



Third party logistics, a providers view

*Strategy without tactics
is the slowest route to victory*

*Tactics without strategy
is the noise before defeat*

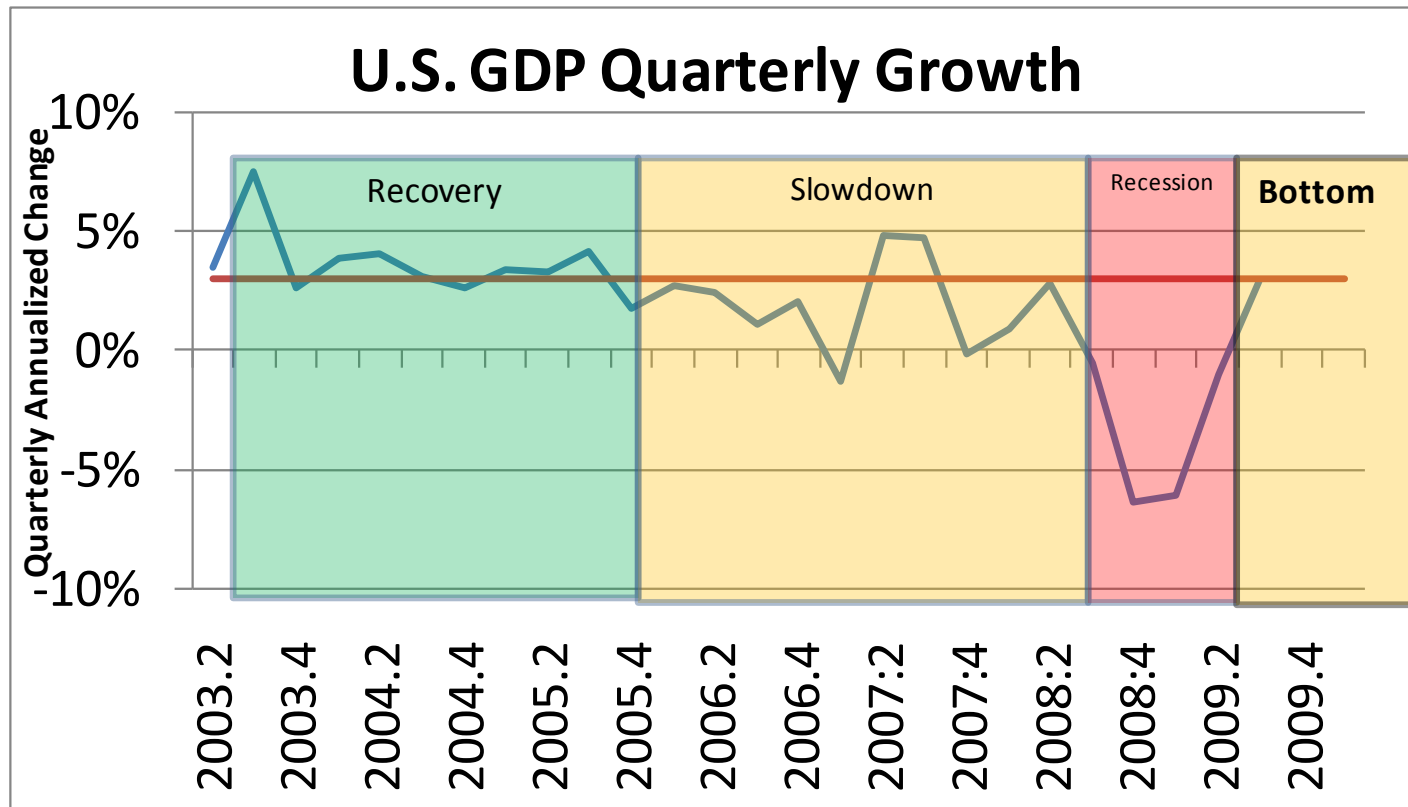
Jack Gross

Vice President/General Manager
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SCHNEIDER
LOGISTICS



Recession Review – We have been in a truck recession since 2005:4. The event climaxed with two very bad quarters 2008:4 and 2009:1.



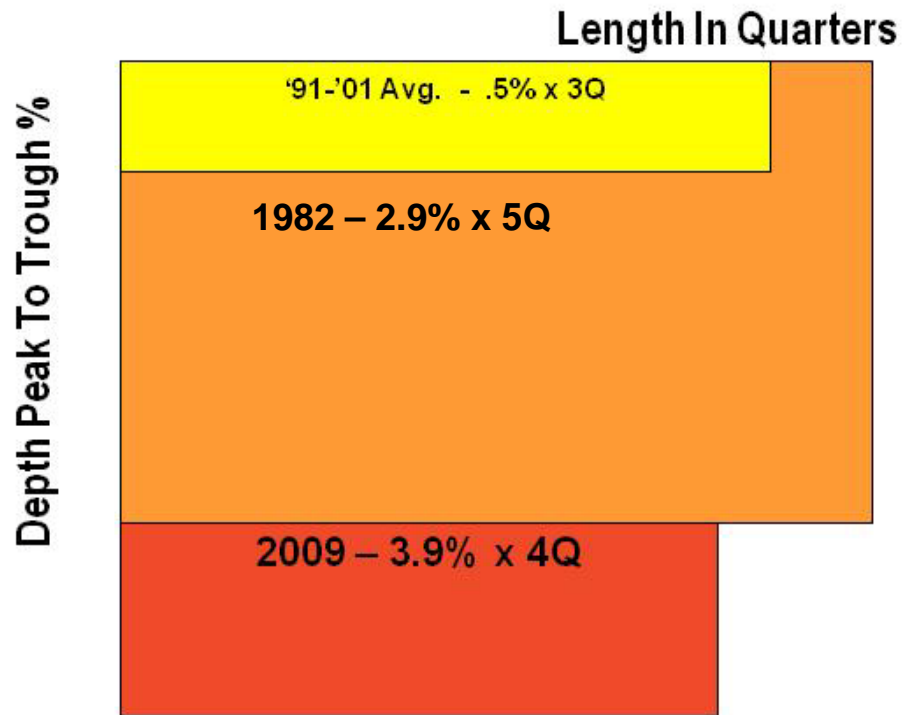
Sources: Transport Fundamentals, FTR Associates



We won't get strong truck growth until GDP gets and stays above 3%



This was the deepest recession since the Great Depression.



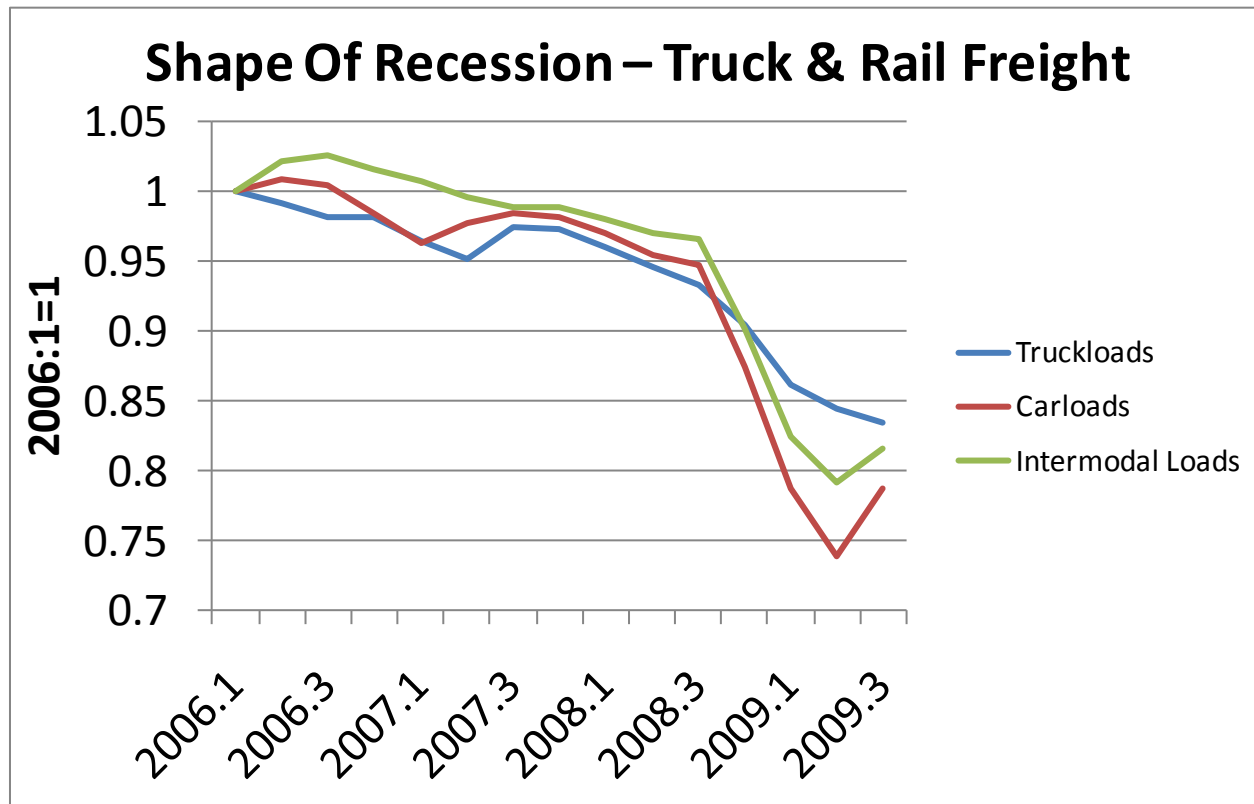
Sources: *Transport Fundamentals FTR Associates*



The market is particularly bad in comparison to recent events. 2001 never had a “recession” phase.



Here is what the entire event looks like.



Sources: FTR Associates

▶▶▶▶▶ Truck fell first but rail fell deeper.



The collection of monthly indicators has turned from red to yellow and green.

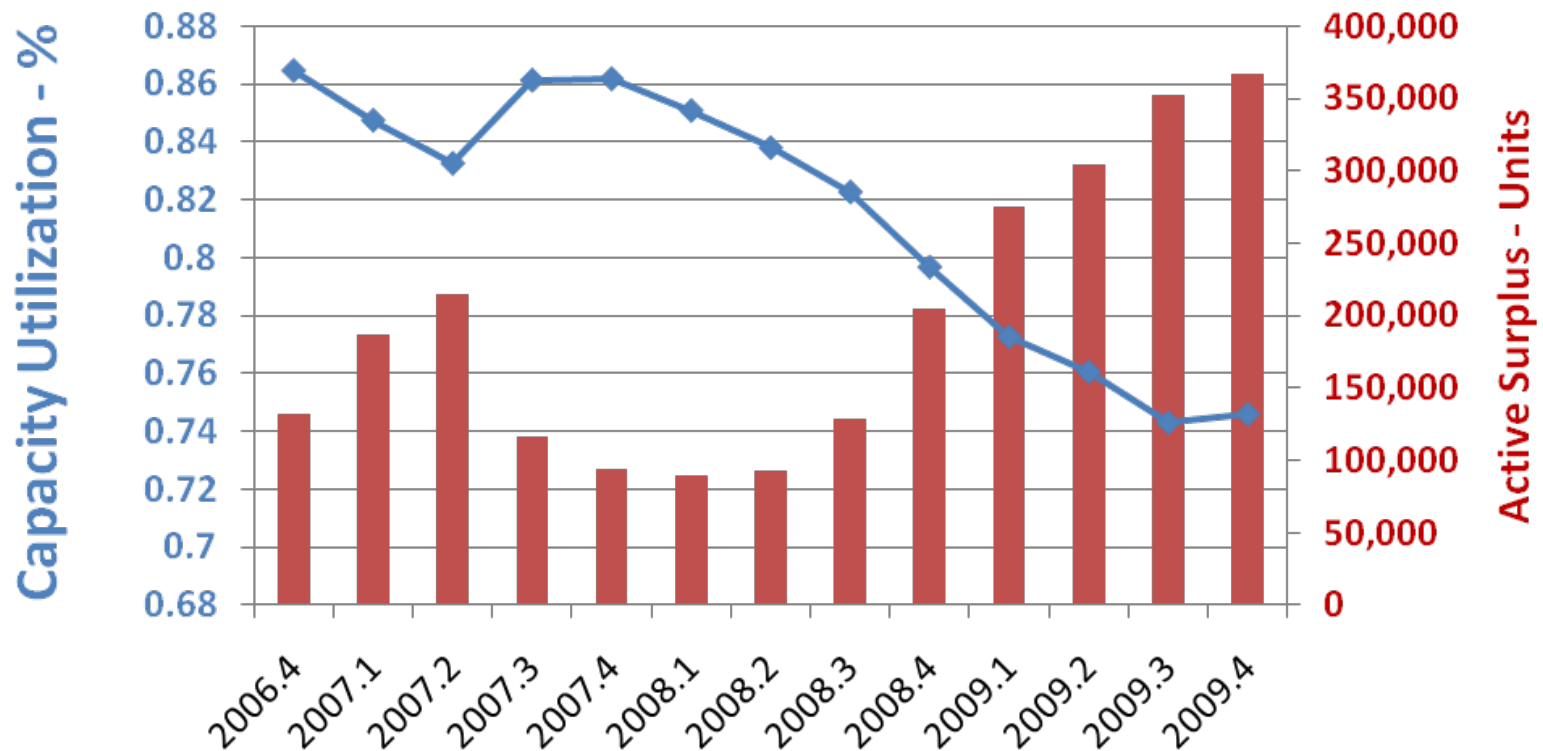
Current Indicators								
Indicator	Indicator Timing	Current Level				Current Direction		
		Latest Release	Most Recent Reading	Above (+) or Below (-) Normal	Y/Y Change	Latest Monthly Change	Avg - Last 3 Months	
U.S. Macro Economy	ISM Manufacturing - Index, % (50=Neutral)	Leading	August	52.9	+1.4%	+7.3%	+8.2%	+7.3%
	Consumer Confidence - Index	Leading	August	54.1	-38.4%	-7.5%	+16.1%	+0.2%
	Building Permits - Units (000s)	Leading	August	579.0	-65.7%	-32.4%	+2.7%	+3.9%
	Industrial Production - Index (2002=100)	Coincidental	August	97.4	-15.6%	-10.7%	+0.8%	+0.5%
	Retail Sales - \$ (billions)	Coincidental	August	\$351.4	-8.3%	-5.3%	+2.7%	+1.1%
	Auto Sales - Units (millions)	Coincidental	August	14.1	-13.5%	+3.9%	+25.3%	+13.2%
	Unemployment Rate - %	Lagging	August	9.7%	-4.6%	-3.6%	-0.3%	-0.1%
U.S. Trucking	Capacity Utilization - %	Leading	August	74.9%	-12.2%	-7.4%	-0.2%	-0.4%
	CI 8 Loads - Index (1992=100)	Coincidental	August	109.2	-15.9%	-11.2%	-0.2%	-0.5%

Sources: FTR Associates



Excess Capacity Is Still Rising.

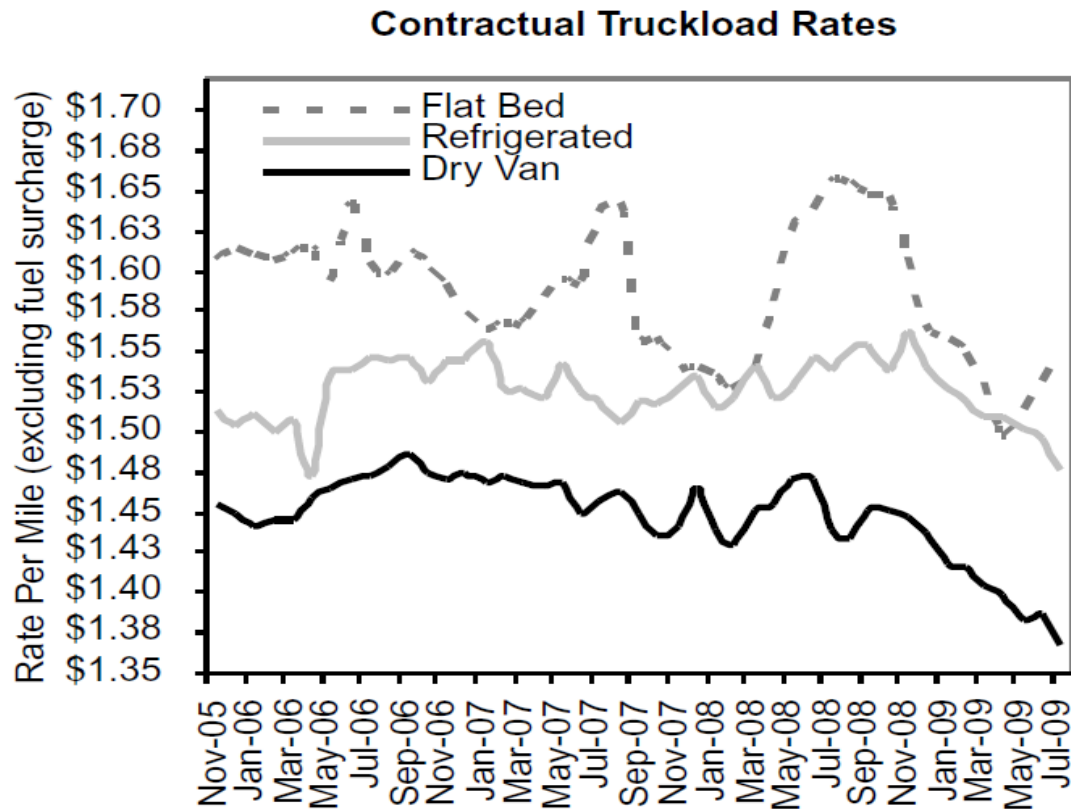
Heavy Truck Capacity Utilization



Sources: FTR Associates, Transport Fundamentals



Here is the latest rate data.



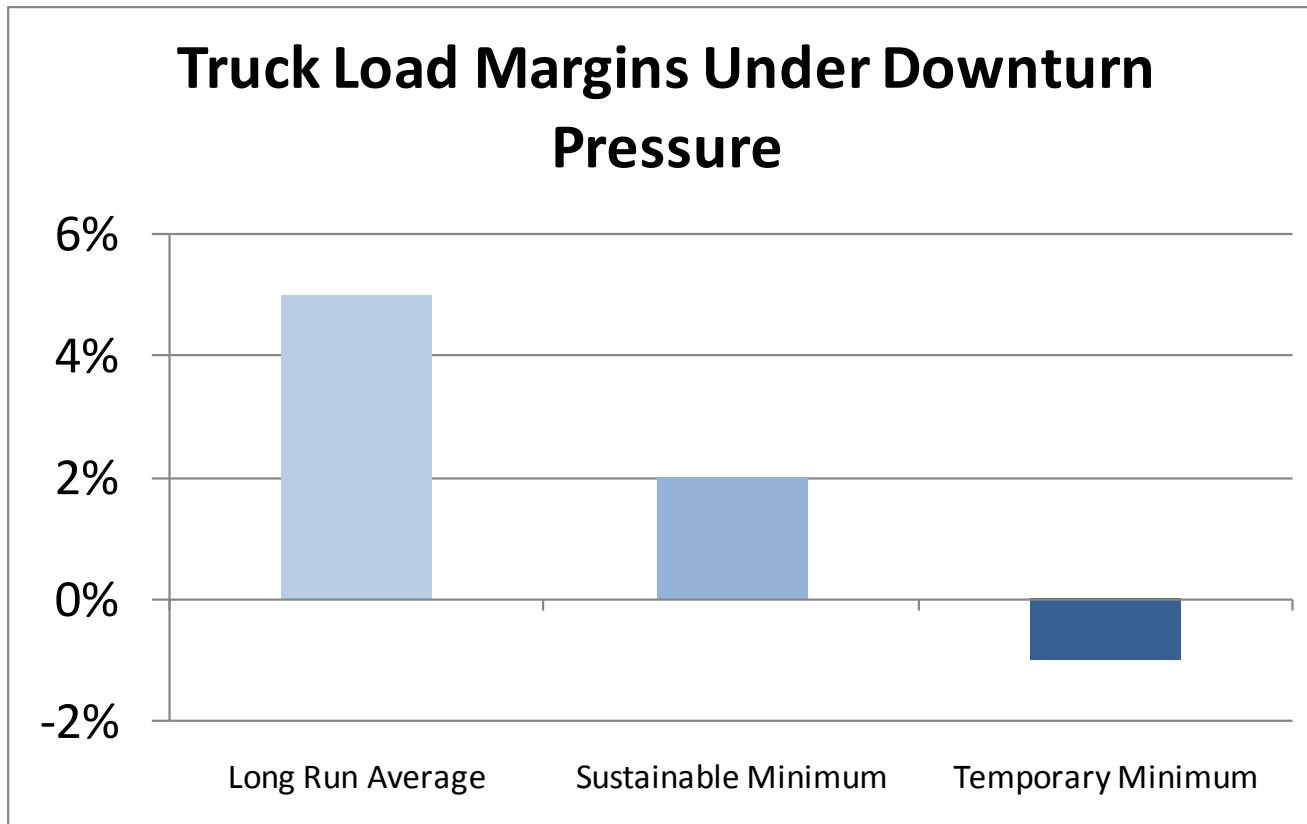
Source: Truckloadrate.com



The differences between segments reflects the different market conditions.



What happens to margins?



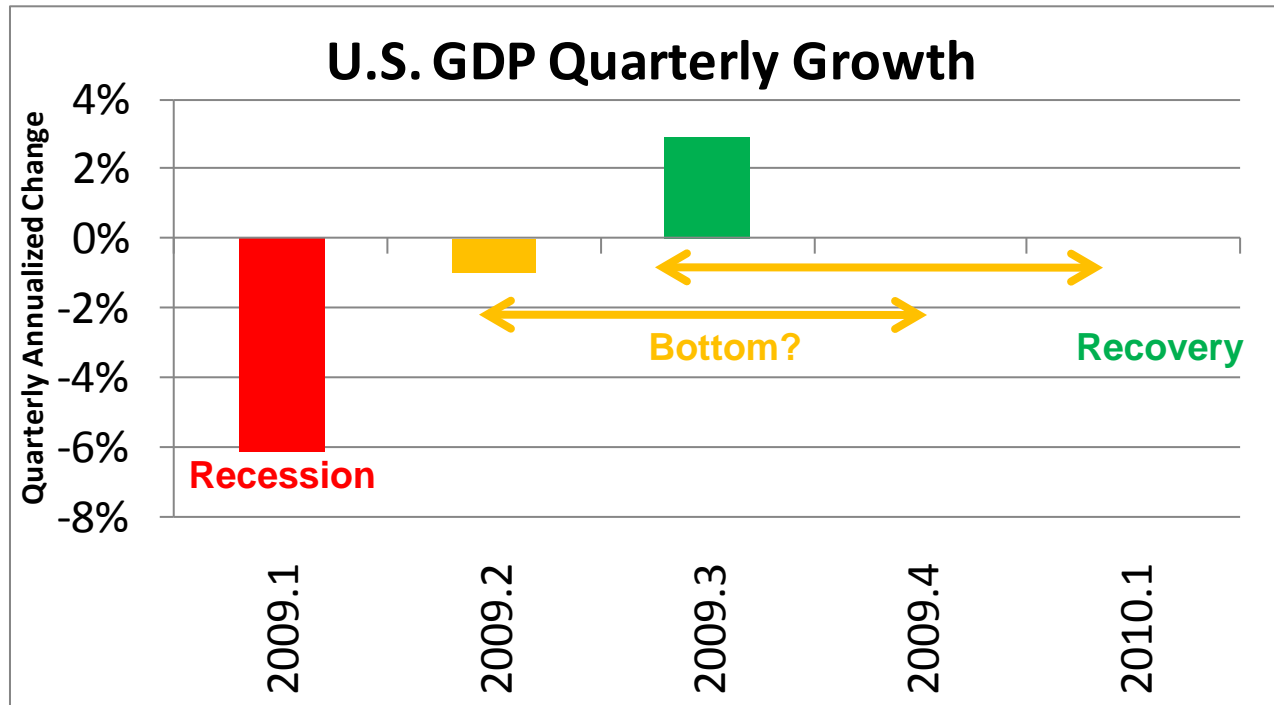
Sources: *Transport Fundamentals*



We are at the temporary minimum now.



Here's what this bottom looks like so far.



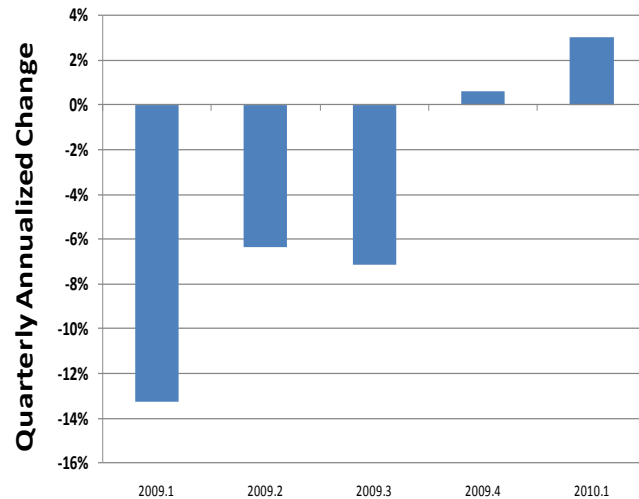
Sources: Transport Fundamentals, FTR Associates

➤➤➤➤➤ 2009.2 could qualify as part of the bottom.

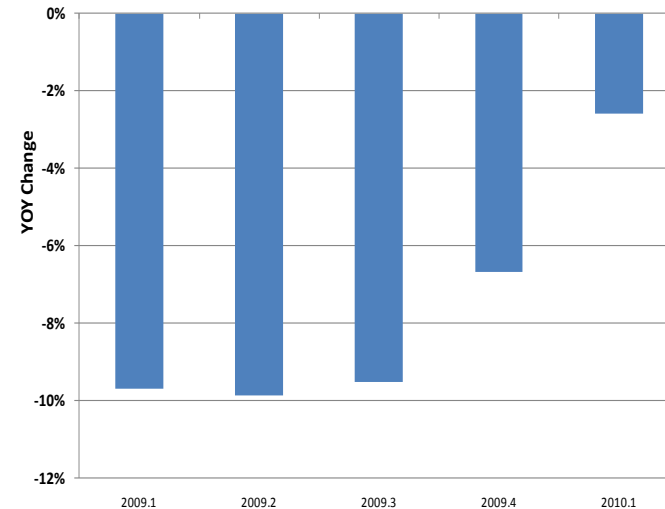


We should expect no freight volume relief until at least early in 2010.

**Short Term Truck Volume Forecast
QOQ Growth**



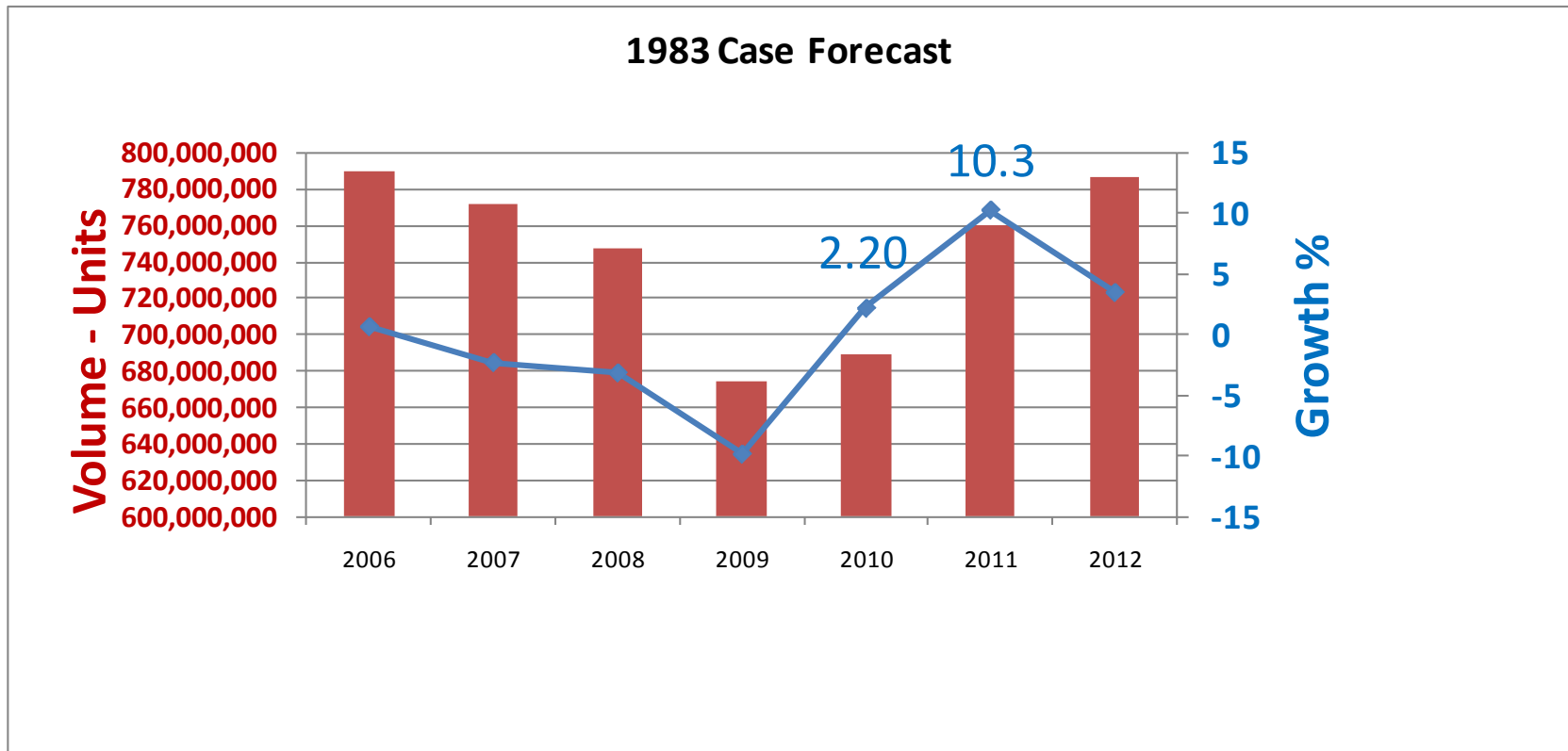
**Short Term Forecast Truck Volume
YOY Growth**



Source: FTR Associates, Transport Fundamentals



The 1983 case would add modest 2010 growth on a full year basis before spectacular growth in 2011.



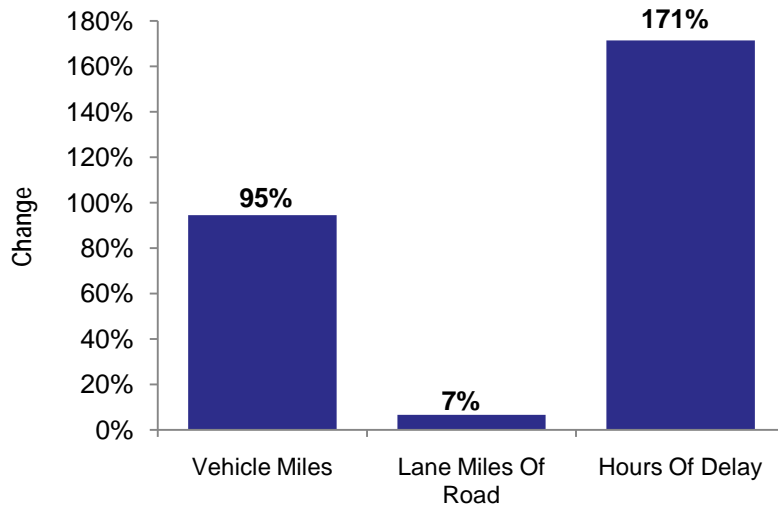
Source: Transport Fundamentals

➤➤➤➤➤ Growth in the second half of 2010 would approach 10%.



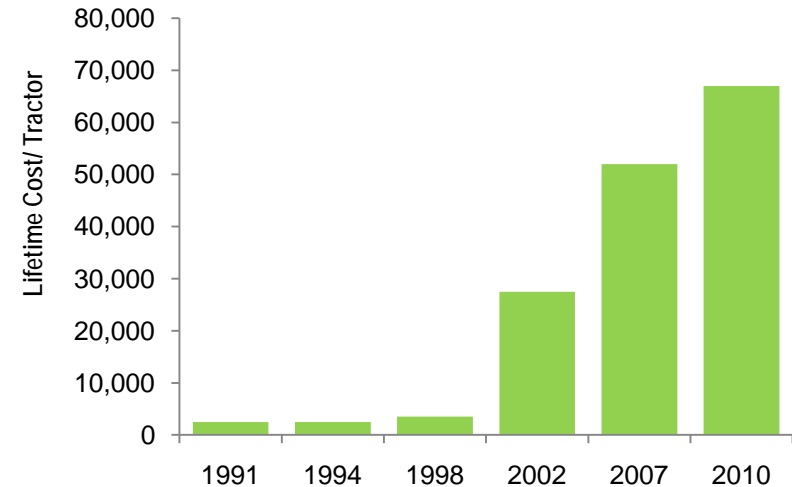
We have entered an era in which government policy – for good or bad – is raising costs.

Federal Highway Statistics



Source: SNI, FHWA, Transport Fundamentals

Incremental Cost Of Emission Controls

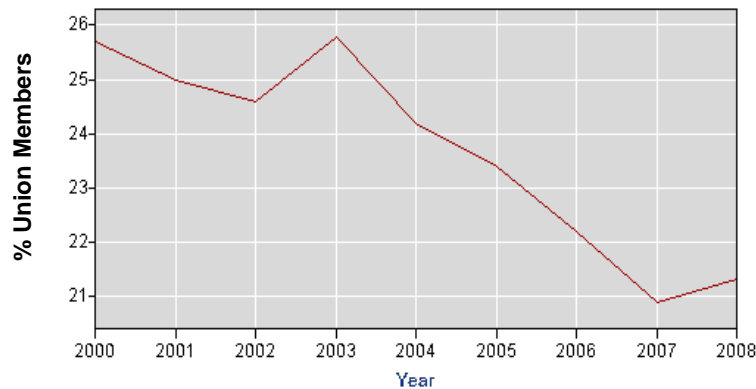


»»»» Policies are beginning to work against transportation.

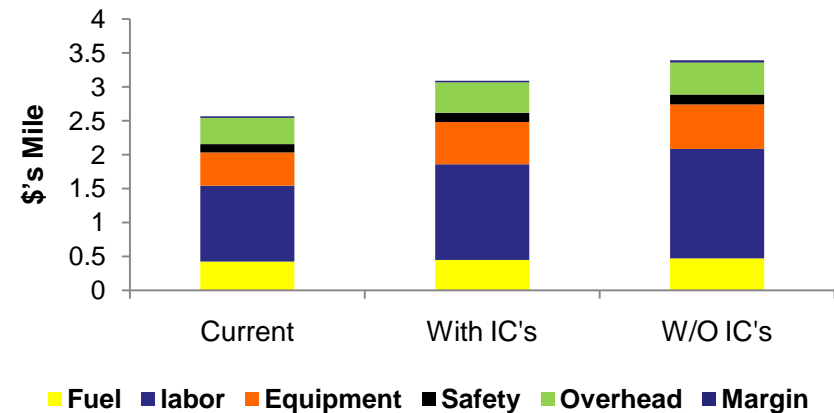


The regulators are also tinkering with labor law and port dray, again, increasing costs.

% Privately Employed Transportation & Warehousing (wage and salary) Workers who are Union Members



So. Cal. Port Drayage Costs/Mile Before & After Regulatory Change



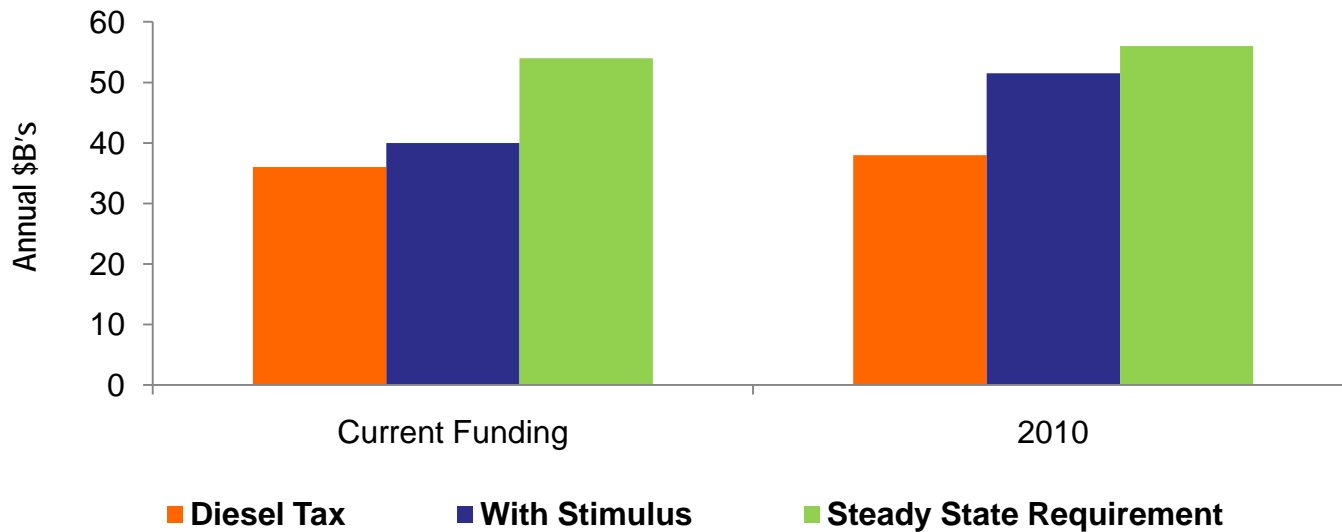
Source: UCSD, Transport Fundamentals

➤➤➤➤➤ Changes to corporate taxes are also likely.



We cannot sustain this level of infrastructure funding without new sources of revenue.

Federal Highway Funding – With Stimulus Funds



Source: FHWA, Transport Fundamentals



The stimulus money is not going to cover costs and is not a sustainable source of funding.



What should we be doing now?

- A solutions portfolio that provides more flexibility and options
 - More multimodal coordination
 - Leveraging asset-based networks (deliver precision)
 - Creative blending of domestic and intercontinental networks
 - Guarantees will raise the service bar and lead to more products taking the lead from the Integrators



Transloading brings value to the Supply Chain.

- Fully utilize domestic carrier network
 - Intermodal service stability
 - Enjoy domestic outbound pooling options with equipment
 - Street turns to maximize capacity and lower container costs
- Mitigate inland container costs
- Multiple ports
- Improve supply chain reliability and velocity
 - Allocate product based on the most recent demand signals
 - Reduce inventories due to increased delivery, rapid replenishment





Questions