % of shipments delivered by the carrier that suffer from theft (Range: 0.5%-1.5%)

Interacted variables:

- Carrier attribute value coefficients that have been interacted with shipper and shipment characteristics appear in the section headed by the name of the carrier attribute of interest. The interacted variables are named in the table as the name of the attribute value coefficient*the shipper or shipment attribute. For example, the interaction of Cost and shipment distance appears as Cost(ln)*Distance.

Shipment characteristics that are interacted with carrier attributes are the following:

- **Distance**: km between shipment origin and destination (Range: 555-1,462)
- **By-appointment**: identifies a shipment as being a by-appointment shipment.
- **High-value**: identifies a shipment as being a high value shipment.
- **Perishable**: identifies a shipment as being perishable.
<table>
<thead>
<tr>
<th>Fragile: identifies a shipment as being fragile.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipper characteristics that are interacted with carrier attributes are the following:</td>
</tr>
<tr>
<td>3PL: Identifies the respondent as being a 3PL.</td>
</tr>
<tr>
<td>Employees: represents the number of employees of the respondent's company.</td>
</tr>
<tr>
<td>Ontario Shipper: identifies the respondent company as being located in Ontario.</td>
</tr>
<tr>
<td>Shipper btw Railheads: identifies the respondent company as being located between the Montreal and Toronto Expressway railyards.</td>
</tr>
</tbody>
</table>
FIGURE 1 The Quebec City - Windsor Corridor
FIGURE 2  A Sample Question from the Survey

It is the beginning of your work day. You are responsible for sending a pallet of televisions from Montreal to Chicago. This is a by-appointment shipment that is supposed to arrive at 11 AM in two days.

Given the characteristics of the carriers, please select which carrier you would choose for this shipment:

<table>
<thead>
<tr>
<th>Company</th>
<th>Company C</th>
<th>Company A</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$500</td>
<td>$450</td>
<td>$550</td>
</tr>
<tr>
<td>On-Time Reliability</td>
<td>98%</td>
<td>85%</td>
<td>92%</td>
</tr>
<tr>
<td>Damage Risk</td>
<td>0.75%</td>
<td>3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Security Risk</td>
<td>0.3%</td>
<td>1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>How the shipment will be carried</td>
<td>By rail on a portion of the trip.</td>
<td>By rail on a portion of the trip.</td>
<td>Truck only</td>
</tr>
</tbody>
</table>

Follow these links for more information on carrier attributes, "by-appointment shipments," or other shipment attributes.