

Motor Cargo (Trucking)

LTL

- Less Than Truckload
- Less Than Container Load

TL

- Full Truckload
- Full Container Load

Where is the industry?

How did we get here? And, where are we going? What, if anything does that have to do with intermodal?

- Pre recession

- Supply ahead of demand yielded excess capacity estimated at 15%
- Carriers have little pricing leverage
- Fuel Surcharges spike
- Carriers are blinded by the revenue
- Carriers do not recognize early signs of softening demand
- Carriers, blinded by fuel surcharges give big concessions in base rates

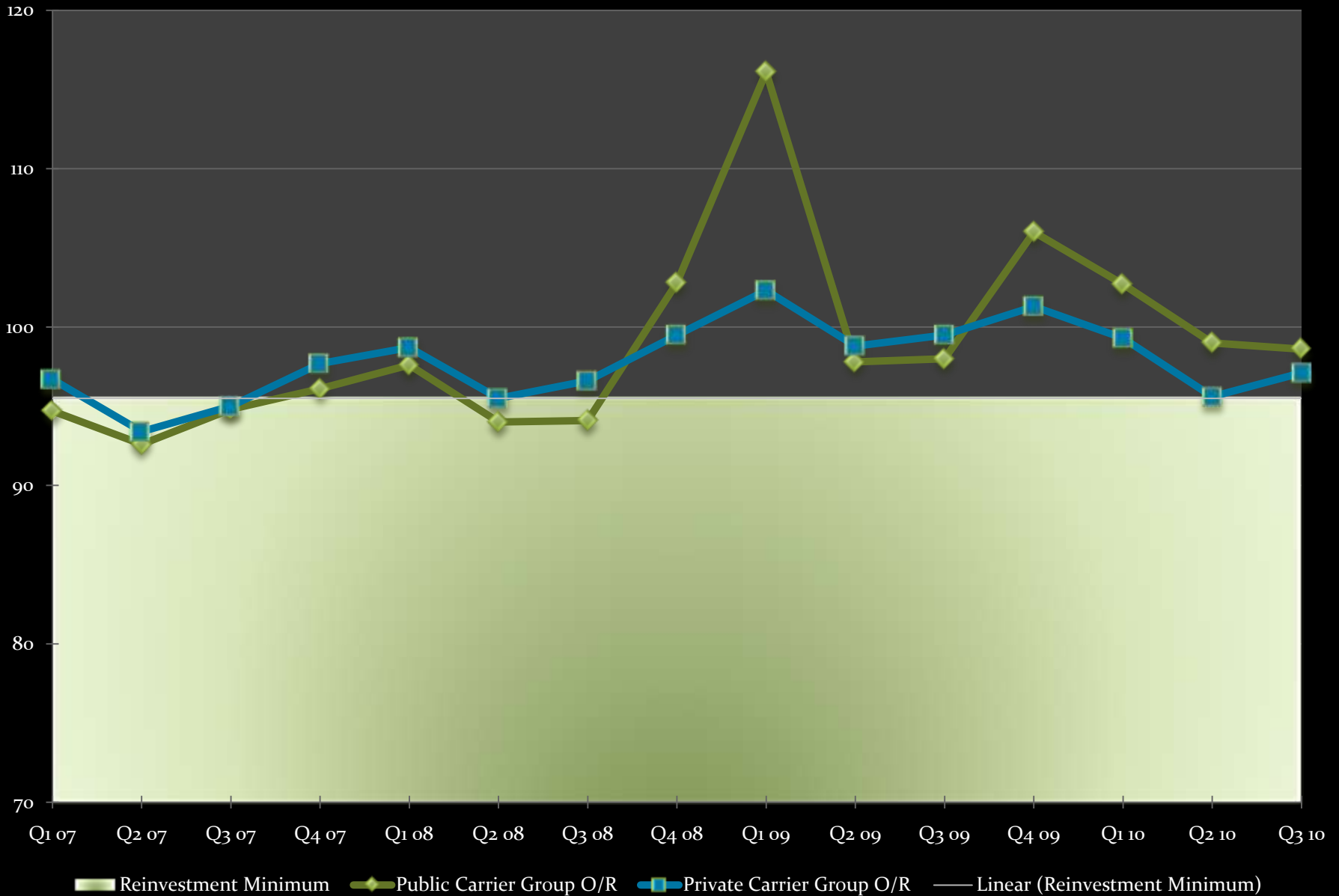
- Bubbles begin to burst

- Demand falls disappears
- Shippers rebid freight, in many cases, with years left on their pricing agreements
- Carriers park equipment and downsize
- Carriers new mission statement “Find a way to still be standing when it gets better”
- Carriers reduce rolling stock, do their best to retire debt and keep the screws tight on costs

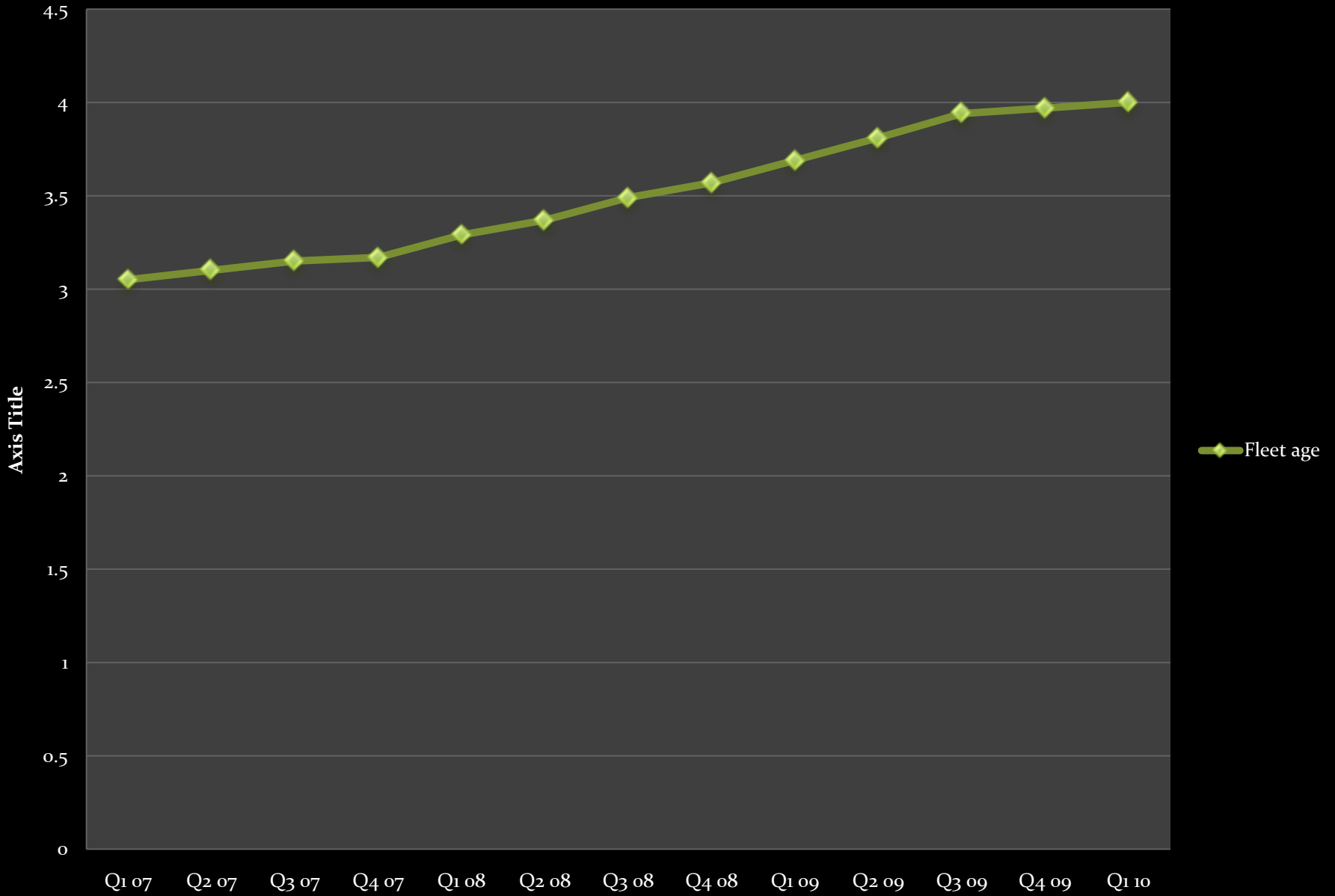
Public Truckload O/Rs



Published LTL Carrier Results (All Core Business Units)



Fleet age



•The Ground Begins to Firm

- TL and FCL carriers are able get price increases to stick
 - Demand outstrips supply in some markets last summer
 - Shippers who thought hey had capacity locked up find trucks hard to come by
 - TL and FCL carriers announce plans to negotiate raises into expiring contracts
 - TL and FCL carriers seem to be holding the line on supply
 - TL and FCL carriers look to rely on more owner operators as demand firms
 - LTL and LCL carriers begin to announce price increases.
- But many capacity concerns continue to grow.
- November 10 numbers show that LTL carriers reduced rolling stock 10% YOY
 - It is doubtful LTL carriers will return the capacity to the market until yields are significantly better
 - Depressed used equipment values may be holding off some liquidations
 - Used equipment pricing is starting to firm up
 - Small carriers (owner operator, small TL and Drayage carriers) access to capital

What does this have to do with intermodal? Carriers are looking for market segments where they can earn a decent return on their risk and investment.

1. Trucking companies are looking beyond their traditional modes for opportunity.
 - a) TL shift to Intermodal well underway by some of the most recognized names
 - i. Landstar Rail Intermodal
 - ii. JB Hunt Intermodal (Intermodal is dominant business)
 - iii. Marten Transport – Intermodal up 15.9%
 - b) Traditional LTL Carriers are moving into services to support international shipping.
 - i. AACT – Port Services (Trans-loading, Deconsolidation, Shipment Building and Reshipping, Drayage)
 - ii. SEFL – Southeastern Logistics Services
 - iii. ODFL - Drayage available in select port cities
2. Larger carriers are replacing small carriers in niche markets. We saw this trend start with Dedicated (private fleet) operations at major TL and LTL carriers over the last decade. It is likely to heat up in the intermodal segment as carriers position themselves to participate in this growing market.