Economic & Trucking Industry Update

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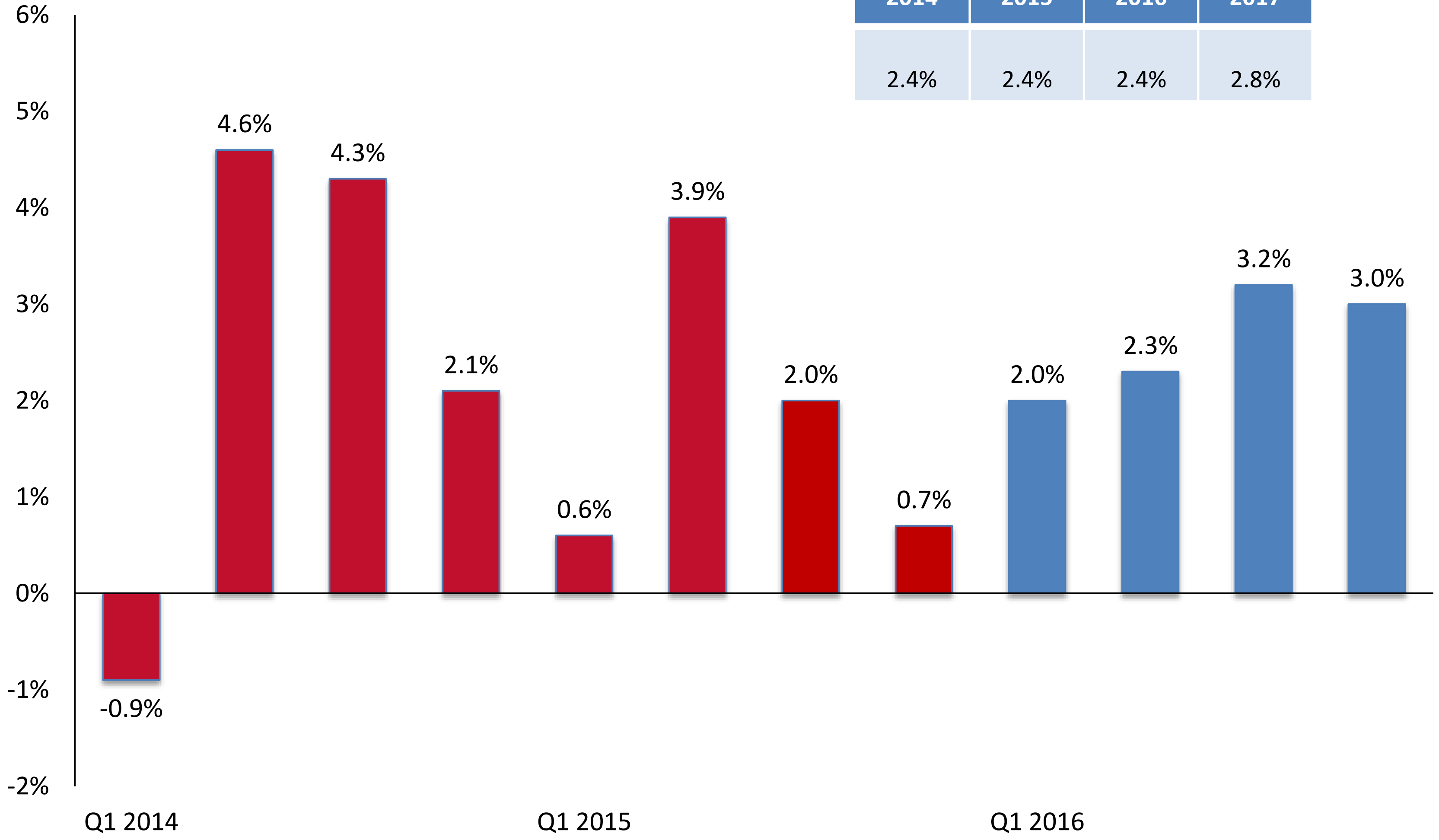
General Economic Themes

1. Economy is quite fragmented, which translates into a uneven trucking volumes. Probability of a recession has increased (25% chance over next six months), but remains fairly low.
2. Current inventory correction is significant and taking longer than anticipated.
3. Manufacturing output is very soft. Still bullish on US factories longer-term.
4. Solid job growth, modest acceleration in wages, and drop in gasoline prices will support consumer spending in 2016.
5. Housing is one of the better sectors of the economy, supported by household formation.
6. Bottom line: GDP growth remains the same in 2016 (2.4%) as in 2015, then accelerates slightly in 2017 (2.8%) on strength in consumer spending and housing.

Quarterly Real GDP & Forecasts

2014	2015	2016	2017
2.4%	2.4%	2.4%	2.8%



Sources: BEA & ATA

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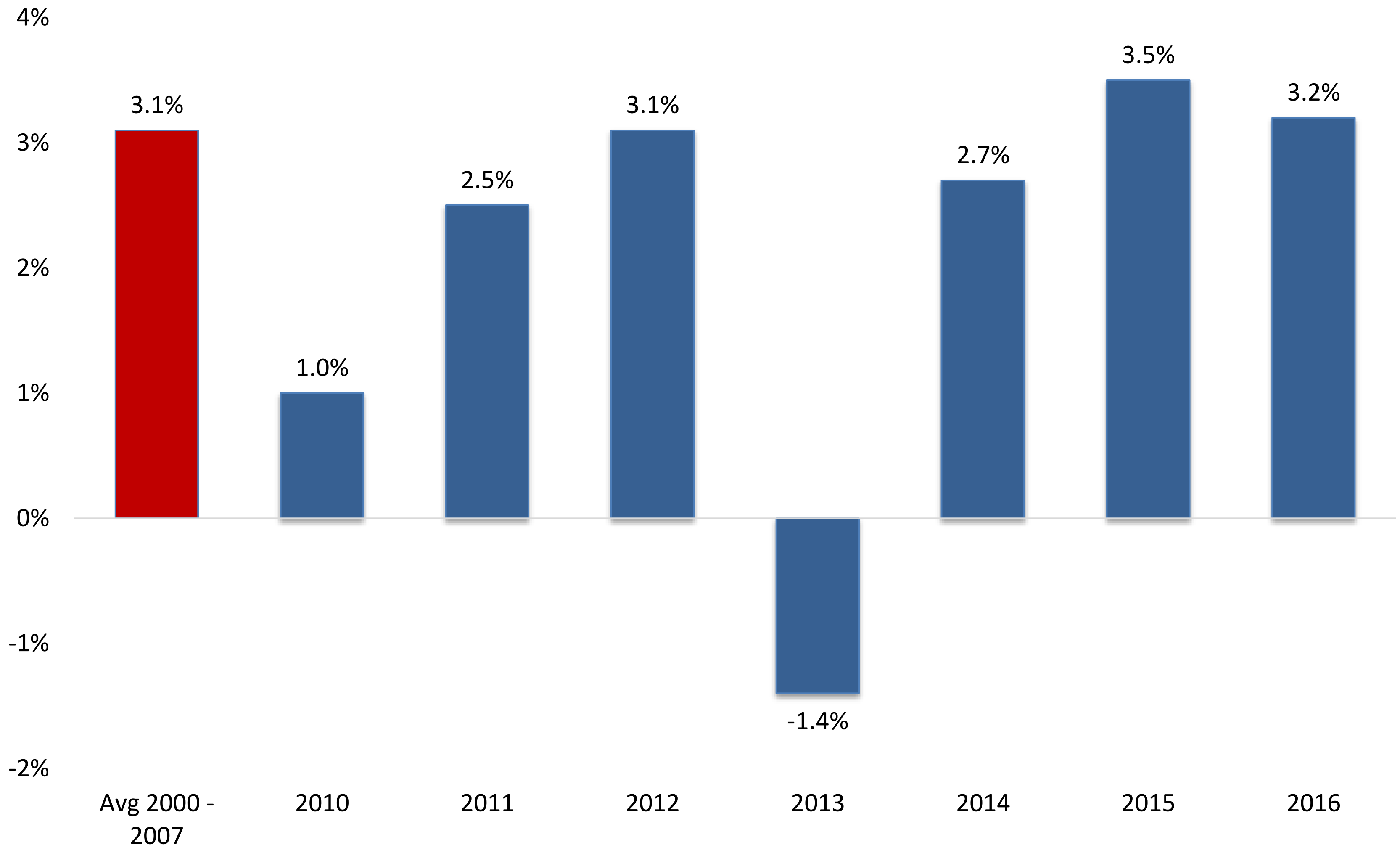
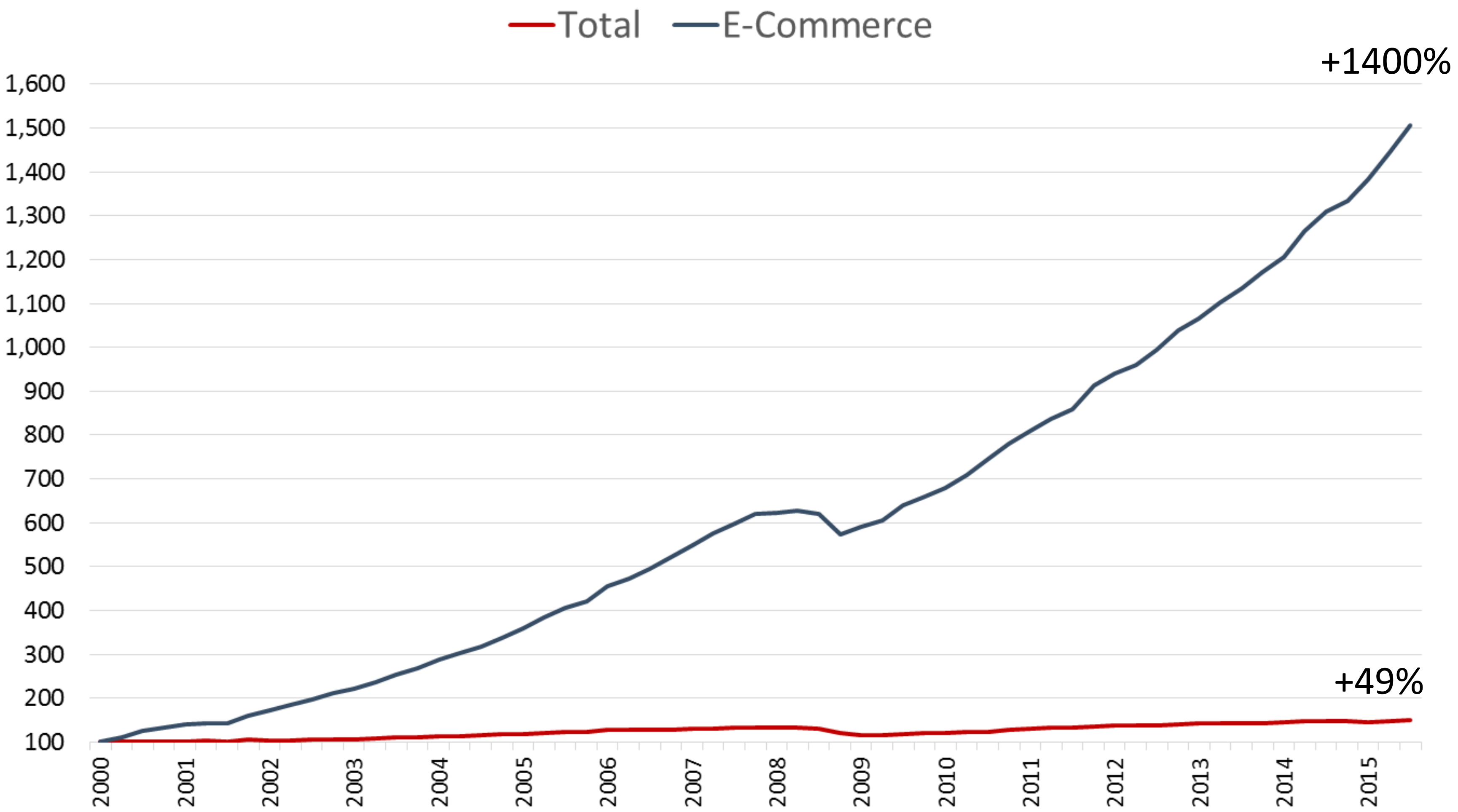
Real Personal Disposable Income Growth



Sources: BEA & ATA

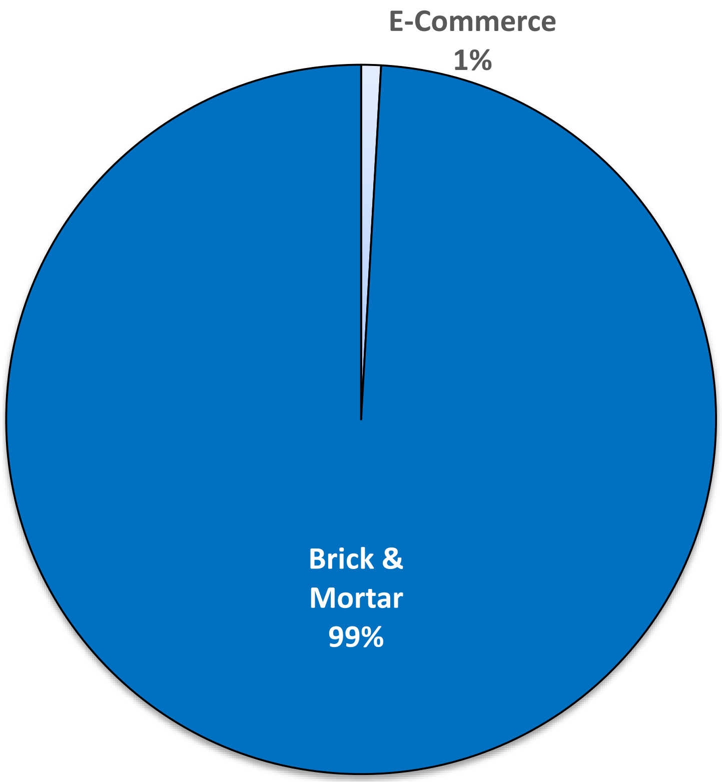
Retail Sales

(Q1 2000 = 100)

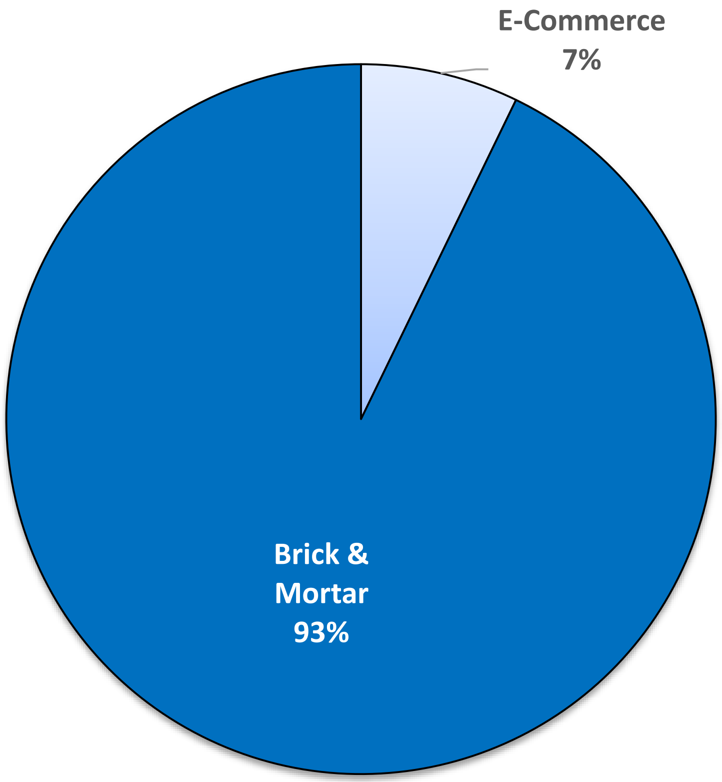


Source: Census Bureau

Retail Sales



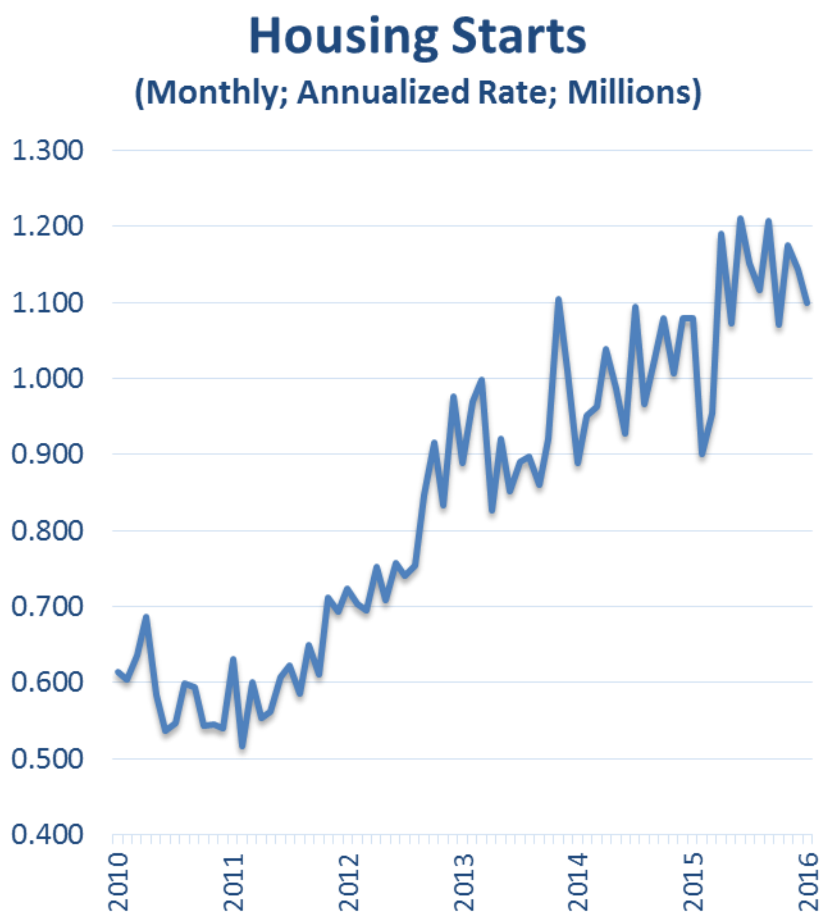
2000

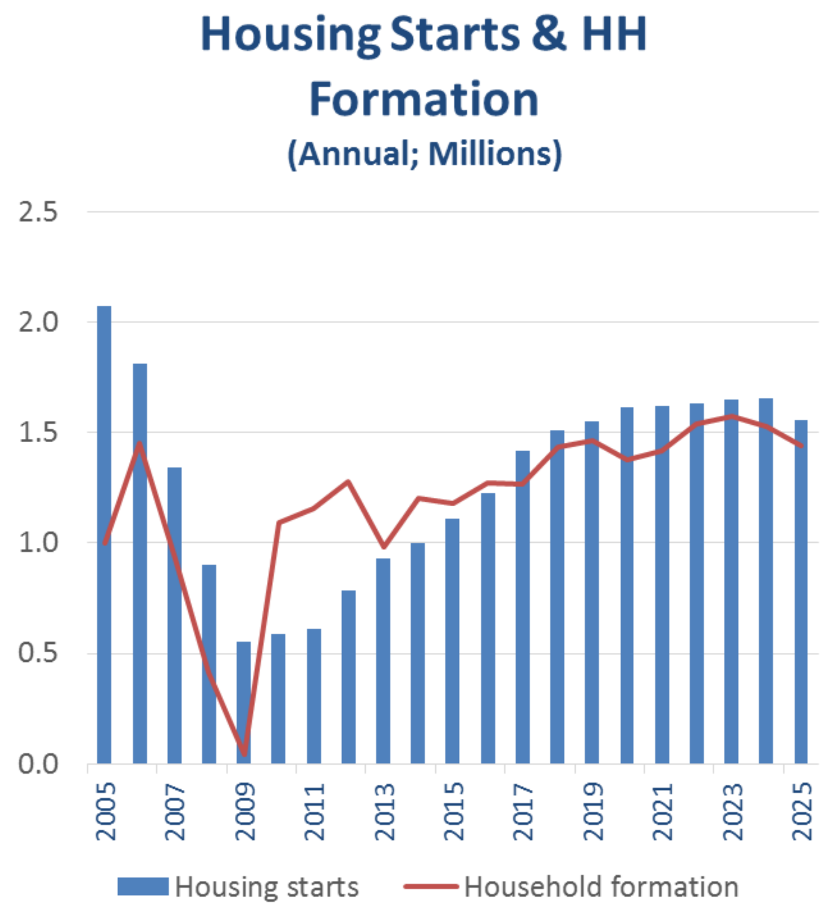


2015

Source: Census Bureau

Household Formation will Support Further Gains in Housing Starts





	2014	2015	2016
H.S.	1 Mil	1.11 M	1.23 M

Sources: Census, IHS & ATA

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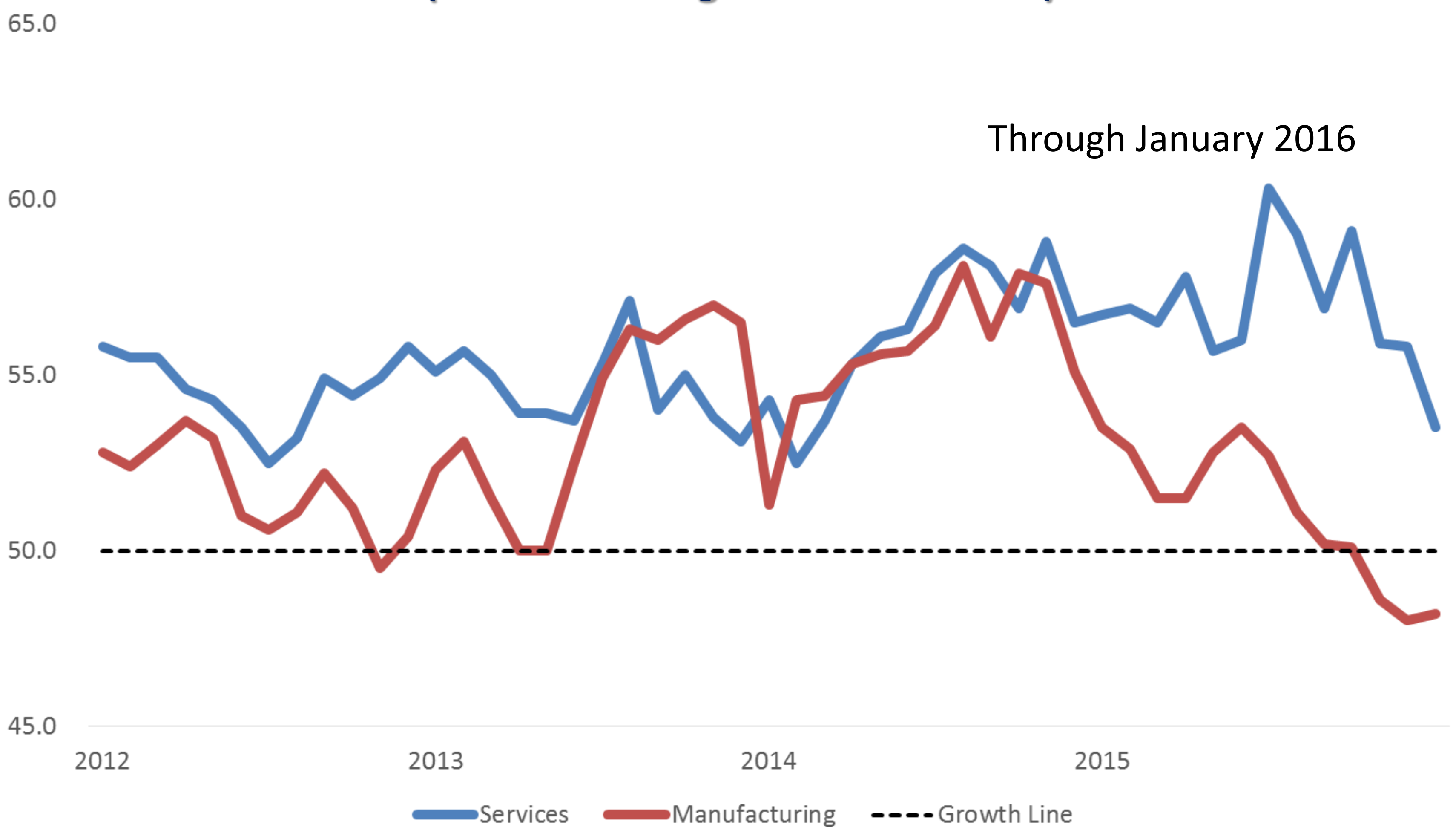
ISM Indexes

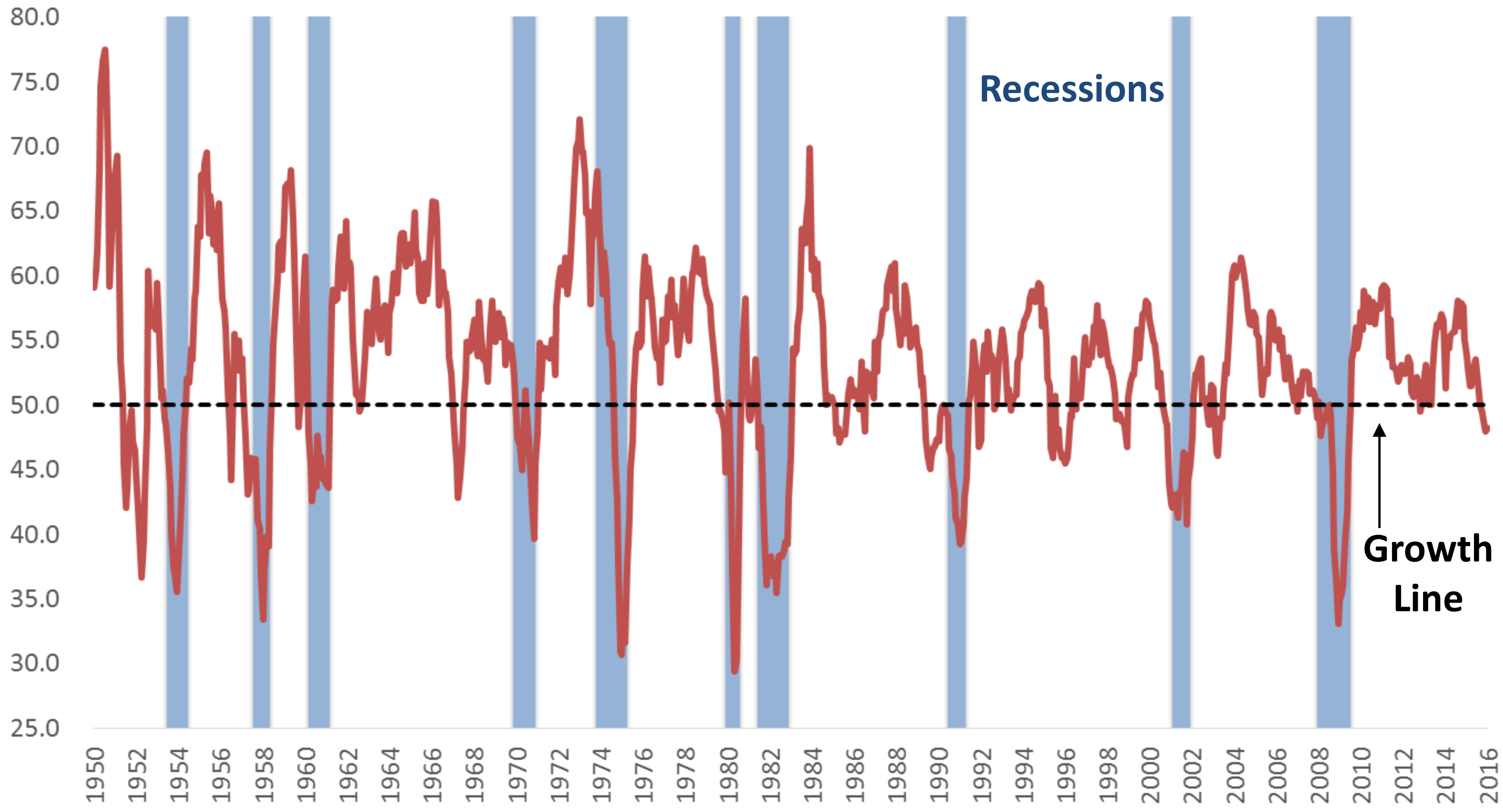
(Manufacturing vs Service Sector)



Source: Institute for Supply Chain Management

ISM Index

(Manufacturing Sector)



The ISM index has predicted all 10 recessions since 1950, plus 14 more.

Source: Institute for Supply Chain Management

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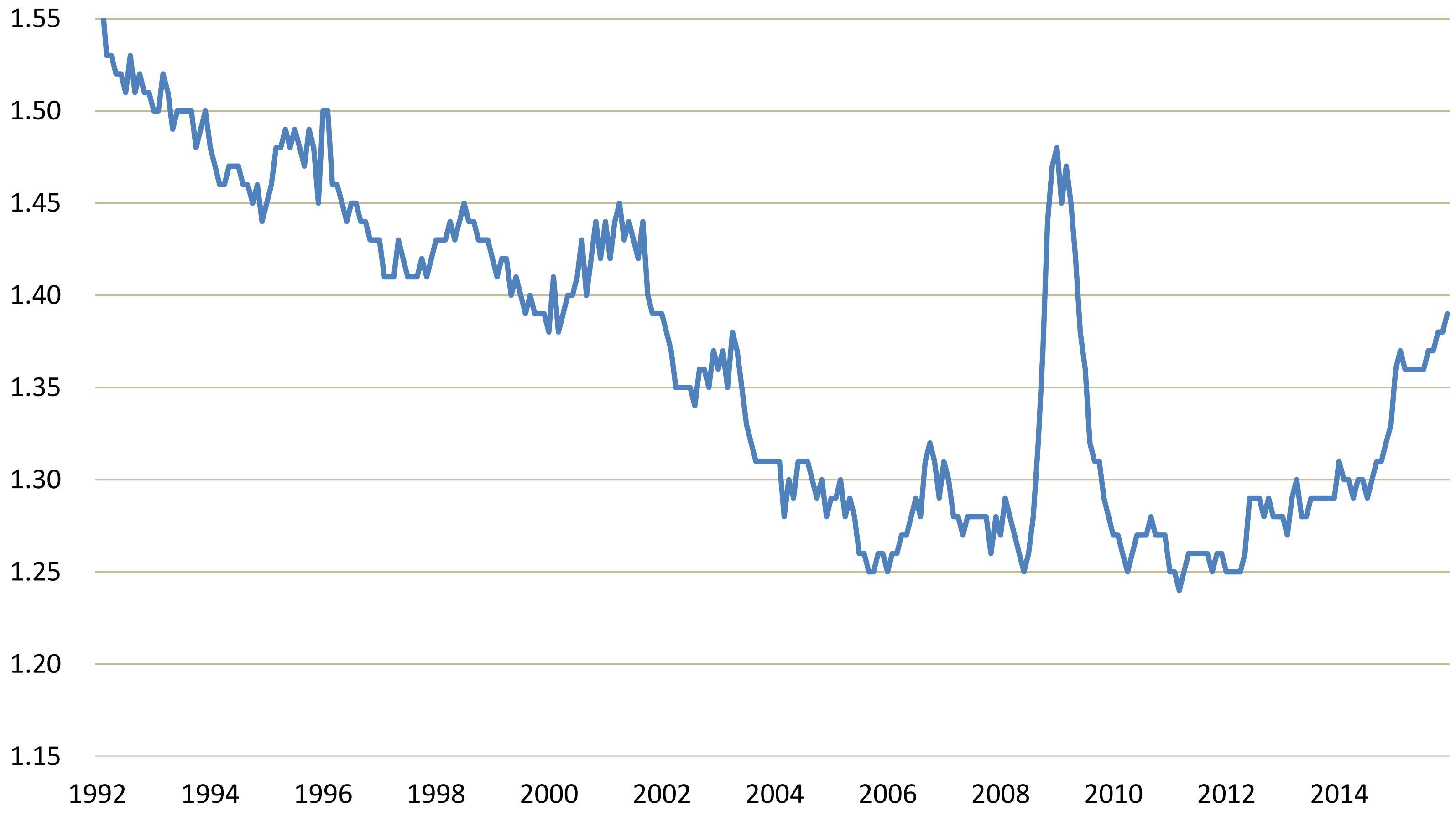
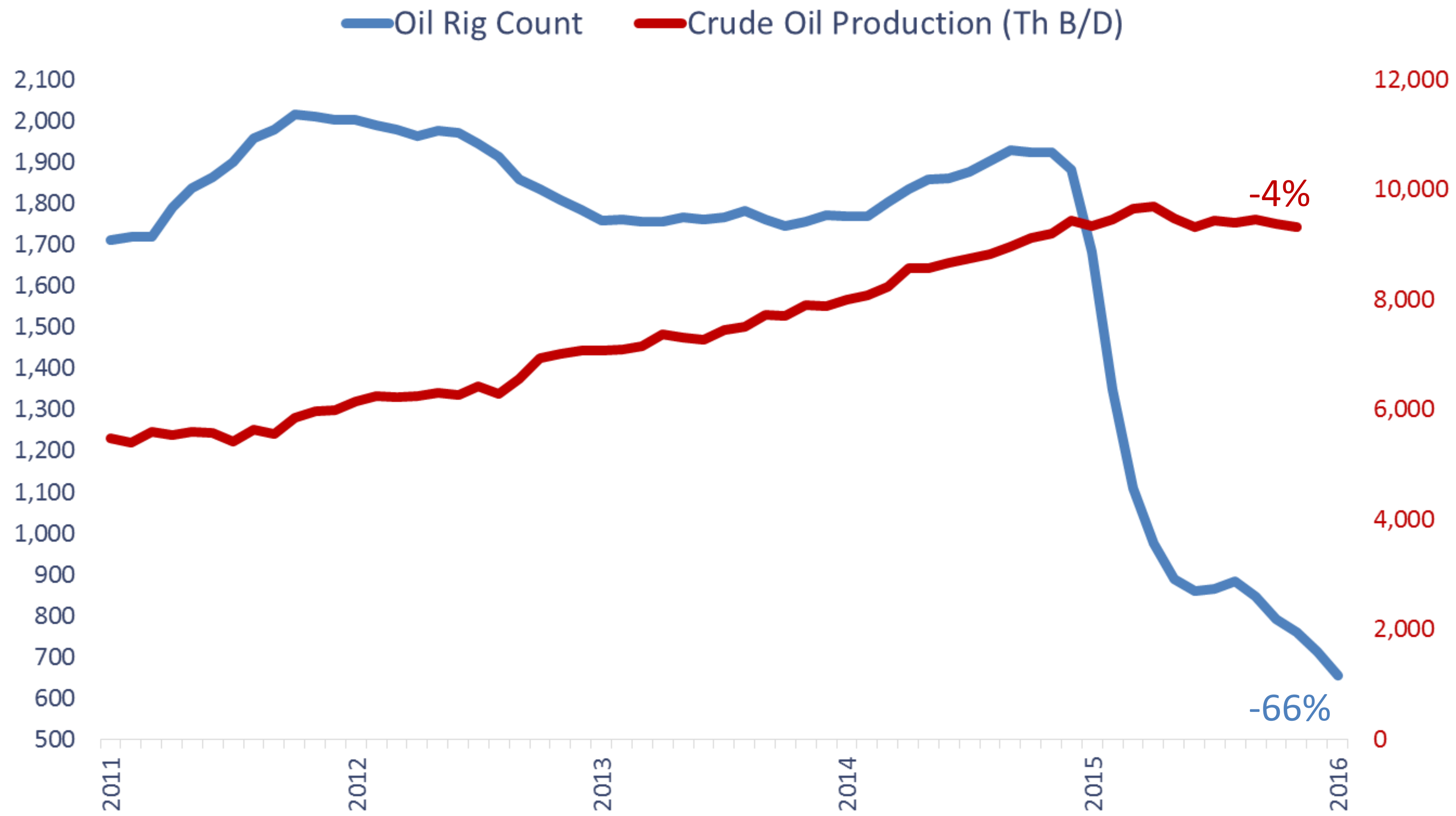
Total Business Inventory-to-Sales Ratio

(Data adjusted for seasonal, holiday, and trading-day differences, but not price changes)



Source: Census Bureau

US Crude Oil Data



Sources: Baker Hughes & EIA

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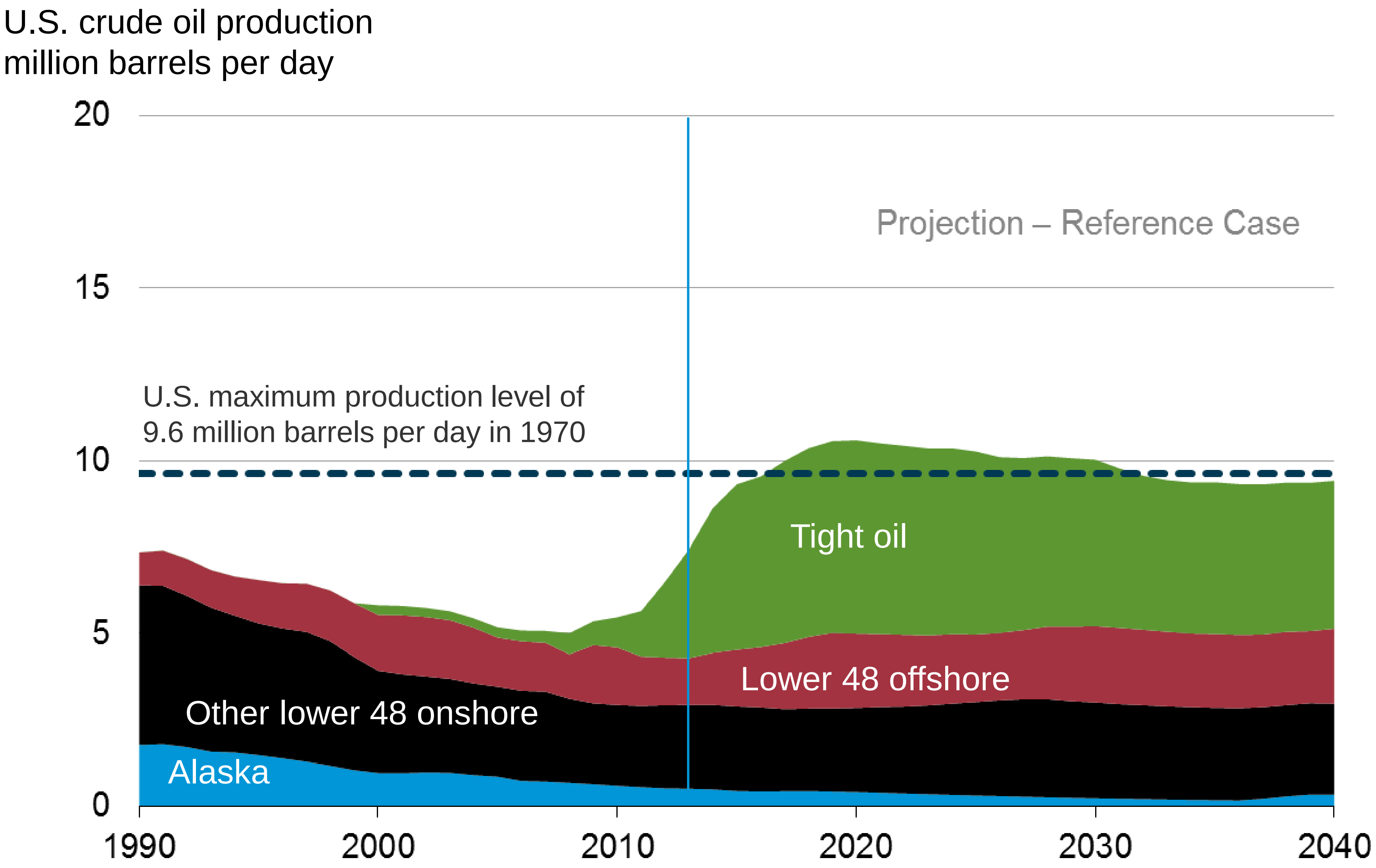
U.S. Energy Revolution



Source: EIA, Annual Energy Outlook 2015 Reference Case

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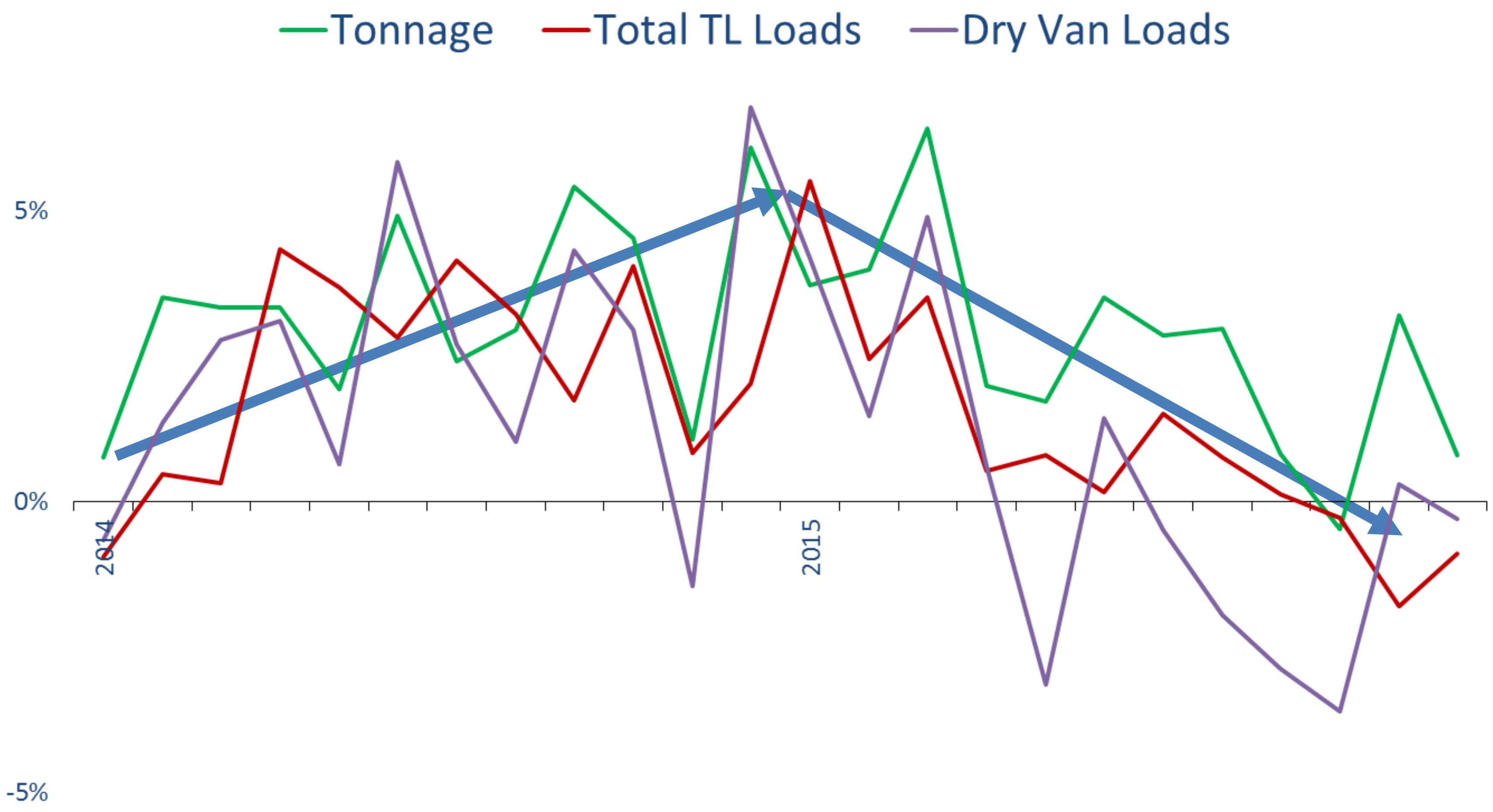
General Trucking Themes

1. Truck freight volumes weakened considerably through 2015. Growth this year will remain uneven by sector.
2. The industry is now adding a little OTR capacity (mainly small TLs and LTLs), but tractor counts remain well below all-time highs. Fleets are adding trailers to boost trailer to tractor ratio. Expect capacity to tighten through 2016 and into 2017 as volumes improve and ELD mandate gets closer.
3. Revenue per mile continues to grow for contract freight, but weakening. Spot market is very soft.
4. Driver shortage is remains bad, but combination of pay hikes and oil field weakness helped.
5. Fleets continue to see rising costs x fuel. Fleets using fuel savings to pay drivers more and replace trucks.
6. Many small fleets were thrown 2 life lines in 2014: Drop in fuel prices and surge in spot market rates, which means they can pay drivers more and replace tractors. However, this group will come under pressure from ELDs and weaker spot market.

Uneven Economy = Uneven Truck Freight Volumes

Growth in Various Trucking Volume Measures

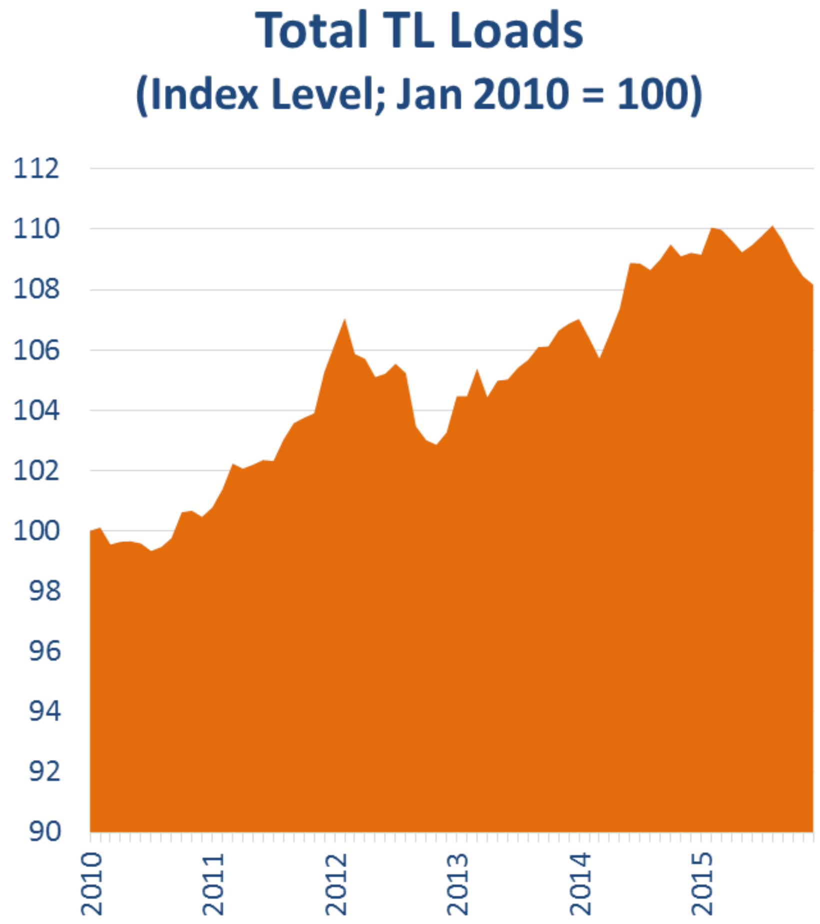
(Year-over-Year Percent Change)



Source: ATA's *Trucking Activity Report*

For-Hire TL Volumes

(All data is a 3-month moving average; Includes all types of TL freight)



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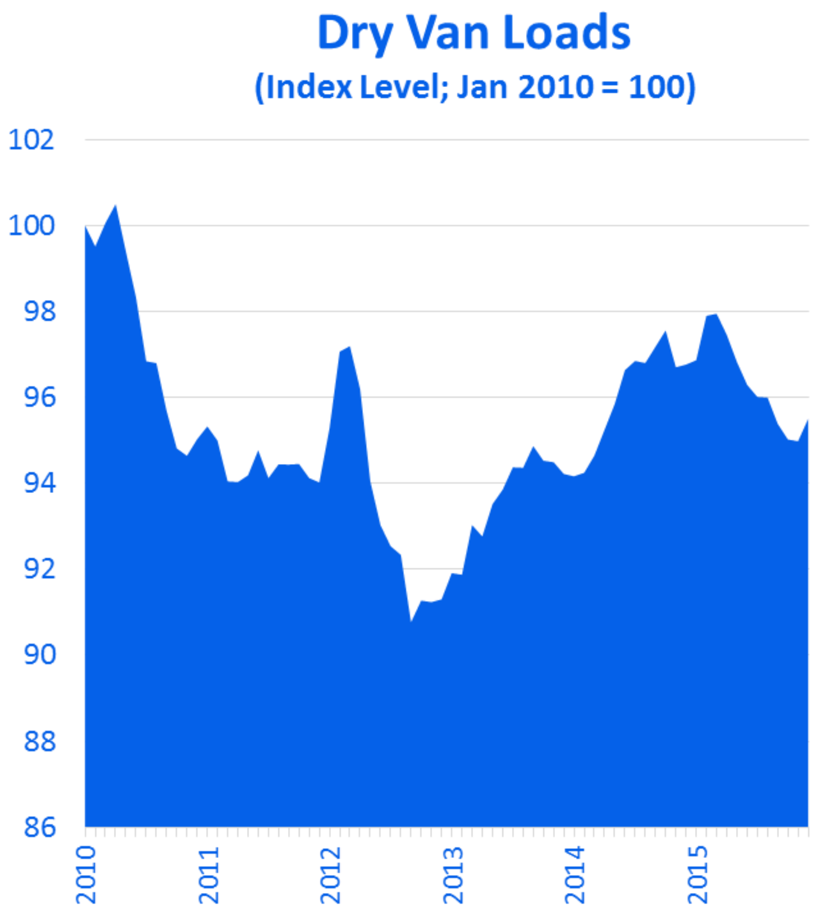
For-Hire Dry Van TL Volumes

(All data is a 3-month moving average)



Source: ATA's *Trucking Activity Report*

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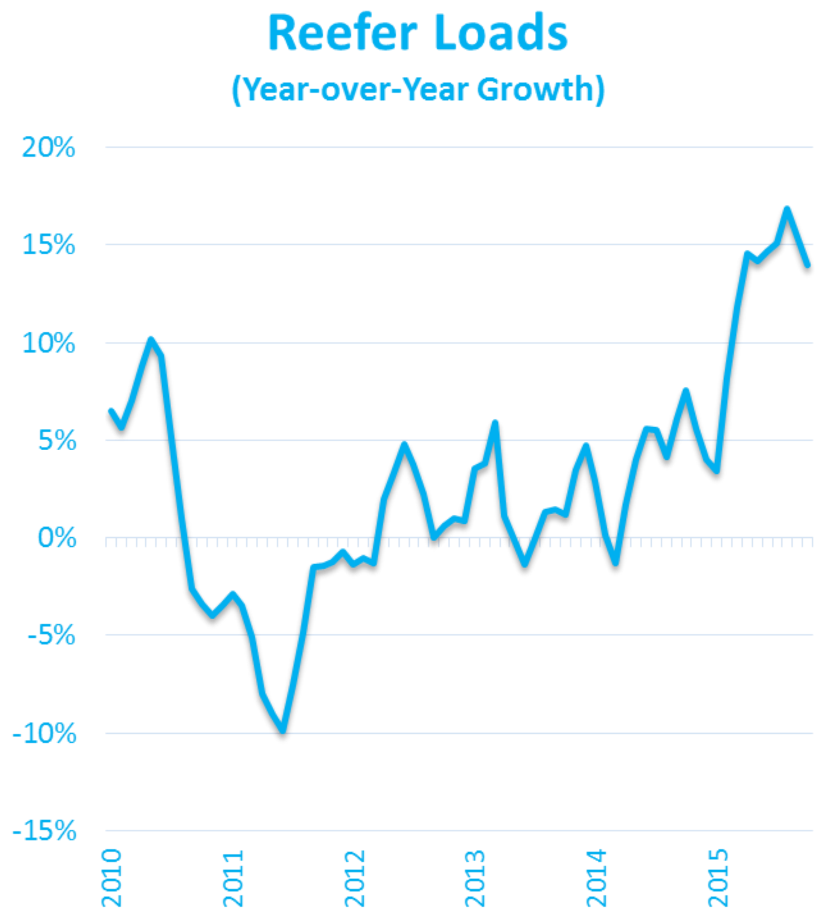
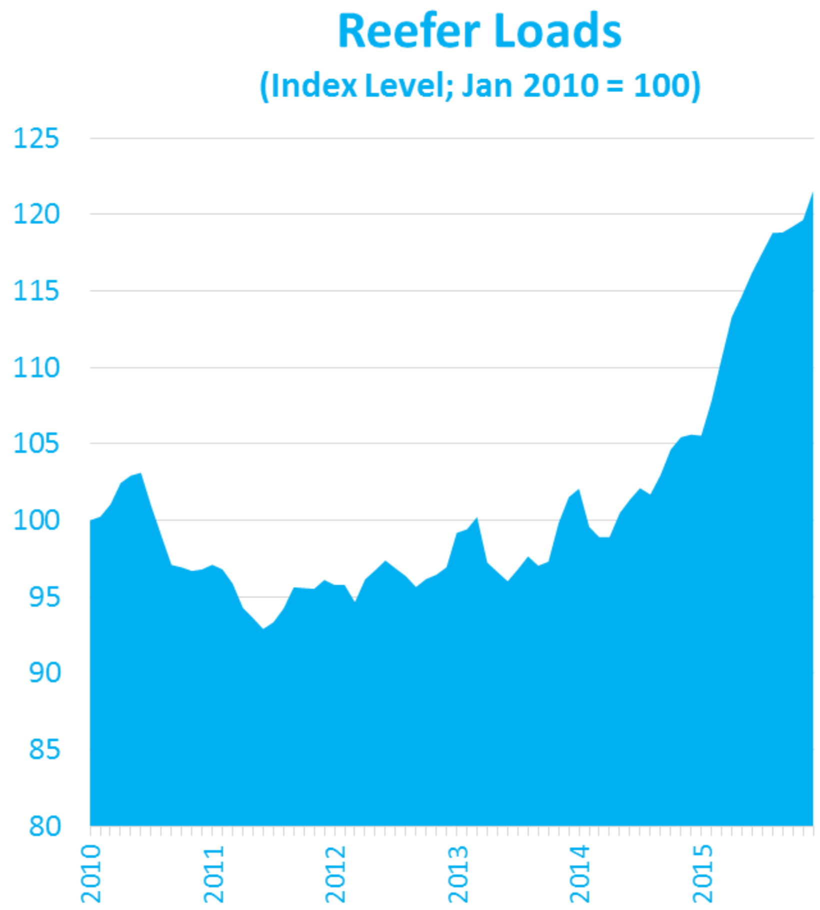
For-Hire Refrigerated TL Volumes

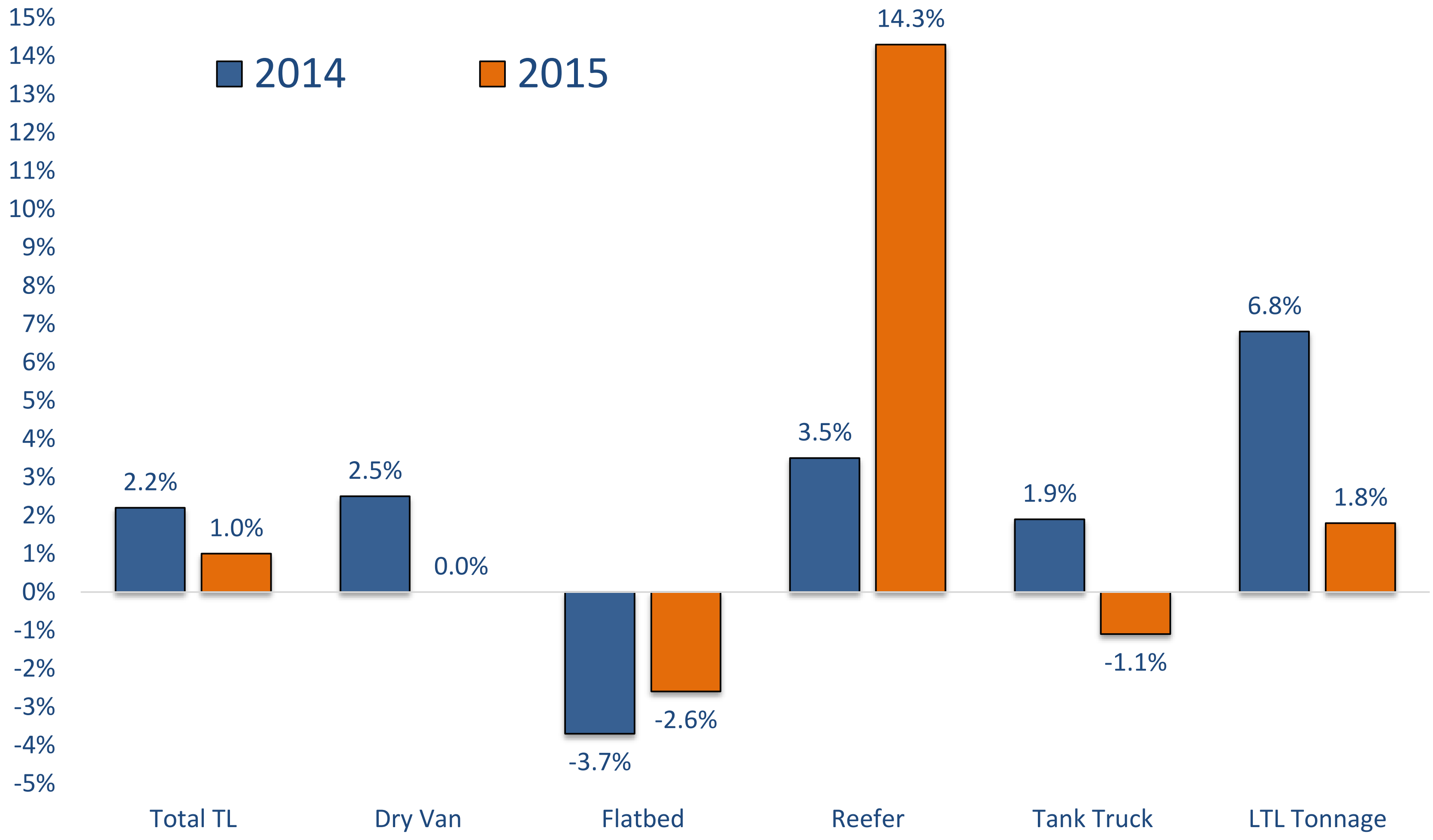
(All data is a 3-month moving average)





Source: ATA's *Trucking Activity Report*

TL Loads and LTL Tonnage Growth



Source: ATA's *Trucking Activity Report*

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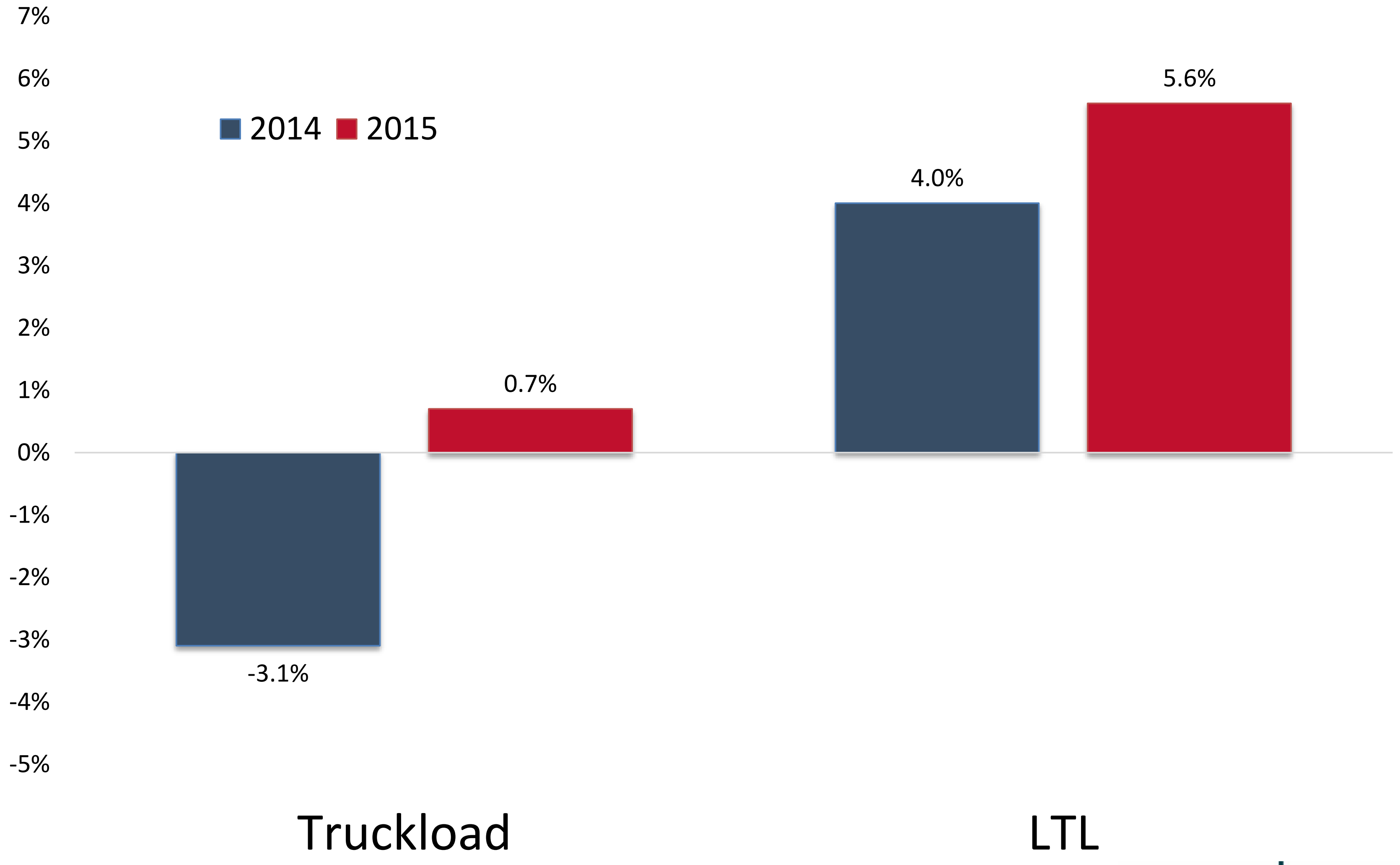
Truck Capacity Trends

Tractor Count Changes



Source: ATA's *Trucking Activity Report*

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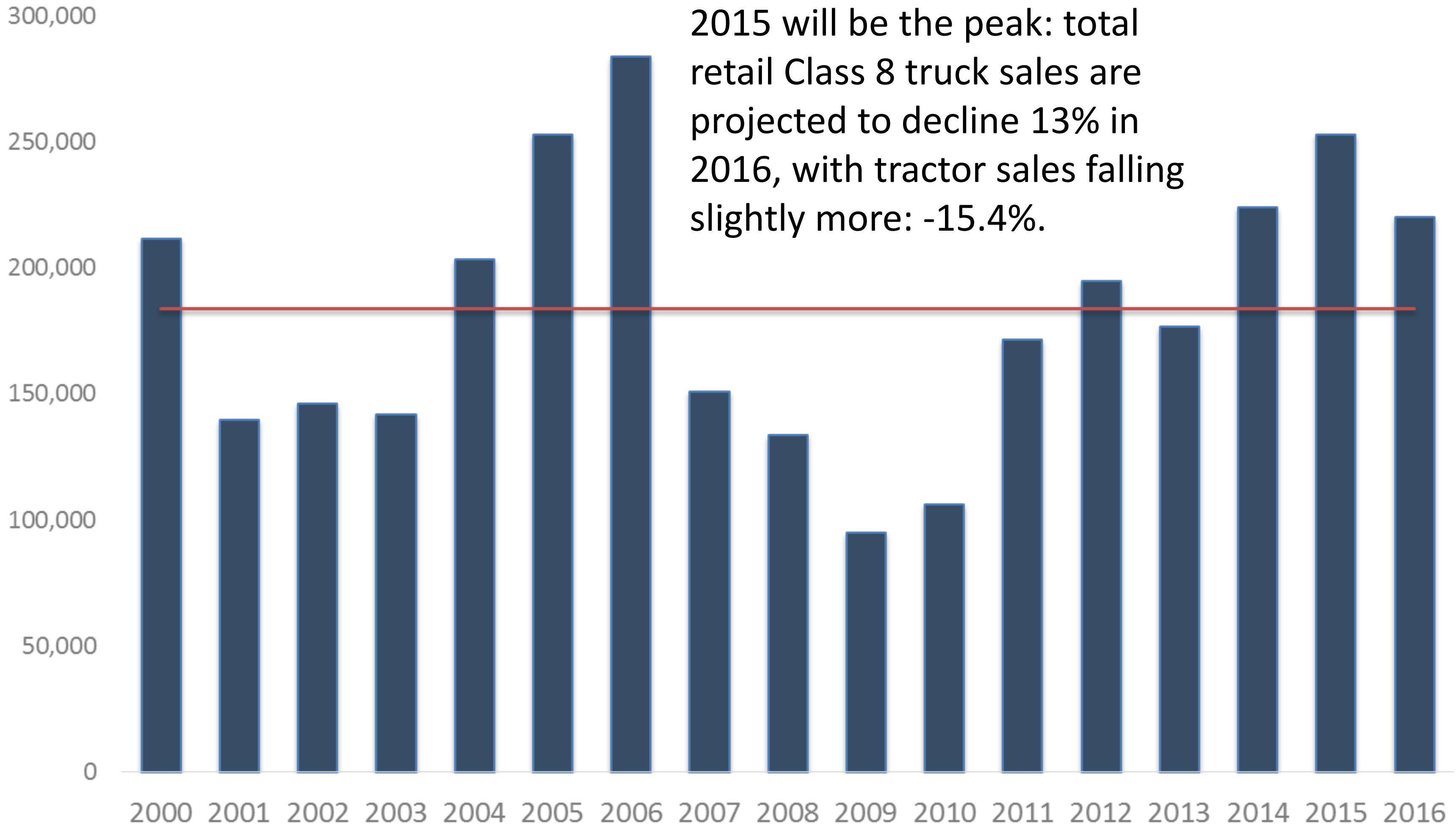
U.S. Class 8 Truck Retail Sales



2015 will be the peak: total retail Class 8 truck sales are projected to decline 13% in 2016, with tractor sales falling slightly more: -15.4%.

Source: ATA & ACT Research

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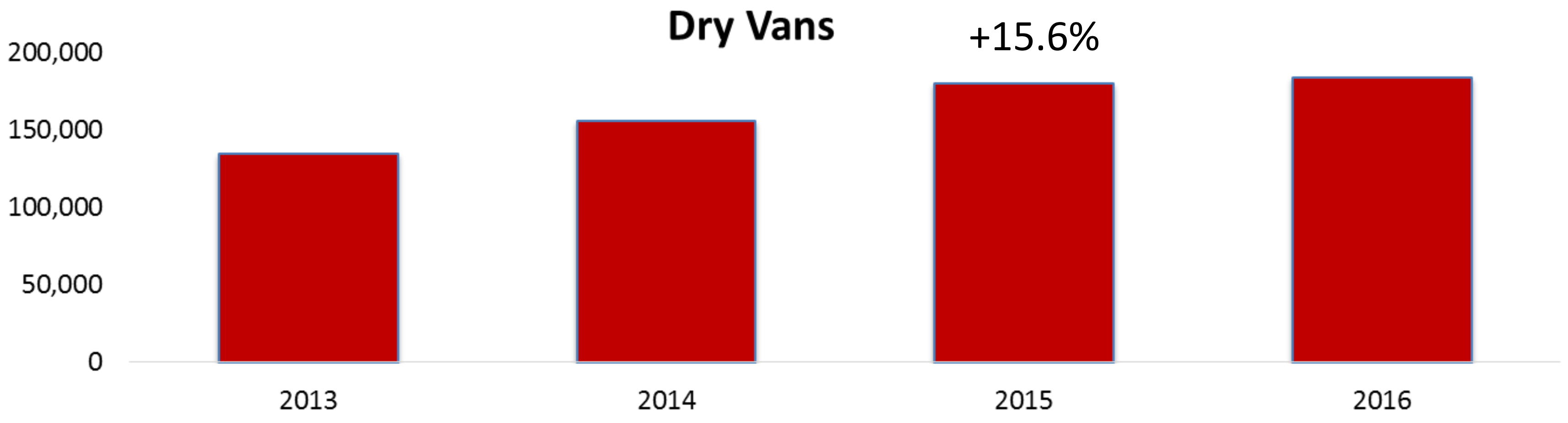
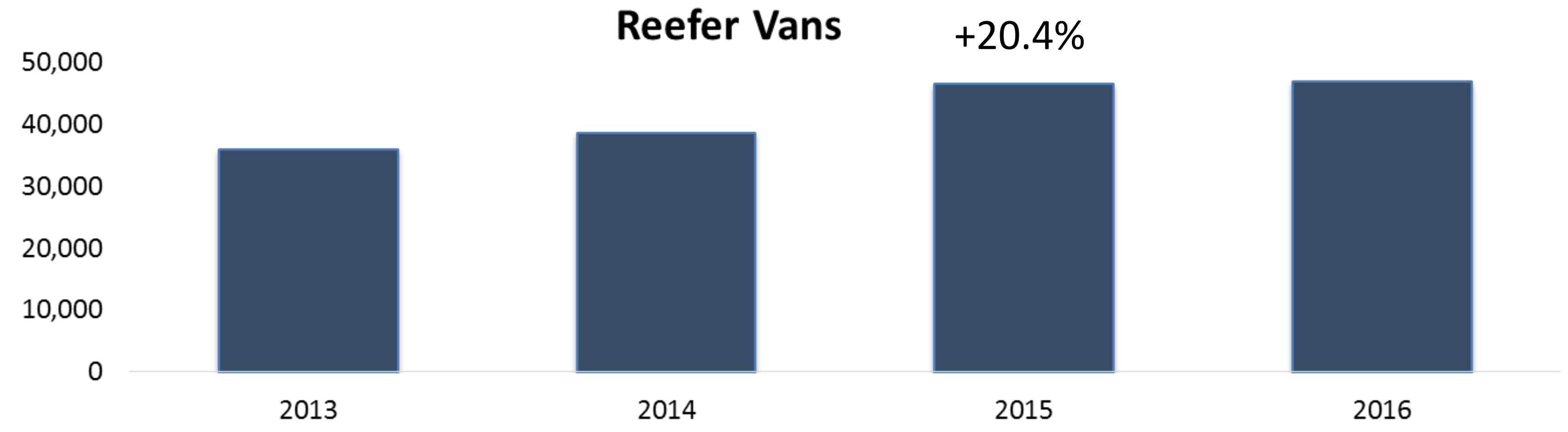
US Trailer Sales





Source: ATA & ACT Research

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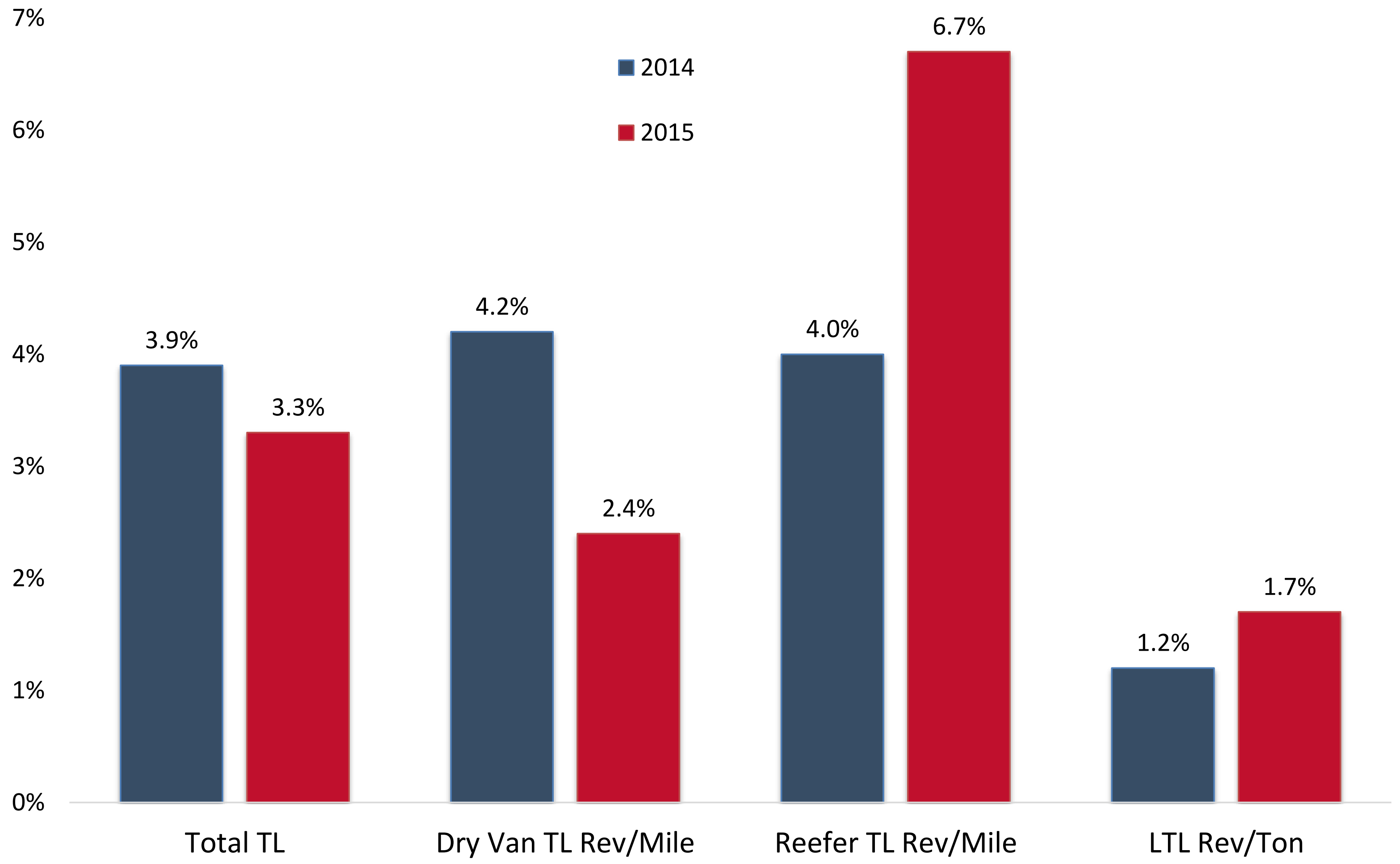
Revenue Trends

Pricing Proxy Changes by Carrier Type



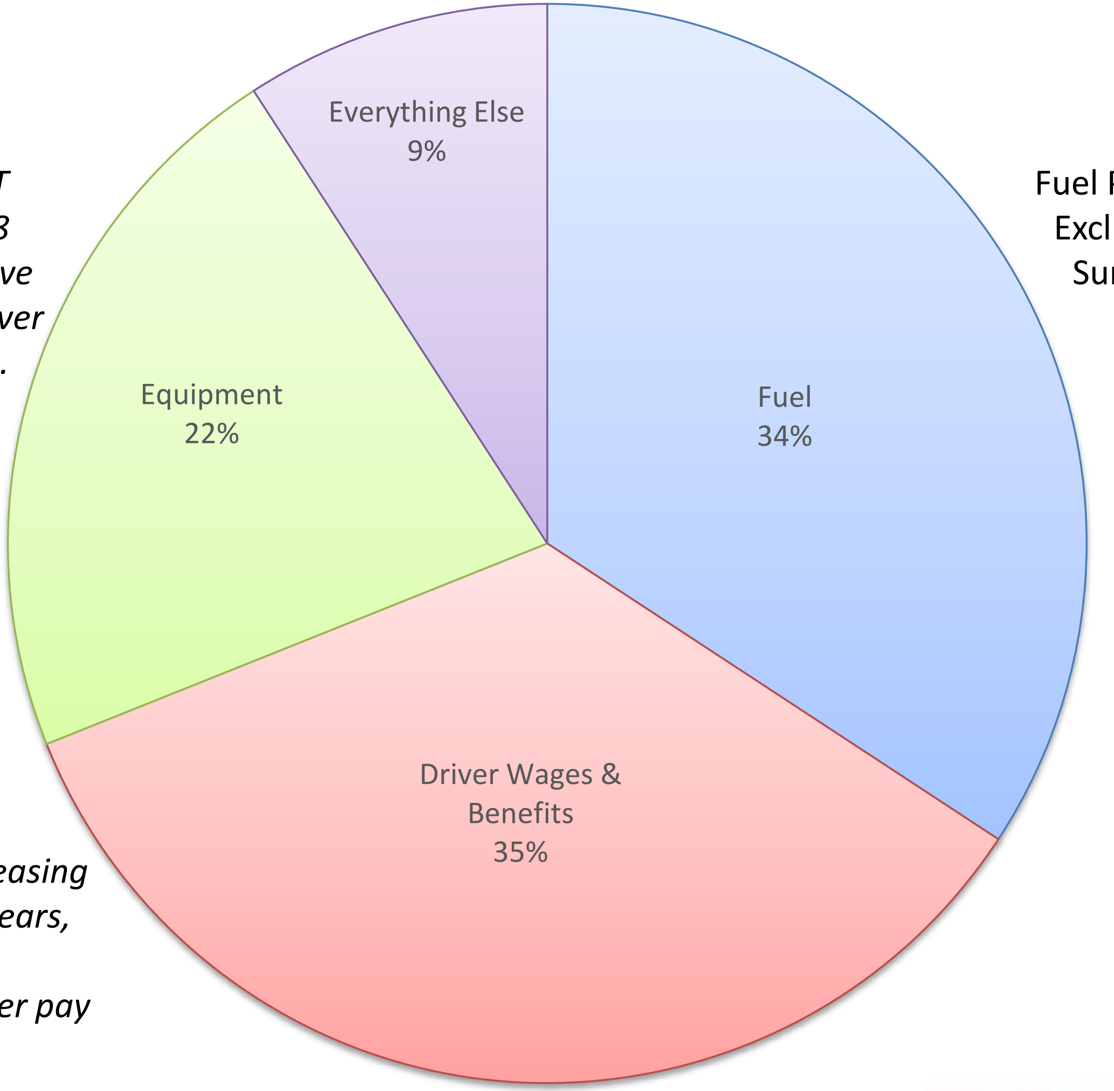
Includes contract freight and spot market loads; excludes FSC

Source: ATA's Trucking Activity Report

Cost Trends

Operational per Mile Costs of Trucking: 2014

According to ACT Research, Class 8 tractor prices have increased 30% over the last 10 years.



Fuel Percentage Excludes Fuel Surcharges

After aggressively increasing pay over the last two years, many TL fleets are still compelled to raise driver pay in 2016.

Source: ATRI's *Analysis of the Operational Cost of Trucking*

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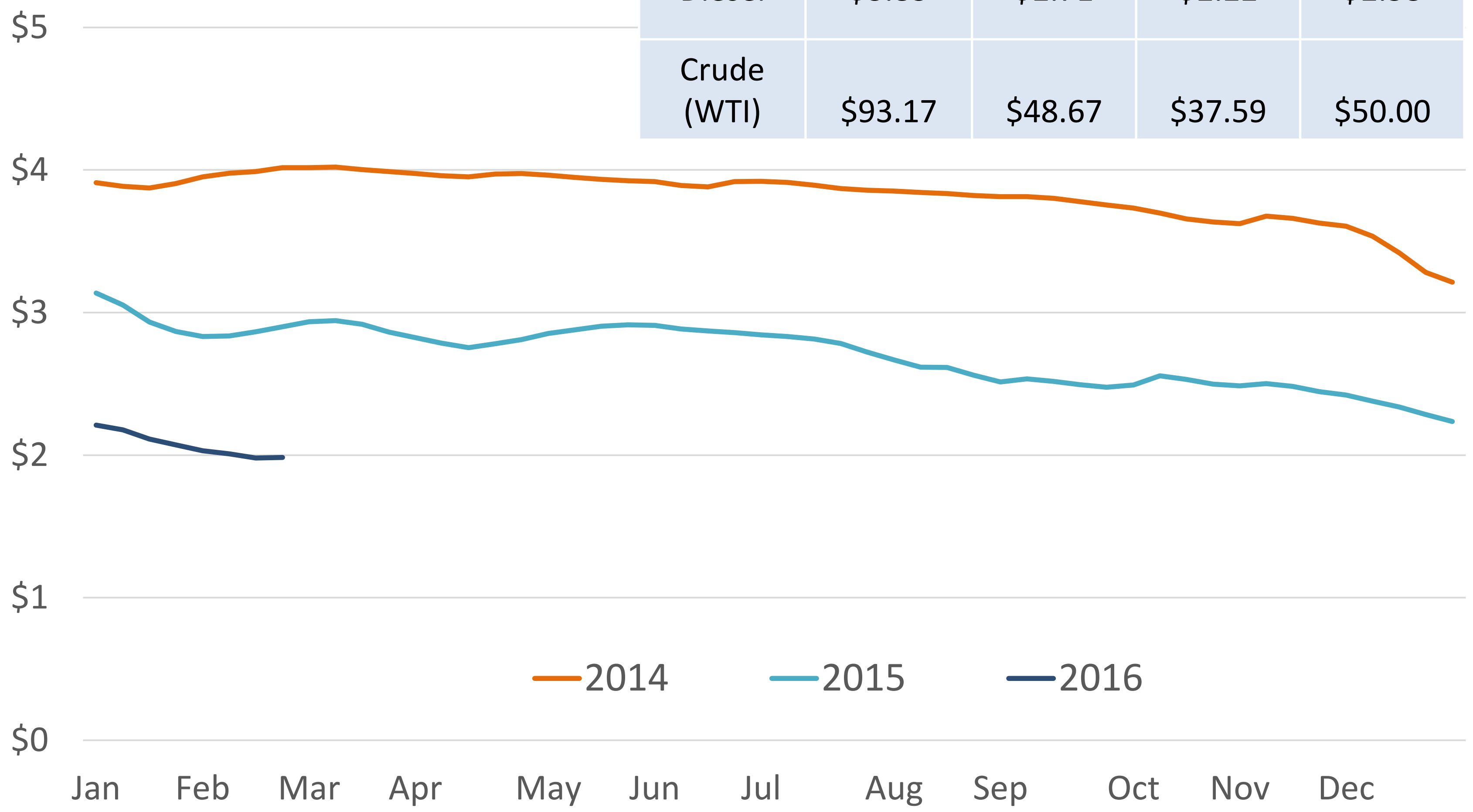
Diesel Fuel Price

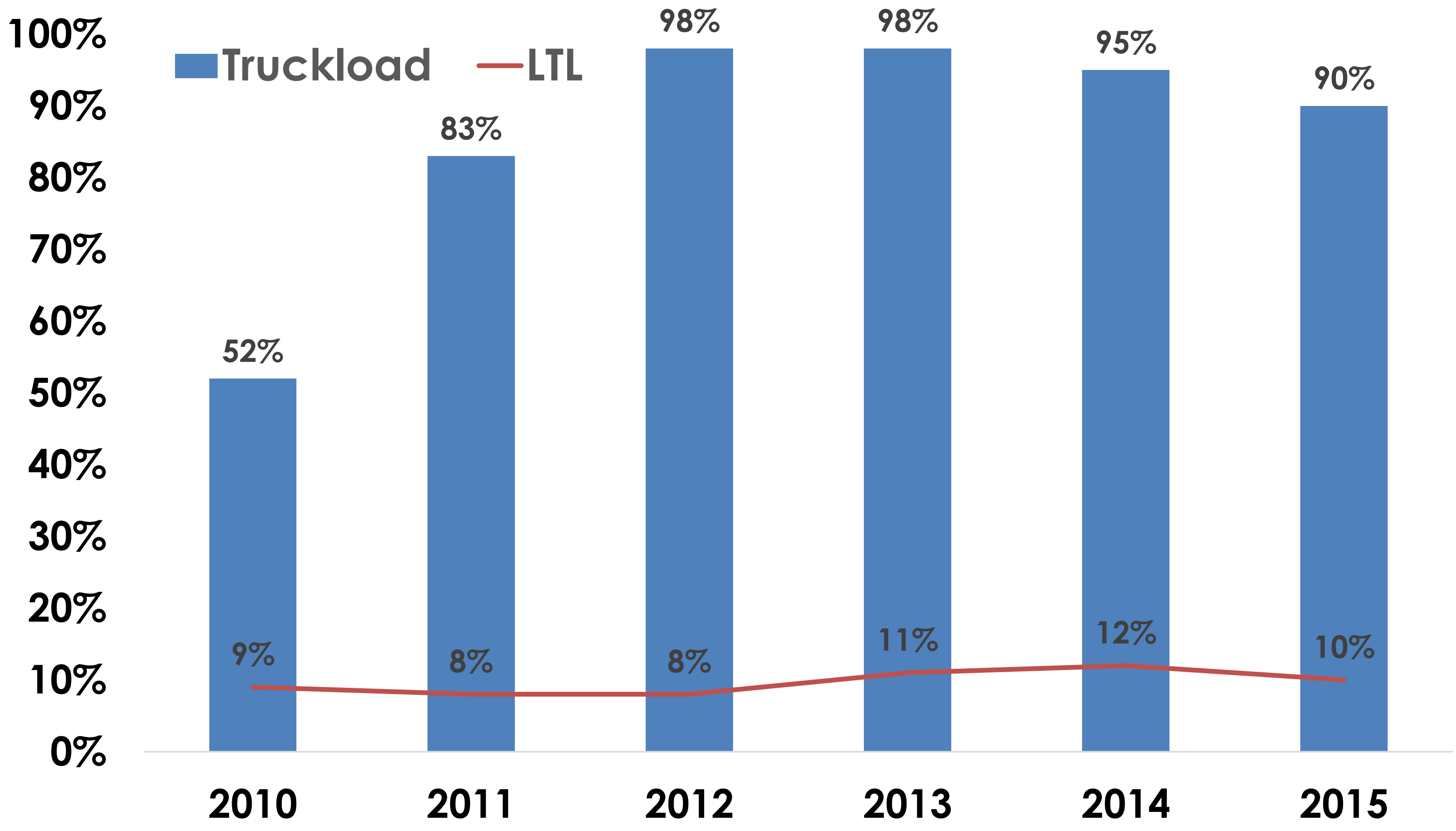
	2014	2015	2016	2017
Diesel	$3.83	$2.71	$2.22	$2.58
Crude (WTI)	$93.17	$48.67	$37.59	$50.00



Source: EIA

Drivers

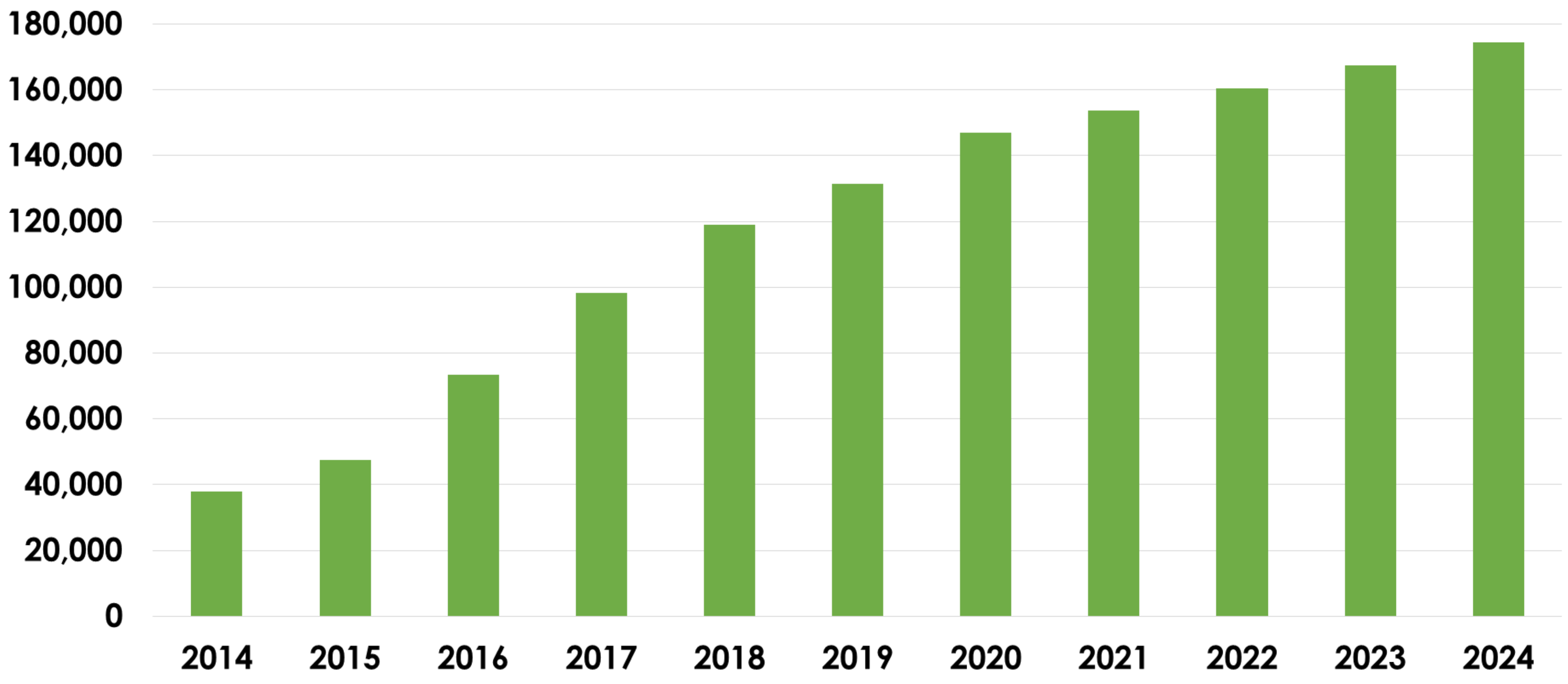
Annualized Line-haul Driver Turnover Rates



2015 is for the first three quarters of the year.
Source: ATA's *Trucking Activity Report*

The Driver Shortage

Shortage was 48,000 in 2015. At current trends, it would balloon to 175,000 in 2024.



Source: ATA's *Truck Driver Shortage Analysis 2015*

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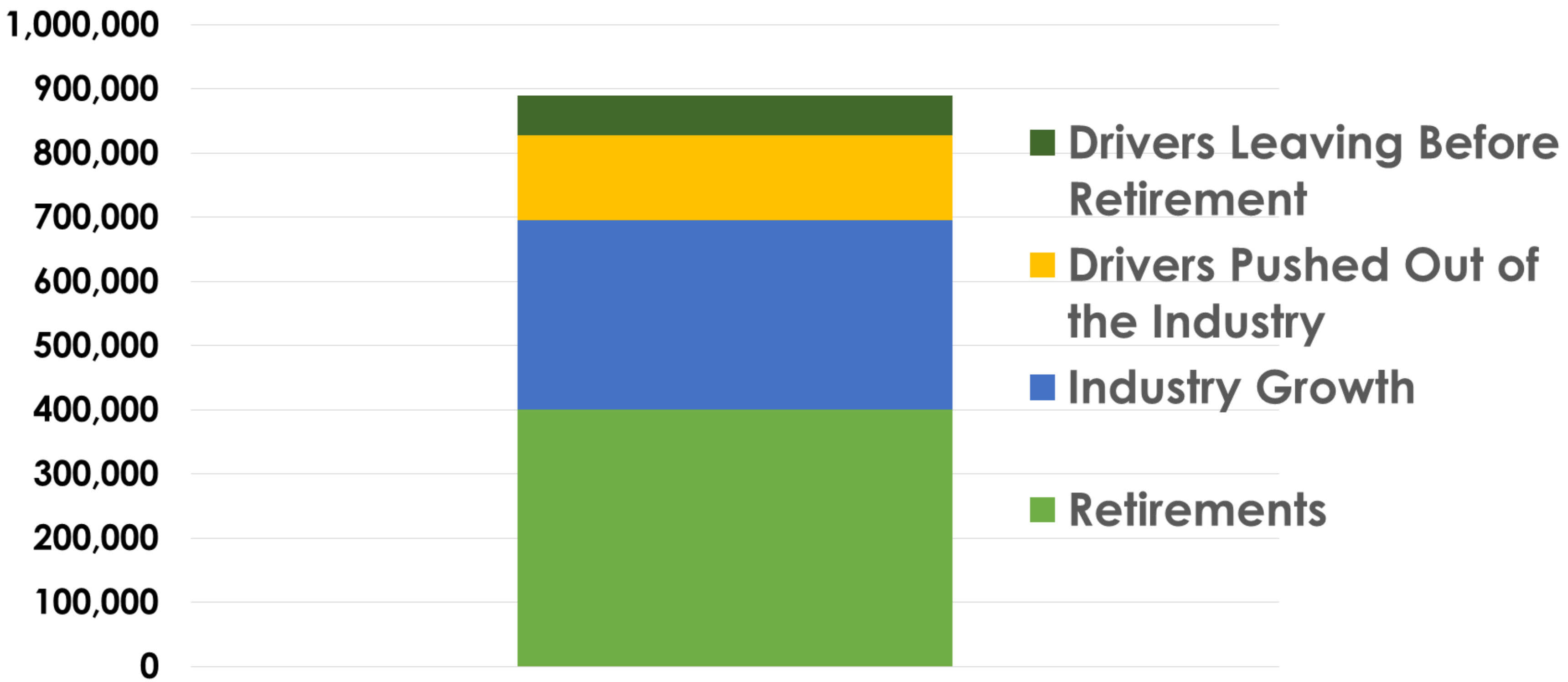
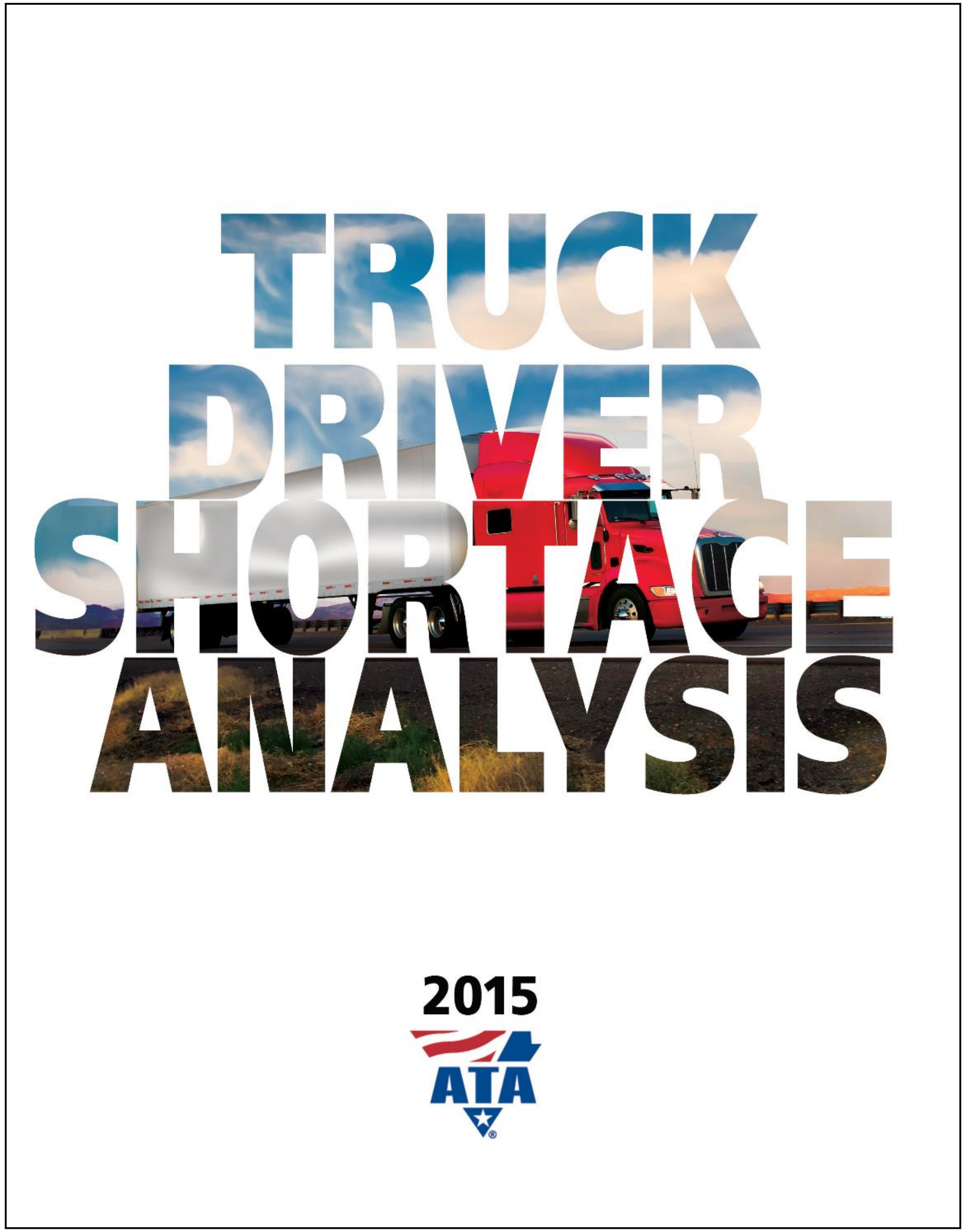
New Drivers Needed by Reason 2015-2024



Source: ATA's *Truck Driver Shortage Analysis 2015*



For more information, see ATA’s recent study at:

www.trucking.org

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Driver Shortage: Causes

1. Demographics
   - Age
   - Women
2. Lifestyle
3. More alternatives today with equal or more pay and home every night
4. Regulations
5. It’s a big responsibility and some people don’t want it
6. Overall – many, many reasons – So no one solution

Driver Shortage: Solutions/Market Reactions

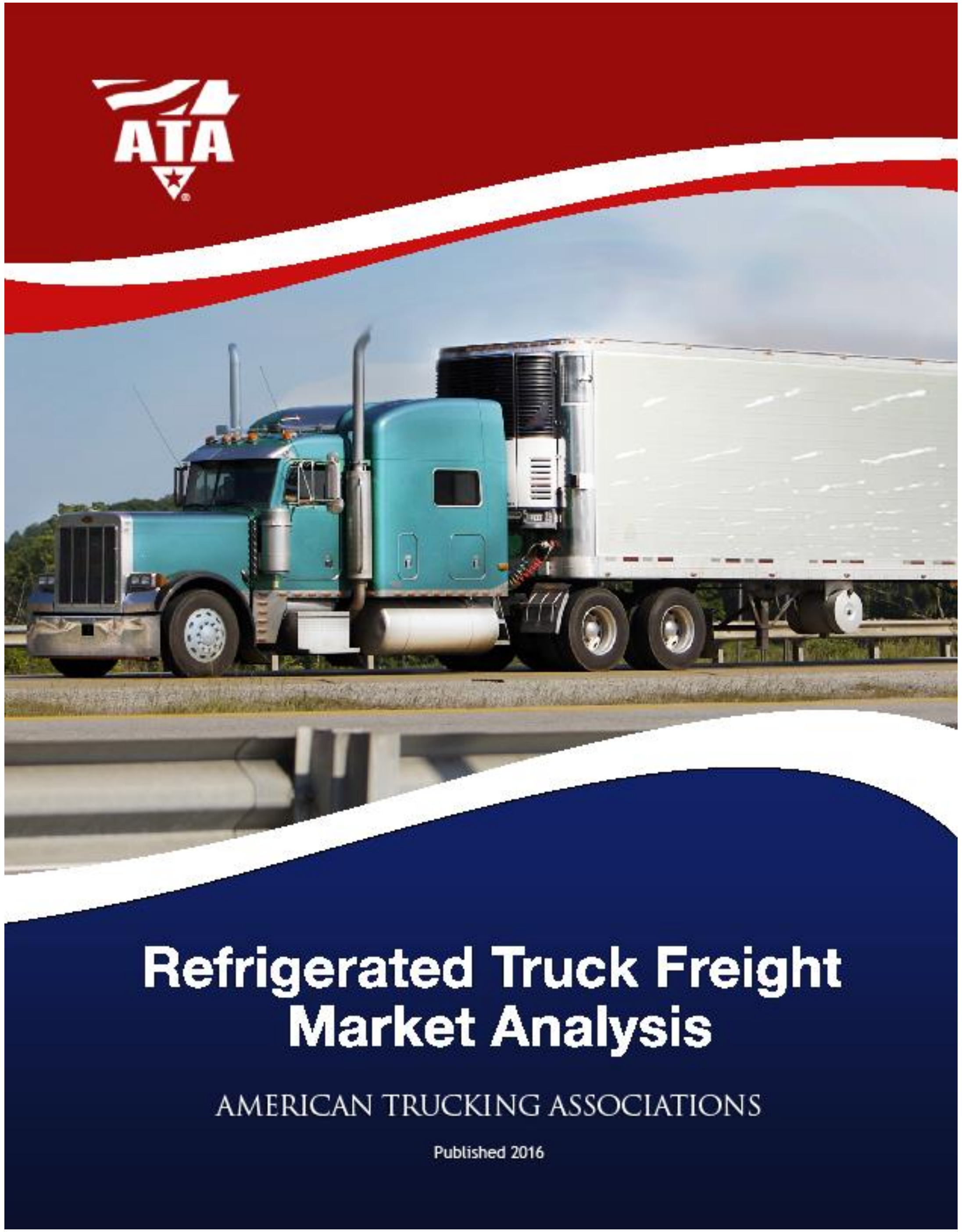
1. Pay is increasing
   1. Base pay
   2. Many fleets are changing pay models where possible
   3. Sign-on bonuses
   4. Benefits
2. Everyone needs to treat drivers better
   1. Don't hold up drivers at docks
   2. Shippers: delivery windows are better than appointments
   3. Shippers need to work with their customers

Driver Shortage: Solutions/Market Reactions

3. Lower interstate driving age/graduated CDL
4. More at-home time where possible
5. Fix congestion/infrastructure – Yes, it adds to the problem as drivers are sick of sitting in traffic
6. Improved driver image: TMAF
7. Former Military – Hiring Our Heroes
8. Autonomous trucks?

Driver Shortage: ELDs

1. Rough estimate: only 20% of tractors are equipped with ELDs today.
2. TL fleets that have already adopted are generally larger and more sophisticated than most of those that haven't. So, productivity impact could be larger than fleets have seen so far.
3. What if just 1% to 3% of drivers leave the market for a host of reasons, including cheaters, anti-technology, anti-big government, or just don't want to change?
4. Some carriers are likely to exit the industry.



Coming Soon….

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