State of the Union in the Drayage Industry and the impact on Green Fleet Initiatives

Port Stakeholders Summit
Baltimore, MD
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Ken Kellaway
President & CEO
RoadOne IntermodaLogistics
RoadOne is a leading National provider of intermodal logistics service, delivering transportation, terminal management and distribution solutions across the United States.
North American Business Model

Value Add Services
- Intermodal Trucking both Port & Rail Based
- Warehousing (Dry and Climate Controlled)
- Transloading, Cross Docking, & Pool Point Distribution
- Dedicated Truck Network Solutions
- TL and LTL Consolidation to major retailers

Single Source Solutions That Connect
International intermodal trucking is a $10 billion portion of the port logistics market—*at the bottom of the funnel*.

**Global Logistics**
Market Size: $7.3 Trillion

**U.S. Logistics**
Market Size: $1.5 Trillion

**Port Logistics**
Market Size Est.
$40-$50 Billion*

**International Intermodal Trucking**
$10 Billion

* Note: Estimate based on assumptions and analysis on port logistics sectors


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**Excludes Logistics. Activities:**
- Outside the U.S. borders

**Excludes Logistics Activities:**
- From purely U.S. domestic freight
- Before manufacture and assembly
- After arriving at distribution center

**Excludes Non-Intermodal Trucking Activities:**
There are about 5,000 for-hire intermodal trucking carriers, with the top 10 independent providers operating about 8 percent of total capacity

* Highly Fragmented  * High company turnover  * Undercapitalized  * Aging ownership

For-Hire Intermodal Trucking Fleets

<table>
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<tr>
<th>Truck Counts</th>
<th>Top 10, 7,545</th>
<th>All Others, 83,841</th>
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<td>8%</td>
<td>92%</td>
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Note: Clarendon estimates. Excludes integrated firms whose trucking primarily serve as an in-house fleet, such as JB Hunt, Schneider, Maersk/BTT and Hub/Comtrak

Source = Clarendon Group
Intermodal Drayage rates are stagnant and not keeping pace

Total CPI = **11.25**
AVG CPI Adjustments= **2.8125**
The growing demand in Intermodal and stagnant pricing will lead to a new record in driver shortage.

This assumes no recession and an FMCSA that does what it says it will do.
HOS is the next big hit from a long wave of regulatory change.

Effect Of New Regulations - Cumulative

This wave could last through the rest of the decade.

Sources: FTR Associates, Transportation Economics – TransSafe Consulting
The New HOS, so what does it mean?

• Take (1), 30 minute break within first 8 hours of duty

• Drivers that use the reset provision will have to go off-duty for a min. of 34 hours that must include (2) consecutive 1-5 am periods

The Impact
• Overall truck capacity will shrink by 3-5%
• Recruiting driver applicants has dropped by almost 20-25%
• Potential drivers and existing drivers are pursuing opportunities in other industries such as the construction and home delivery industries.
• Carriers productivity will decline by more than 10%
• Carriers will have to build a better driver compensation package to attack drivers- *incentive based*
• Carrier rates will increase and costs will have to be passed on to the customers
New Chassis programs are a work in progress. This fragile industry cannot absorb other sectors challenges, problems and operating losses.

Inconsistency drives inefficiency - every Line and every market have a different approach. Off-site pools create additional stops and delay time - reducing the port cycle time for drivers.

Too many options - no consistent prevailing strategy. New options include:

- Co-op pools such as Consolidated Chassis Management (CCM).
- Direct Chassis Link – Founded by Maersk in 2008 as a neutral chassis pool, recently sold.
- 3rd party chassis pools operated by Flexi Van, Trac
- Steamship Lines direct chassis programs
- Truckers own chassis in certain markets.
- IMCC (Intermodal Motor Carrier Conference) of ATA- Tioga study
The Intermodal drayage business cannot grow in parallel with the capital investment being made by railroads, terminal operators, intermodal carriers, steamship lines, etc. at its present rate levels. Not attractive enough to drivers!

The operating changes with chassis pools, ramp operations and other key decision such as mounted vs grounded operations need to be made on a macro basis to not reduce efficiency at driver level.

* Overall turn time at grounded operations is between 15-45 minutes longer than at mounted operations
* Chassis maintenance issues are increasing and delaying drivers.
* Off-site pools are adding additional legs for drives.
* Chassis flips and pool transfers adding additional delays.

With 11 driving hours per day the estimated 60-90 minutes in new turn time and process time is creating 10-15% inefficiency in the process time, Chassis pool stops, unloading time, etc.
Past Port Flow

1 Hour = Full Cycle
Current Port Cycle

Driver Terminal → Chassis Pool → Port Live Lift

1 Hour

Chassis Pool Empty

Empty Port Return → Customer Location

2-4 Hours

1 Hour New Line

30 Minutes

30 Minutes

2-6 Hours = Full Cycle
## Costs of Delays

Tioga Group estimates that in 2012, unnecessary delays for trucks at port terminals wasted a total of **15,000,000 Hours** and **348,000,000 U.S. Dollars**

See below for a breakdown of individual category costs.

### Chassis Problems
**Costs of Waiting for Roadworthy Chassis**

- 1 million hours = $10 million

<table>
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<th>Hours</th>
<th>Cost</th>
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<td>7 million</td>
<td>$156 million</td>
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### Queue Time
**Extrapolation of Difference Between 10 Minutes and the Average Wait Time of 20 Minutes at 3 Ports**

<table>
<thead>
<tr>
<th>Hours</th>
<th>Cost</th>
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<td>3 million</td>
<td>$79 million</td>
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### Trouble Tickets
**Costs of Trouble Tickets, Now Given to 5% of Drivers**

- 1 million hours = $23 million

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**Sources:**
- Tioga Group
- Design: Dwinden, JOC Group Inc.

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### Terminal Time
**Extrapolation of Difference Between 30 Minutes and the Average Wait Time of 40 Minutes at 3 Ports**

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<th>Hours</th>
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<td>4 million</td>
<td>$90 million</td>
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**Terminal Time**
**Queue Time**
**Chassis Problems**
**Trouble Tickets**
RoadOne’s commitment to sustainability ‘Greenfleet Program’

• Assists drivers with the purchase of newer trucks
• For RoadOne owner operators who qualify
• Equipment Specifications
  - 4 years (2009) or newer
  - Estimated 400K miles
  - Drive Train Warranty
• Lease to purchase program with competitive pricing
# The Alternative Fuel Options

## LNG & CNG

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<th><strong>POSITIVES</strong></th>
<th><strong>CHALLENGES</strong></th>
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<tr>
<td>Lower fuel costs- $2.75 vs $4.00</td>
<td>Limited Fuel Network</td>
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<td>Long term savings- 3 year BE</td>
<td>New Equipment- not tried and tested</td>
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<td>Improved Emissions- 25-30% lower PPM</td>
<td>Driver Acceptance- Low interest</td>
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<td>No diesel exhaust fluid - Regen</td>
<td>New Equipment- upfront capital 30-40% higher</td>
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<td>No diesel particulate filter</td>
<td>Increased fuel stoppage times</td>
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<td>Green and sustainable image</td>
<td>9L engines insufficient for heavy loads</td>
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<td>CNG not ideal for heavy loads</td>
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<td>Lower MPG- 15-20% lower</td>
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<td>Higher maintenance costs</td>
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Total Cost of Ownership

Truck & Fuel

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

Diesel Fuel
Cost of Truck

LNG or CNG Fuel
Cost of Truck

Truck Lifecycle - 5 Years

Diesel
Natural Gas
### Average Fuel Times

#### Fueling Time Per Year in Hours

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#### LNG Ave. vs CNG Ave.

- LNG Ave. shows lower fueling times compared to CNG Ave.
- A 42 hour difference per year per truck

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**Single Source Solutions That Connect**

[Logo: RoadOne Intermodal Logistics]
Current Fuel Network

Legend
Total - 115
- Open - 22
- Ready to Open - 64
- In Development - 29

Single Source Solutions That Connect
‘Takes Green to Go Green’

Federal and State Support Necessary for Success
• Road Tax Credit
• Vehicle Excise Tax Credits
• Grants for Drivers
• Investment Tax Credit
• Rebate on LNG Tax or Reduction on Tax Rates
• SBA Program for Driver Loans

Port Support Necessary for Success
• Better Through-put /Cycle Times
• Longer Gate Hours

Steam Ship Line Support Necessary for Success
• Reduces Peaks and valleys at port
• Improved Inland delivery rates

Chassis Support Necessary for Success
• Better/Consistent Chassis Condition
• Proper Equipment Availability

Single Source Solutions That Connect
Solutions to Prevent the Drayage Industry from Becoming Extinct!

• Work in conjunction with shippers, railroads, ports and steamship lines to find ways to reduce inefficiencies in system and standardize the chassis process. **ONE UNIFORM SOLUTION - TTX LIKE**

• Increase velocity in system – i.e. more night gates, drops at destination, reduced port/ramp turn time, match imports and exports - **load/load, faster roadability**!

• Increase industry awareness of drayage issues and work to improve visibility within industry trade groups and government segments. “**We need to be at the table.**” “**ask don’t tell !!** “.

• Establish stronger partnerships with customers and if a third party involved then all parties should be involved in process & pricing.

• We must get paid for value added services. If shipper wants additional services then either they or 3rd party must pay.

• Pricing must rise equal to or greater than CPI and or cost increases in the market.