

THE LOGISTICS COUNCIL

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SCHNEIDER[™]



Woody Richardson
richardsonf@schneider.com



BALANCING FOR BEST VALUE

- Schneider Overview
- Truckload Capacity Environment
- Advice for Securing Capacity in a Constrained Environment

THE OPTIONS YOU NEED WITH THE TRANSPORTATION AND LOGISTICS EXPERTISE TO PERFORM AS PROMISED



 9,700 TRACTORS	 2,200 LEASED INDEPENDENT CONTRACTORS	 13,300 DRIVERS & INDEPENDENT CONTRACTORS	 48,450 TRAILERS & CONTAINERS	 13,300 MULTI-MODE THIRD-PARTY CARRIERS	 17,000 ASSOCIATES	OPERATIONS IN U.S. 1935 	OPERATIONS IN CANADA 1989 	OPERATIONS IN MEXICO 1992 	OPERATIONS IN CHINA 2005 
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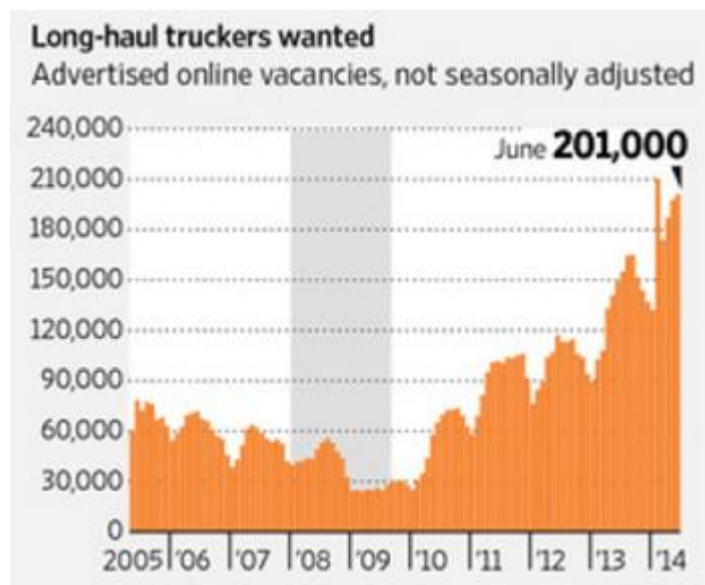
THE DRIVER MARKET IS THE INDUSTRY'S BIGGEST CHALLENGE TODAY.

“Truck capacity is being constrained by an extremely challenging driver market ...”

- Werner news release (7/21/14)

“Despite these improvements, we were constrained in the Truckload and CRS segments by the challenging driver market. Our driver turnover and unseated truck count were higher than anticipated.”

- Swift news release (7/24/14)



Source: Wall Street Journal

“.... and the difficult driver recruiting environment has challenged our growth at JBI ... the worsening driver supply conditions will continue to be a headwind for DCS and JBT as well.”

- J.B. Hunt news release (7/15/14)

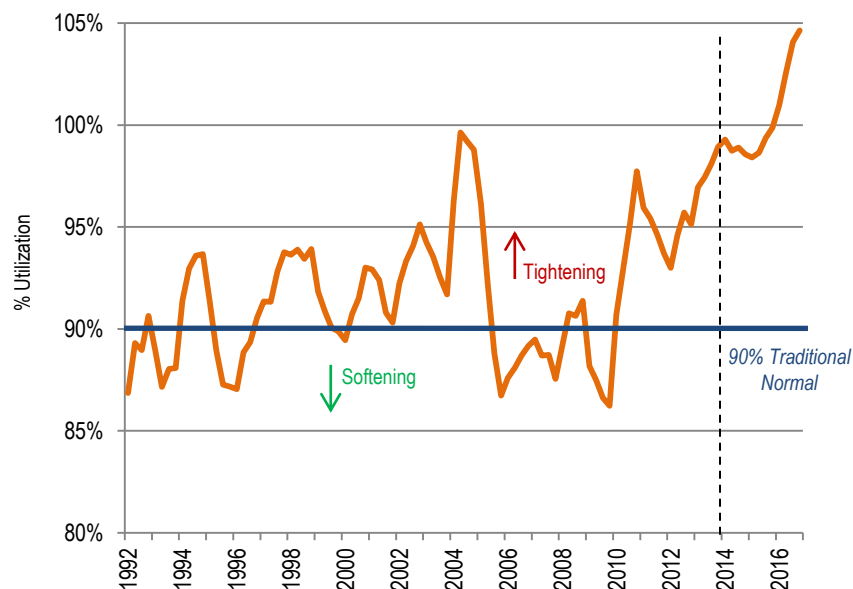
“It’s probably the most difficult recruiting environment I’ve seen in my 26 years in the business.”

- Scott McLaughlin, president of Stagecoach Cartage & Distribution (WSJ, 7/7/14)

TRUCK CAPACITY IS CURRENTLY VERY TIGHT. AT THESE LEVELS THE INDUSTRY IS VULNERABLE TO ANY UPSIDE PRESSURE, INCLUDING NORMAL SEASONAL EVENTS AS EXPERIENCED THIS WINTER (CONTINUED IN Q2/Q3).

U.S. Class 8 Truckload Active Capacity Utilization

Source: FTR Assoc. - Master Economic Database (Mkt Pressure Indicator)



- With the imposition of the new Hours of Service (HOS) rules in July of 2013, capacity utilization moved up to the peak levels reached during the last capacity crisis in 2004.
- Contract prices began to rise to reflect tighter supply beginning 3Q13
- The industry clearly has insufficient capacity to handle any uptick in freight demand.

► *Prices will rise as a result of tighter supply. If current capacity conditions are sustained or worsened the industry will be very volatile.*

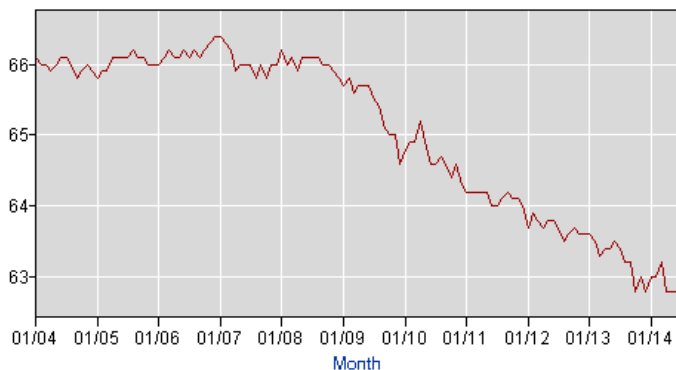
THE AVAILABLE POOL OF NEW AND EXPERIENCED DRIVERS IS SHRINKING FAST.

2013 Occupations with Oldest Jobholders

Source: U.S. Bureau of Labor Statistics

Occupation	Ages of Jobholders (%)		
	55-64	65+	55+
Funeral service managers	23.1%	38.5%	61.5%
Motor vehicle operators, all other	15.9%	39.7%	55.6%
Legislators	27.3%	27.3%	54.5%
Model makers and patternmakers, metal and plastic	45.5%	9.1%	54.5%
Farmers, ranchers, and other agricultural managers	26.4%	26.7%	53.1%
Judges, magistrates, and other judicial workers	38.8%	11.9%	50.7%
Proofreaders and copy markers	40.0%	10.0%	50.0%
Print binding and finishing workers	36.4%	13.6%	50.0%
Tool and die makers	39.3%	8.9%	48.2%
Postal service clerks	43.9%	3.4%	47.3%
Clergy	29.4%	17.2%	46.6%
Crossing guards	23.0%	23.0%	45.9%

Labor force status: Civilian labor force participation rate
 Type of data: Percent or rate
 Age: 16 years and over



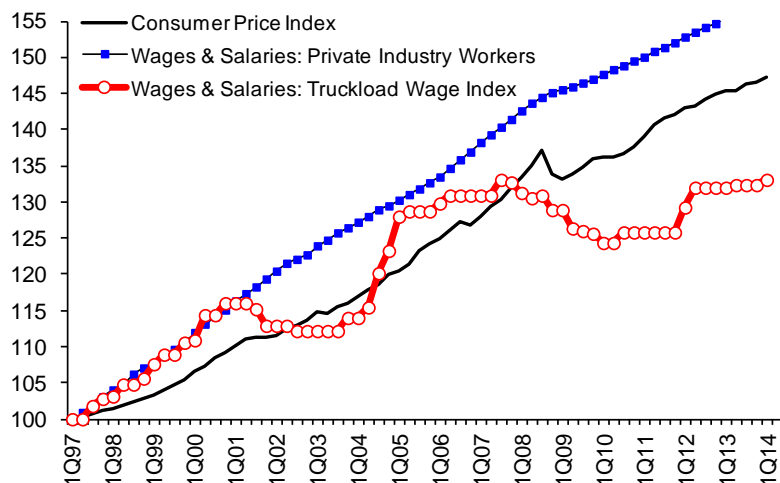
- The average age of U.S. commercial truck drivers is 55 (Bureau of Labor Statistics).
- ATA: current driver shortage is ~20,000-30,000 drivers and will increase to 239,000 by 2022.
- Labor force participation rate has declined since 2008 and is at its lowest level since 1978 (62.8%).
- New or updated government regulations such as CSA and Hours of Service have reduced available capacity .

► *Demographic and labor conditions will require new ways of doing business to meet the needs of the shipper.*

CSA AND HOURS OF SERVICE CHANGES ARE SQUEEZING DRIVER SUPPLY, WITH MORE REGULATION ON THE WAY

Starting Driver Pay (per mile) for Drivers with 3 Years Experience vs. inflation

Source: U.S. Bureau of Labor Statistics

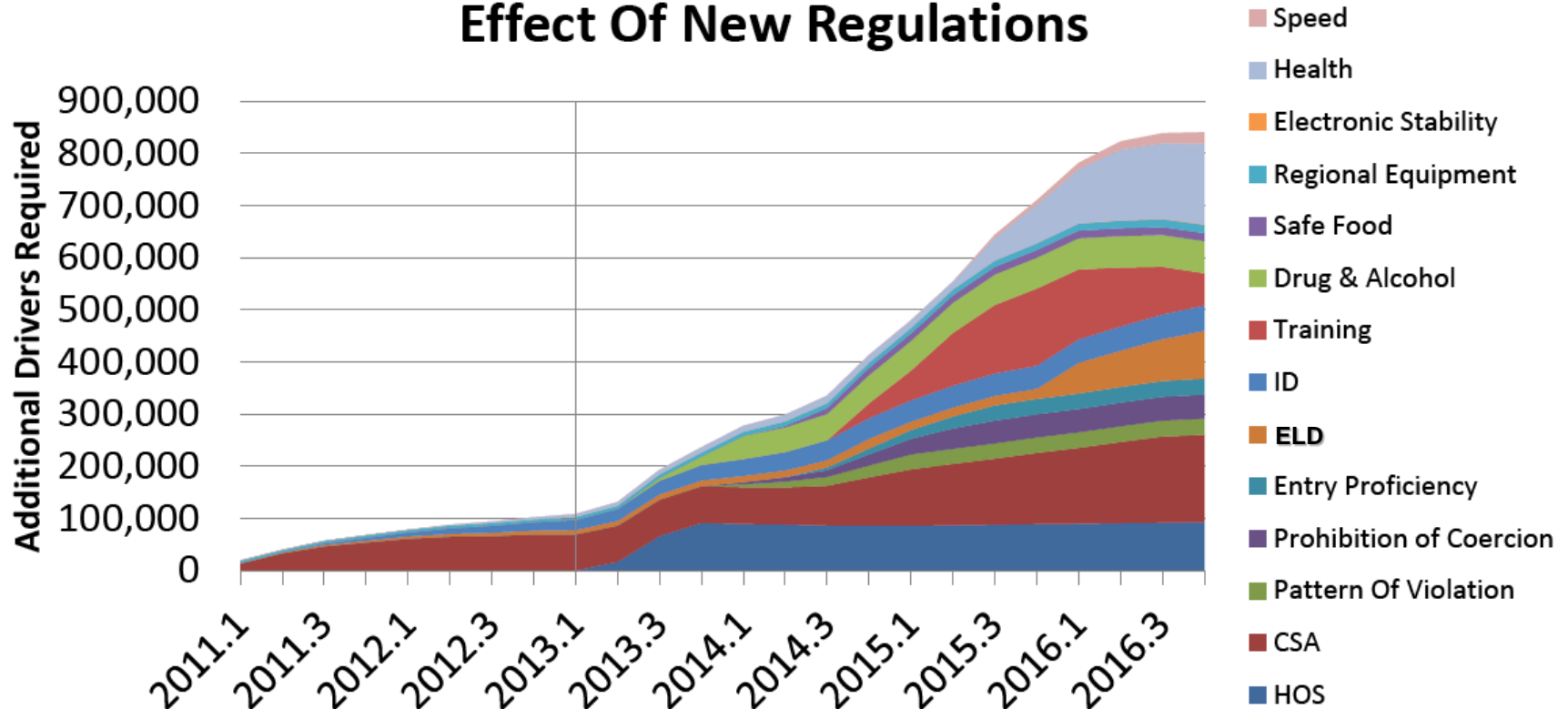


- A 3% productivity loss from HOS cuts driver pay by \$1,200/yr.
- Wages are already 18% below private industry average and 14% below inflation rate.
- However, Schneider data shows that time-at-home is at least as important as the compensation characteristic for recruiting and retention.

Sources: National Survey of Driver Wages, BLX, Morgan Stanley Research

REGULATORY PRESSURES ARE INCREASING COST, DECREASING PRODUCTIVITY AND TAKING CAPACITY OUT OF THE MARKET

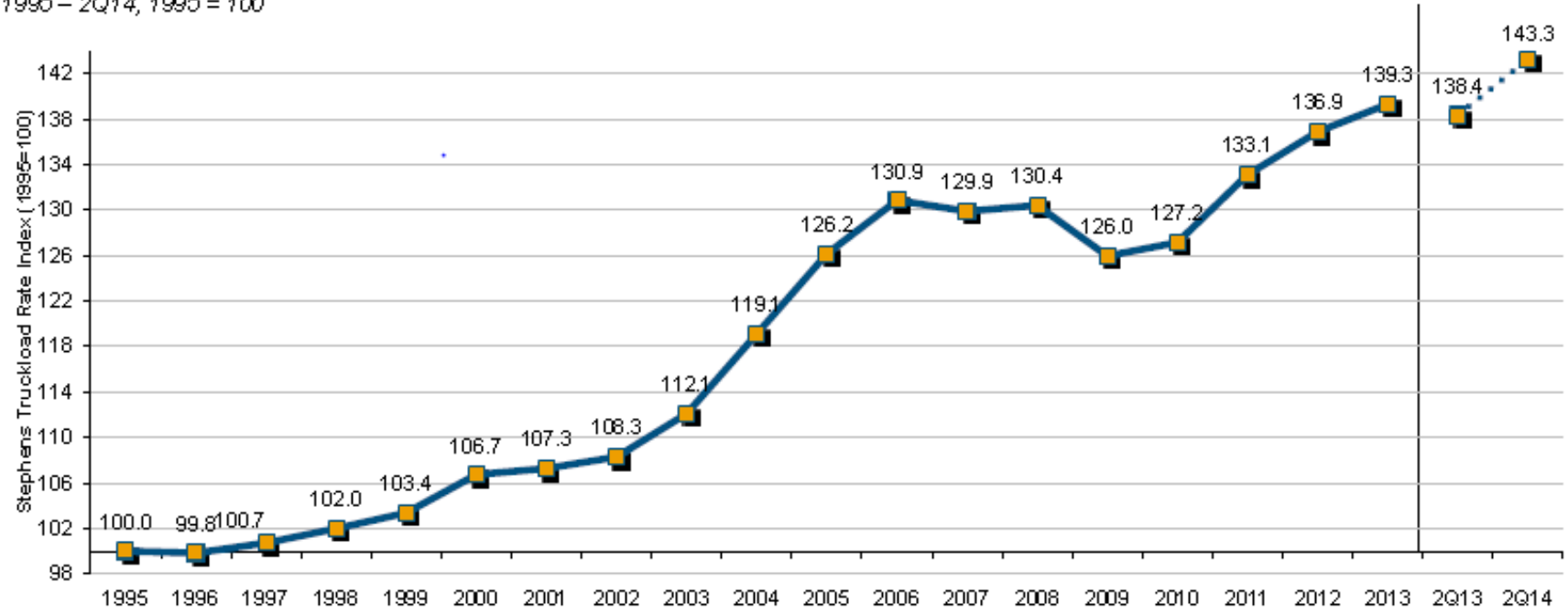
Effect Of New Regulations



Source: FTR Associates, Transport Fundamentals, 2013

STEPHENS TL INDUSTRY RATE INDEX HIGHLIGHTS THE 17TH CONSECUTIVE QUARTERLY YOY INCREASE

Stephens Loaded Rate / Mile Index
1995 – 2Q14, 1995 = 100



Source: Public company data and Stephens Inc.

► Industry prices increased 3.6% Q2 2013 vs. Q2 2014, driven by driver shortages, improving demand, and regulatory driven supply constraints

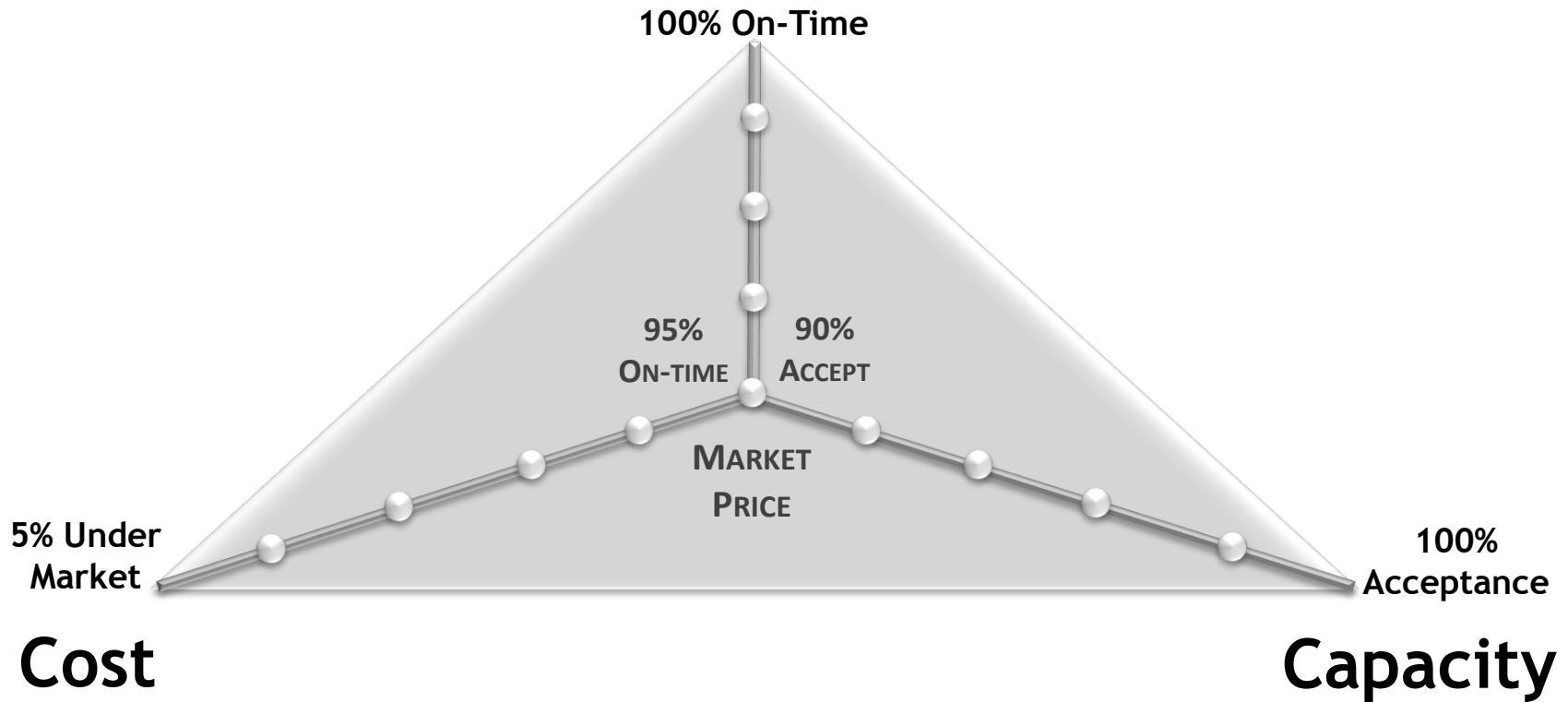
WHAT CAN A SHIPPER DO TO MITIGATE THE COST TRENDS OF SECURING RELIABLE CAPACITY?





WHAT IS YOUR BALANCE STRATEGY?
AS YOU INCREASE ONE OBJECTIVE YOU TRADE-OFF ANOTHER.

Service



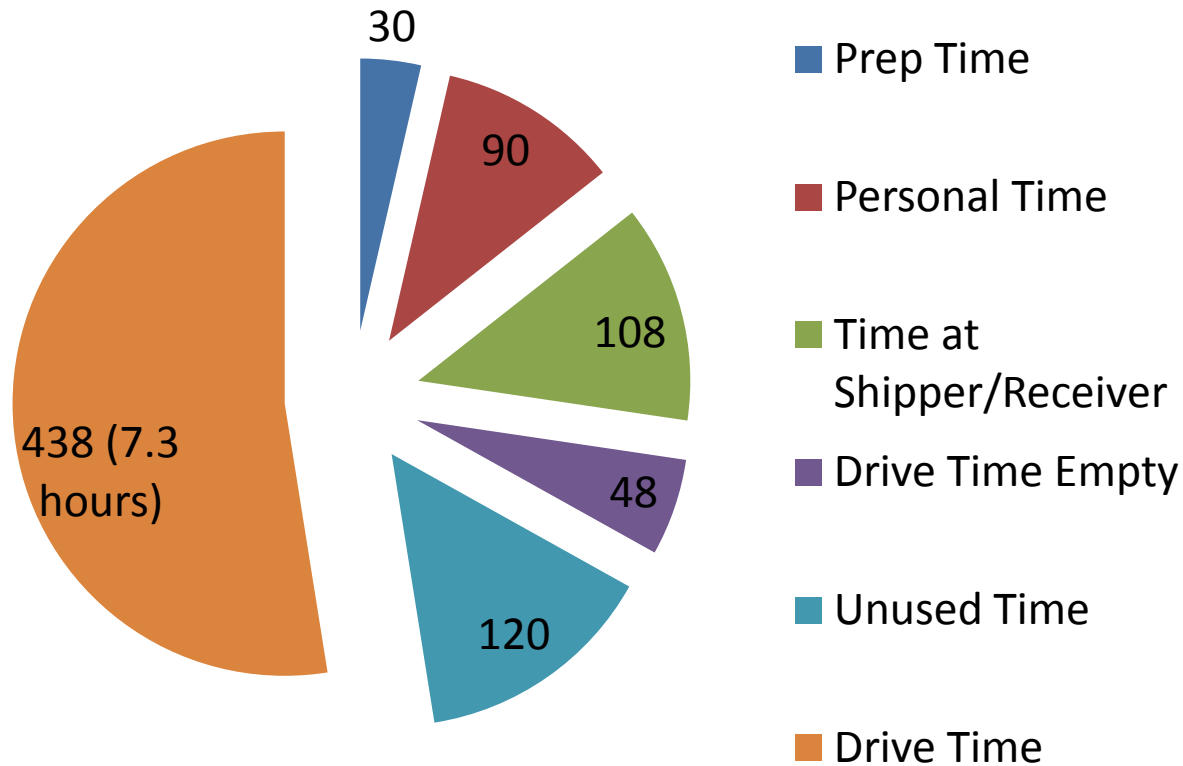
WHAT CAN A SHIPPER DO TO MITIGATE THE COST TRENDS OF SECURING RELIABLE CAPACITY?

1. Remove driver delay.

- Increase drop & hook at pickup and delivery.
- Appointment time flexibility.

ON AVERAGE, A TRUCK “DRIVER” ONLY SPENDS 52% OF THEIR AVAILABLE WORK TIME ACTUALLY HAULING FREIGHT

A Driver's 14 Hour Day (840 minutes)



Note: 600 available drive time minutes per day

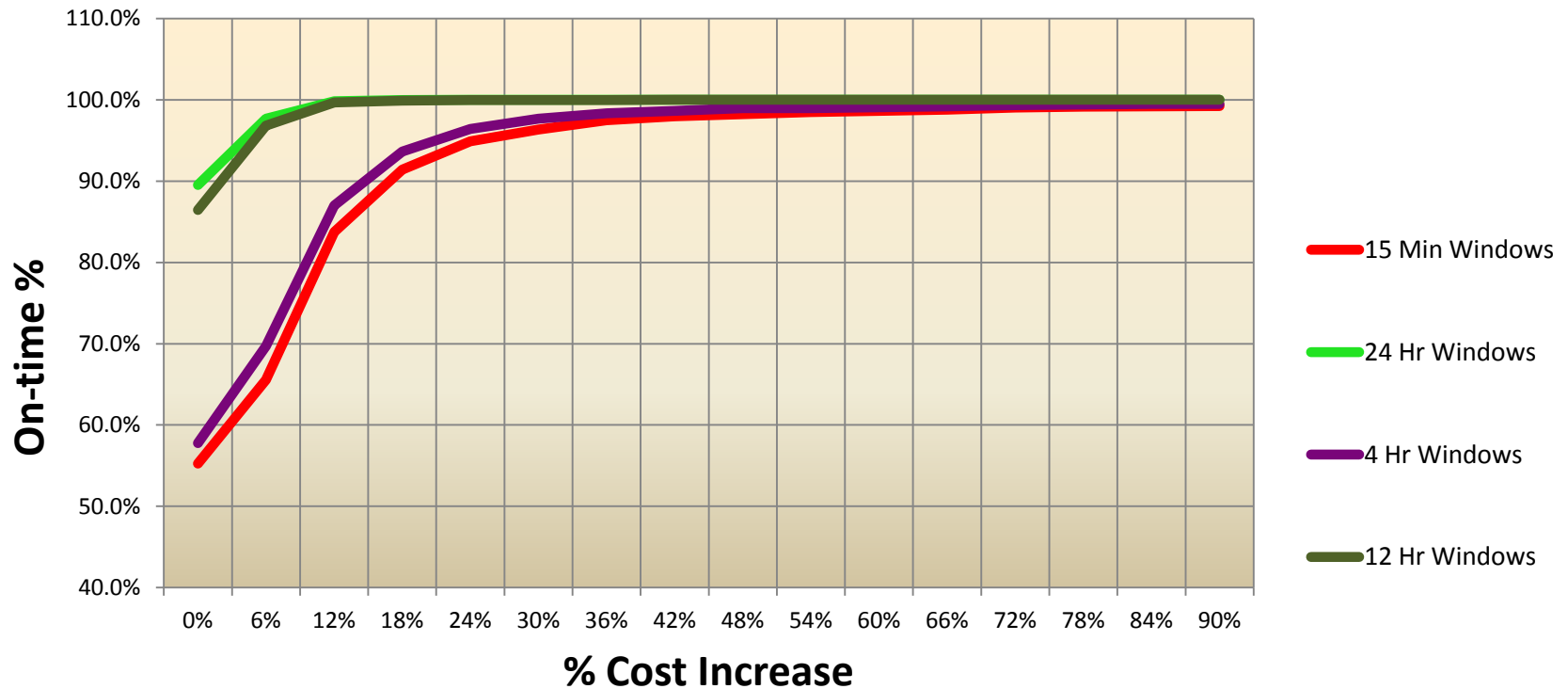
Sources: BBTCM proprietary work with a large private fleet, sub-90 OR

 *The introduction of the continuous “on duty” clock changed the industry.*



THE COST OF SERVICE IS A FUNCTION OF SHIPPING AND RECEIVING WINDOWS

Additional Cost for On-time Deliveries - Truckload



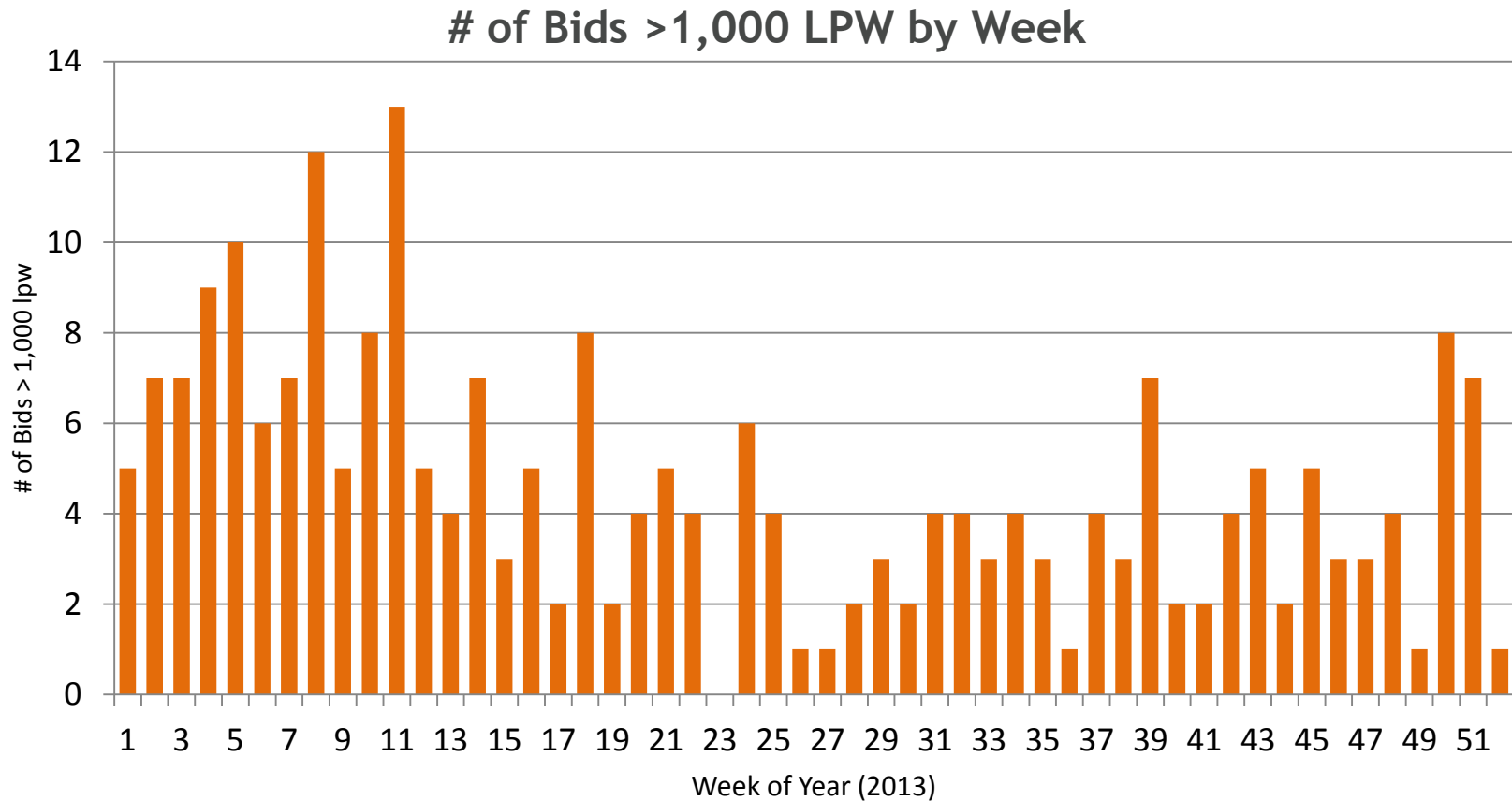
The model assumes 100% acceptance

WHAT CAN A SHIPPER DO TO MITIGATE THE COST TRENDS OF SECURING RELIABLE CAPACITY?

2. Loyalty

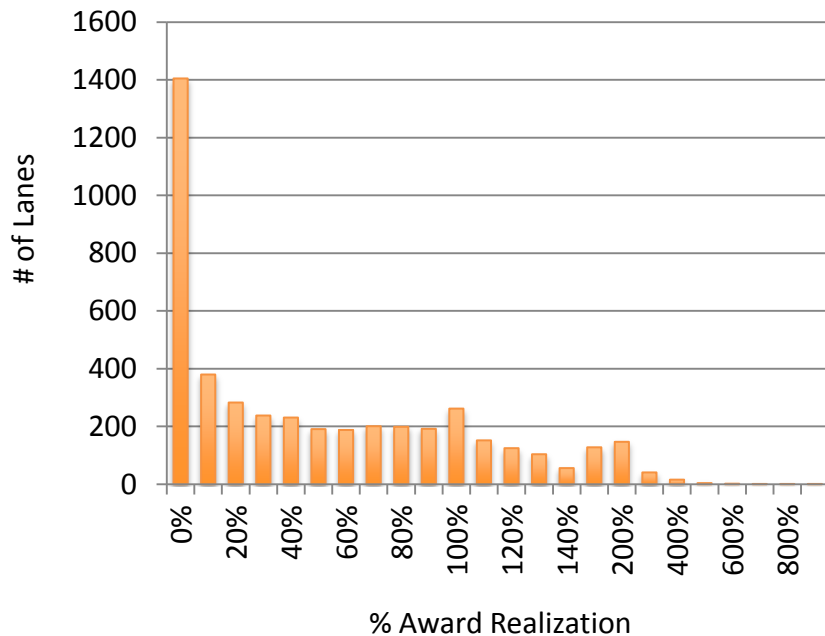
- Consistent business can lead to lower costs.
- Less frequent or no bidding allows carrier to build network around the customer.

THE IMPACT OF BIDS ON BALANCE: CONCENTRATION OF BIDS RESULTS IN BIG CARRIER BALANCE CHANGES IN 2ND HALF OF YEAR

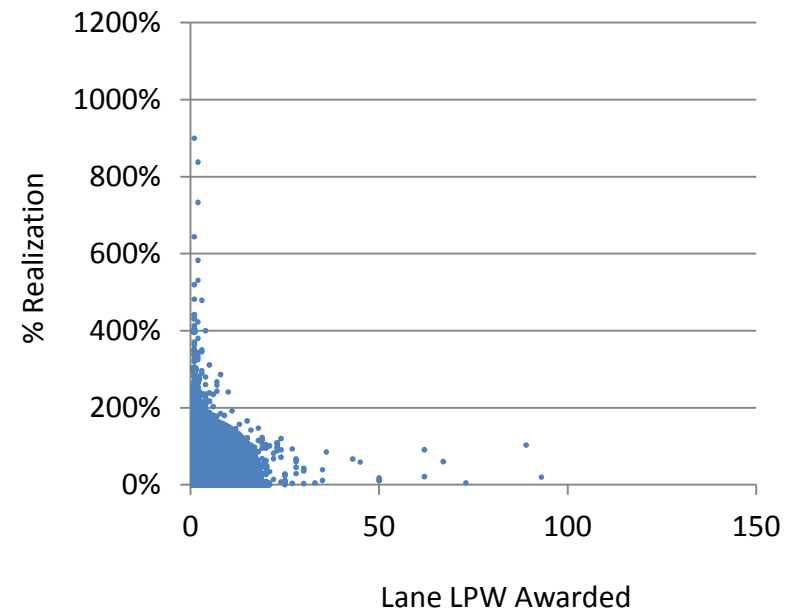


IMPACT OF AWARDS ON BALANCE: AWARDED FREIGHT DOES NOT EQUAL TENDERED FREIGHT

Distribution of Awarded Lane Realization



Lane Award Realization Distribution



► *Impossible to build networks around a customer until freight is consistently realized.*

WHAT CAN A SHIPPER DO TO MITIGATE THE COST TRENDS OF SECURING RELIABLE CAPACITY?

3. Proactively secure capacity.

- Dedicated capacity.
- Pop-up (Short term) Dedicated capacity.
- Prepaid capacity reservations.
- Schneider Transportation Management - Brokerage.
- Schneider Intermodal.
 - Consider inventory/transit time tradeoff benefits.

WHAT CAN A SHIPPER DO TO MITIGATE THE COST TRENDS OF SECURING RELIABLE CAPACITY?

4. Become Driver friendly.

- Restroom facilities and rest allowed on premises.
- Retention and Recruiting costs of drivers steers carriers to avoid “unfriendly” locations.

BALANCING FOR BEST VALUE

