

The State of Intermodal Drayage

David M. McLaughlin

CONNECT 2009

State of the Intermodal Industry

“Circa 2007”



Solutions that Connect.

- Consistent growth: 32% Increase 2000-2006
- Dramatic increase in fuel costs from \$1.40 per gallon to a national average of \$ 2.84 per gallon.
- Total volume of intermodal loads handled on rail exceeded 12.2 Million trailers/containers for 2006. 5% increase over 2005
- Vessel, rail and terminal capacity trying to expand to keep pace with anticipated growth
- Intermodal trucking growth of between 3% and 6% per year.
- Huge Increases in Tolls (25% to 40%) & privatization of roads
- Increased government regulations in HOS & TWIC
- Driver & Truck shortages / Capacity Issues

2009 Intermodal Drayage

The Current State of Intermodal Drayage In the USA



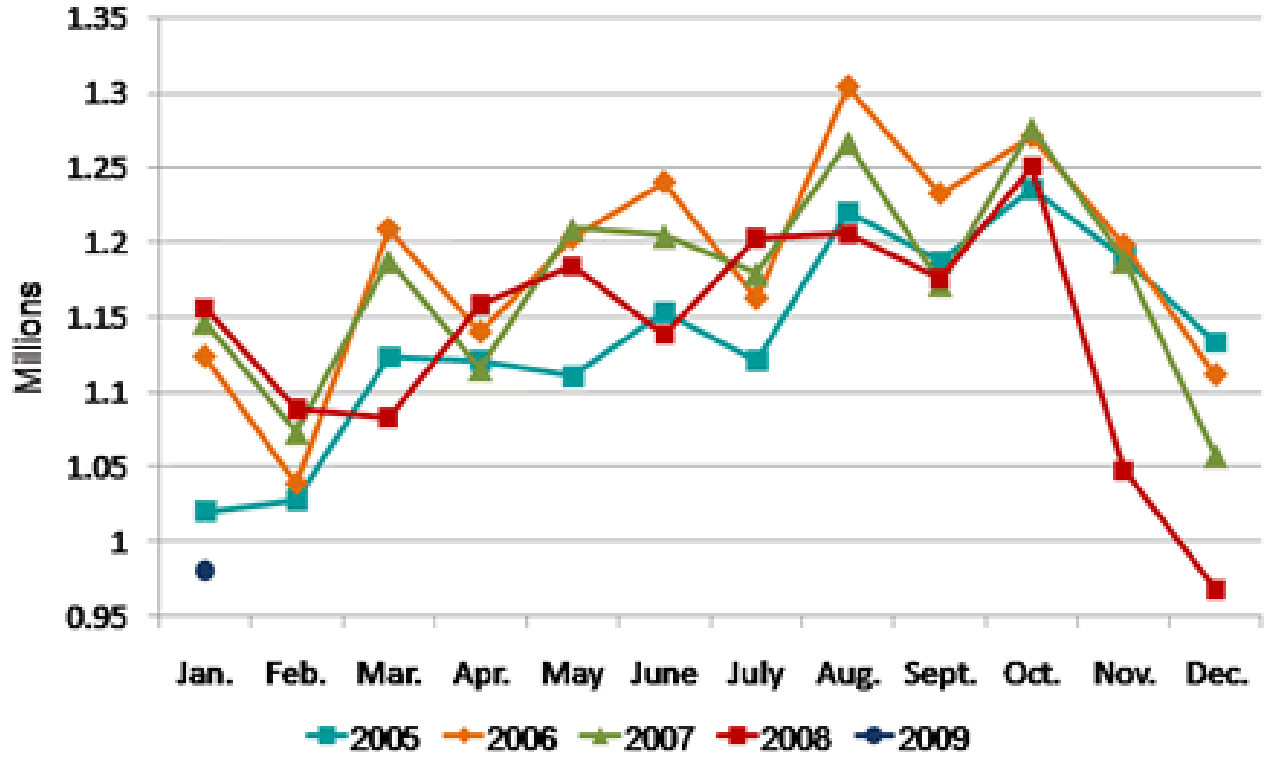
State of the Intermodal Industry

Current Cargo Volumes Lowest in 25 Years



Solutions that Connect.

2005-2009 Yearly Traffic Totals By Month



Source: IANA Intermodal Market Trends and Statistics



State of the Intermodal Industry

Global Issues Impacting Intermodal Trucking:

- As of 3/2/09 – 10.7% or 453 ships with 1.35 million TEU's sit idle
- Grounded Aircraft nears 2,300 or 11% of global fleet / 1,167 added in 2008
- Oil volatility - \$153 / bbl down to \$ 35 / bbl currently \$ 44 / bbl
- World and USA economy in recession
- World Credit Crunch – Italian Mafia Loan Sharks making a killing
- World Stock Markets at lows not seen in decades
- Large swings in currency values / Dollar vs. Most major currencies

State of the Intermodal Industry

Domestic Issues Impacting Intermodal Trucking:

- **US Gross Domestic Product (GDP) decreased -6.2% in 4th Qtr 2008**
- **February Unemployment hit 8.1% - 2.6M jobs lost in the past 4 months**
- **12/08 - U.S. Exports were off 31.2% from previous year**
- **12/31 – Manufacturing index 32.9 lowest in 30 years up edged up 1/31/09**
- **12/31 – ATA Truck tonnage lowest since 2000 but up 3% in January**
- **Transportation Infrastructure- Needs massive improvement**
Highways / Bridges / Ports / Power, Phone, Water Lines
2/17 - Economic Stimulus Package signed \$787 Billion

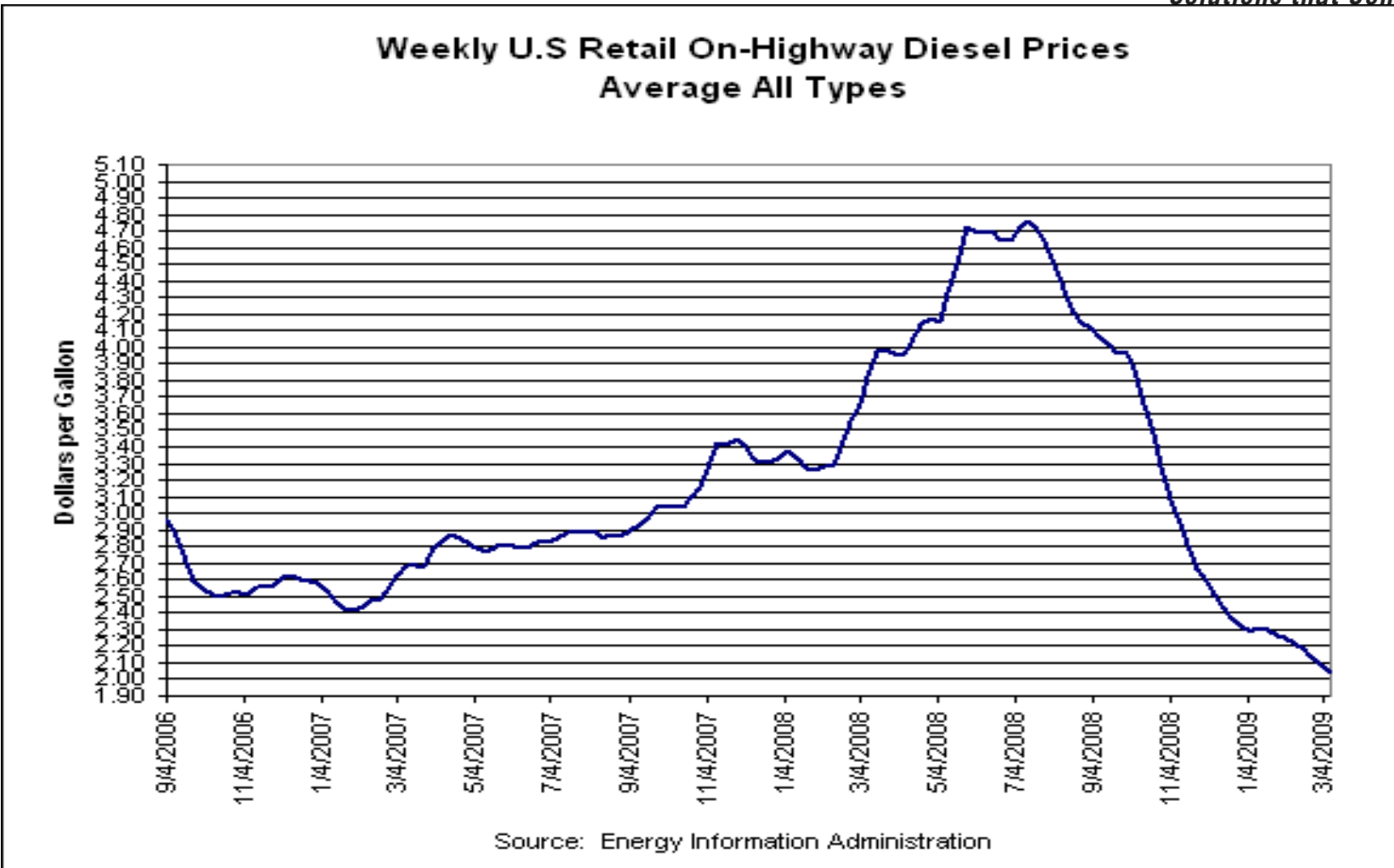
State of the Intermodal Industry

Domestic Issues Impacting Intermodal Trucking:

- Rail Traffic declines – Containers off 23.4 % Trailers off 32.3%
- FMCSA - State Registration Fee Plan would double existing fees
- States forced to seek alternative revenue sources
- Consumer Confidence – Currently at 25.0 all time low
- Don't open your e-mails / SS & IMC'S Under Earnings Pressure
- EFCA – Employee Free Choice Act – Pending Legislation
NLRB certify w/o election process if a majority of bargaining unit employees signed cards.

Fuel Cost Headed In Right Direction

Solutions that Connect.



Not All Fuel Prices Are Created Equal

New England still 19% Higher than U.S. Average



Solutions that Connect.

Weekly Retail On-Highway Diesel Prices

Average All Types	Ultra-Low Sulfur
-------------------	------------------

Weekly Retail On-Highway Diesel Prices - Average All Types
(Dollars per gallon, including all taxes)

Region	02/23/09	03/02/09	03/09/09	Change from week ago	Change from year ago
U.S.	2.130	2.087	2.045	-0.042	-1.774
East Coast	2.199	2.153	2.122	-0.031	-1.748
New England →	2.514	2.472	2.434	-0.038	-1.504
Central Atlantic	2.368	2.314	2.287	-0.027	-1.702
Lower Atlantic	2.098	2.055	2.022	-0.033	-1.792
Midwest	2.071	2.030	1.988	-0.042	-1.796
Gulf Coast	2.074	2.043	2.006	-0.037	-1.792
Rocky Mountain	2.158	2.091	2.017	-0.074	-1.715
West Coast	2.238	2.185	2.120	-0.065	-1.765
California	2.219	2.144	2.075	-0.069	-1.880

- **TWIC**
- **Should be phased in at all U.S. ports in 2009**
- **Cost \$ 132.50 and valid for 5 years**
- **Criminal History**
 - Terrorist Watch List**
 - Immigration Status**
 - Outstanding Warrants**
 - Smart Card**
 - Circuit Chip**

West Coast Update

PORT OF LOS ANGELES BEGAN COLLECTING CLEAN TRUCKS FEE FEBRUARY 18, 2009



- Oct. 1, 2008 all trucks 1988 and older are banned from Ports
- Jan. 1, 2010 all trucks 1993 and older will be banned from Ports
- Jan. 1 2012 all trucks 2006 and older will be banned from Ports

“Under the program the cargo owner is responsible for paying the ‘Clean Truck Fee’. The fee will be payable by credit card or electronic funds transfer, and must be paid before a container can enter or leave the terminal.”

\$35.00 per TEU Fee

West Coast Update

- **Currently over 3,000 tractors now comply with diesel emission regulations**
- **Target of \$ 1.5 Billion in fee revenue generation over 5 years seems in jeopardy. Was to be used to subsidize up to 80% of the cost of replacing 16,000 old noncompliant tractors. Over all Port volumes off 23% vs. 2008**
- **Compliant trucks assess higher freight rate \$40 / \$50**
- **Bottom Line : BCO absorbs the cost increase**

West Coast Update

- **Issues still remain as to what is a compliant Truck?**
- **Port of Los Angeles definition:**
 - Tractor must be purchased 100% by private funds**
 - Tractor must be Model year 2007 or LNG Power**
- **Port of Long Beach definition:**
 - Tractor must be purchased 100% by private funds**
 - Tractor must be Model year 2007* or LNG Power**
 - * Tractor must be placed in service after 10/1/08**
 - Must prove that an older tractor was scrapped**

Intermodal Drayage – What's Next?

- Reality vs. Risk / Reward
- Drayage companies are experiencing 20% to 40% revenue declines.
- Current excess capacity forcing rethinking of Lanes (Local vs. Line Haul ; One Way vs. Round Trip) / Cargo Type (Over Weight / Refers) Margin Erosion - (Profitability vs. Payouts in the 90% to 100%+)
- Intermodal Company Driver & Company Truck are fast becoming extinct. Asset Light reduces fixed costs and only deal with variable cost - I/C's
- Mergers, Acquisitions and Bankruptcies will continue to change the Intermodal drayage landscape. By 3/1/08 -1,000 Trucking Companies representing 42,000 Trucks or 2.1% of total Trucks went Bankrupt. By the end of 2008 - 2,690 Companies failed
- Cash becomes scarce – Drayage companies turn to alternative financial services (Factoring) Extremely dangerous for marginal companies

Intermodal Drayage – What’s Next?

- Intermodal Drayage companies survivability depends on:
- An in depth understanding of the market they are operating in (Growth Markets)
- Their ability to change, adapt and truly understand their costs.
- Expand into other revenue sources / markets (Trans Loading / Domestic / International)
- Know when to “ Fish or Cut Bait”
- Of course the Economy !





Set your Course, Watch Everything
The sailing is always better
After the Storm !