Intermodal Freight
Transportation Institute
October 7, 2014
2014 and Beyond – The Vision

The Evolutionary Period 1966-1990
- Founded
- Flatbed
- Refrigerated
- Owner Operators
- Deregulation

The Growth Period 1991-2006
- 1990 IPO
- 20%+ Revenue CAGR
- 20% EBITDA CAGR
- 12 Acquisitions
- Dedicated
- Mexico
- Intermodal

The Transformation Period 2007-2011
- Privatization - Debt
- Recession
- Strategy
- Process Improvement
- Discipline
- 2010 Balance Sheet Restructure & IPO

The Results Period 2012-2017 (and beyond)
- Profitable Revenue Growth
- Improved Asset Utilization
- Continuous Improvement
- EPS Growth
- RONA Improvement
- Continued Debt Reduction

2014 and Beyond – The Vision

2014 and Beyond – The Vision
Swift Transportation

- 40 Terminals across US/Mexico - proximity for customers and drivers
- Significant and growing lines of business in intermodal, logistics etc..
- State of the art technology

Focused on long term Safety, Service, and Speed

- 18,000+ tractors
- 59,000+ trailers
- 8,900 IM Boxes
- 40 Major Terminals

Leading Market Position
Swift Intermodal

- 8,900 Boxes Equipped with T2 Tracking
- 250 Swift Owned Dray Daycabs
- Partners with BN, CSX, NS, FEC, KCS, CP
ITS ALL ABOUT THE DRIVER!
Since 2011 Construction has Hired 543,000 Workers—Up to 130,000 were ex-Truck Drivers

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Construction Jobs (000s)</th>
<th>Residential Construction Jobs (000s)</th>
<th>Non-Resid. Jobs (000s)</th>
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<td>31</td>
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</table>

- Construction hiring picked a bit in 2013, with further acceleration in 2014
- Lots of cash payments in 2012 and absorption of late '11-early '12 hiring
- Drivers are targeted for hiring
As the economy strengthens and the market for drivers increases, there will be industry-wide demand to increase wages to attract qualified drivers.

**US Driver Shortage Expected to Become Severe**

- **Driver Turnover** has remained above 90% for the past 2 years.
- **Driver Wages** have decreased due to new HOS regulations (less driving hours per week).
- Q4 2013 industry was +200K drivers short of what the demand projected.
- **Driver Shortage** is expected to reach a record 250K by end of 2015.
- Advertising Budget increased 40%.
- **Driver Trainee** pay increased 11.2%.

- Gordon Klemp
  “National Survey of Driver Wages”
  National Transportation Institute 2013
Why Drivers Leave Their Jobs (Pay & Respect)—It’s a Shipper Problem not Just a Carrier Problem

- Does the shipper value a driver’s time?
- Bathrooms, phones
- Wifi availability
- Helpful staff
- Parking availability
- Clear signs
- Paper work handled courteously & simply

- 3rd Parties @ Gate-Do they share your view?
- 3% rate hike—~1% goes to driver
Factoid: Today’s Youth are Different than Us

- Only 40% of Millennials (born 1983-2001) believe it is important to own a vehicle compared to 60% for baby boomers (1946-1964)
- 87% of 19-year olds held a license in 1983; only 69% did in 2011
- Why? More comfortable with shared cars, bikes and public transit
- Affordability also an issue
- Will impact future freight
Driver Miles Equals Driver Smiles

- Prep time=pre-trip inspection, fueling, drug tests, DOT inspections
- PT=breaks, meals, communications, route planning, logging
- Time at S/R=inefficient appointments, paperwork, check-in, check-out
- DTE=holidays, surges, traffic, day of week booking, network changes
- UT=appointment times, parking issues, fatigue, 70 hour rule, planning uncertainty, day of week bookings
- DT=Most fleets believe they can add 30 to 75 minutes with shipper/receiver help

A Driver's 14 Hour Day (840 minutes)

- 438 (7.3 hours)
- 30
- 90
- 108
- 48
- 120

Note: 600 available drive time minutes per day
Pay Rising but Woefully Inadequate

- Driver turnover in the 90s for 8 straight quarters
- Turnover managed fairly well, but the pipeline of new drivers is weak
- Pay needs to rise to attract new candidates to the industry
- 2013 median driver pay was $47,544, up 1.92% vs. 2012 but up just 3.3% since 2008
- At $0.372 it has barely budged since $0.360 in 2008; inflation alone would be at $0.403
- In real terms drivers have lost 2.25 cents
Regulations, More than Demand, Will Drive the Next Crunch—But It’s Coming

Tons of New Regulations

1. Safety information and carrier ratings
2. Special state regulations on trucking (ex: CARB)
3. Opening the border to trucking
4. Elimination or allowing of illegal aliens
5. Variety of health regulations (apnea, medical certificates, etc.)
6. Require ELDs or electronic logging devices
7. Hours of service changes
8. Increase broker bond & require prompt payment of carrier charges
9. More stringent temperature and cleanliness requirements
10. Encourage union membership and require benefits for Ios
11. Examination of fleets for patterns of violations
12. Prevent shipper coercion regarding HOS, CSA, etc.
13. National drug clearinghouse
14. Requiring standard training procedures
15. Test new carriers for proficiency
16. Increase minimum insurance coverage for carriers
17. Tightened OSHA requirements
18. Hold shippers and brokers responsible for hired carriers’ safety
19. Limit max governed speed (64 MPH)
20. New vehicle stability controls

Implied Driver Hires Per Quarter Required By Regulation

- Electronic Stability controls
- Speed limiters
- Safe Harbor
- OSHA Worker Protection
- Minimum Insurance
- Entry Proficiency
- Training Provisions Driver Effect
- Drug & Alcohol Data Base
- Prohibition Of Coercion
- Pattern Of Violation
- Employee Free Choice
- Safe Food Transportation
SO WHAT CAN WE DO TO HELP?

Increase driver pay by 30% or more

Create more hub and spoke operations (which will increase home time)

Eliminate non driving activities (loading/unloading, excessive wait times, etc.)

Driver Friendly facilities (restrooms, breakrooms, 24 hour parking access, wifi access)

RESPECT AND APPRECIATION!!!!!
THANK YOU