



For-Hire TL Supply vs Demand



Source: ACT Research

Trucking as Diverse as Economy

- Arguably almost all trucking in California is connected to international trade
 - From farms to gasoline to logs to car carriers



- For the purposes of this discussion, we'll focus on intermodal trucking



Issues & Trends

- CARB Truck Retirement Schedule
- Chassis Paradigm Shift
- Employee Classification
 - Teamsters /Legislation
- Large TL Carriers Enter
- Private Equity
- Fuel
- Congestion



Regulations – CARB

Intermodal trucking needed to be upgraded

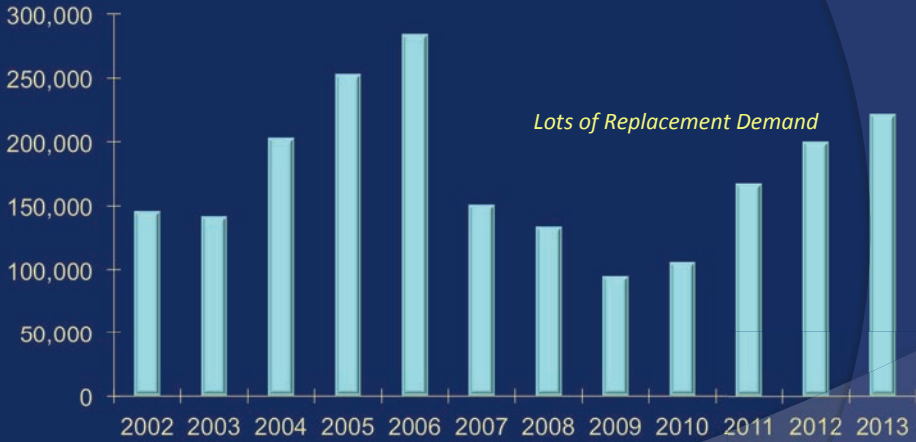
- | Intermodal Trucks | All Other Trucks |
|-------------------------------------|------------------------------------|
| ○ 2010 ban pre-1994 | ○ 2012 require retrofits 1996-1999 |
| ○ 2010 require retrofits 1994-2003 | ○ 2013 require retrofits 2000-2004 |
| ○ 2012 require retrofits 2003-2004 | ○ 2014 require retrofits 2005-2006 |
| ○ 2013 require retrofits 2005-2006 | ○ 2015 band pre-1994 |
| ○ 2014 require 2007 or newer trucks | ○ 2016 ban 1994-1999 |

Truck Prices are Skyrocketing

- 3 years ago – enter intermodal trucking with a \$10,000 used truck
- Now – need a new truck and those cost \$120,000



US Class 8 Truck Retail Sales



Source: ACT Research

Chassis Paradigm Shift

Ocean Carriers Want Out!

- Ocean carriers in US have looked for ways to either pass along costs or get out completely
 - Chassis Usage Charge
 - Didn't stick
 - Chassis Pools
 - Helped defray costs...not enough
 - Chassis Divestment
 - Latest strategy

Sheer Size of US



Number of Chassis in US

550,000



Cost of Chassis in US

\$2B/year

US Model Unique

- Traditional Intermodal
 - Ease of entry
 - Used truck
 - Owner-operator
 - No trailer or chassis

- Supply power only



Different in Other Industries



Different in Other Countries

- In the rest of the world, truckers supply the chassis



Shinsun Pier, Korea



Felixstowe, UK



Tokyo, Japan



Hamburg, Germany



Assault on Owner Operator

- US Senate Bill “Clean Ports Act”
 - Gives port cities the ability to regulate trucking
 - Clears way for banning owner-operators
- California SB 459
 - Became law January 1, 2012
 - Prohibits the “willful misclassification” of individuals as independent contractor rather than employees
- Port of LA Clean Truck Program
 - In addition to truck retirement, ban owner-operator
 - Sued by ATA - overturned by 9th Circuit Court of Appeals
 - Heading to US Supreme Court – onerous requirements



Contrary to Public Opinion

- Vast majority of owner-operators value their independent status
 - Business owners
 - Maximize earning potential
 - Extended time out of country
 - Own multiple businesses
 - Freedom to set schedule
 - Flexibility to switch between modes
- There are employee trucking jobs
- There are teamster trucking jobs

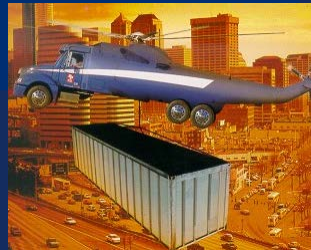


Big Business' Interest in Intermodal

TL Carriers Enter Intermodal

- With the switch to becoming more asset driven...new trucks, provision of chassis, etc...traditional large truckload carriers entering intermodal trucking market

- Swift
- Knight
- Schneider
- CR England
- Greatwide



Mergers & Acquisitions



- Private Equity money is attracted as the industry's assets remain underpriced and undervalued
- As the supply/demand equation equalizes trucking companies represent good investments

On-Going Concerns

○ Fuel

- High prices
- Volatile
- Uncertain political climate



○ Congestion

- Reduces productivity
- Inhibits driver earnings
- Affected by changes to hours of service



What Does All This Mean?

- Supply vs Demand
- New trucks
- Chassis costs
- Employee Classification
- National TL Carriers Enter Intermodal
- Private equity
- Fuel
- Congestion

PRICES ARE GOING UP

