



# SWIFT



Intermodal Freight  
Transportation Institute  
October 7, 2014

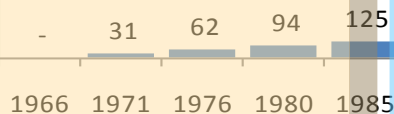
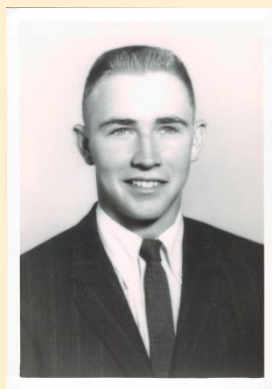
# 2014 and Beyond – The Vision



## The Evolutionary Period

1966-1990

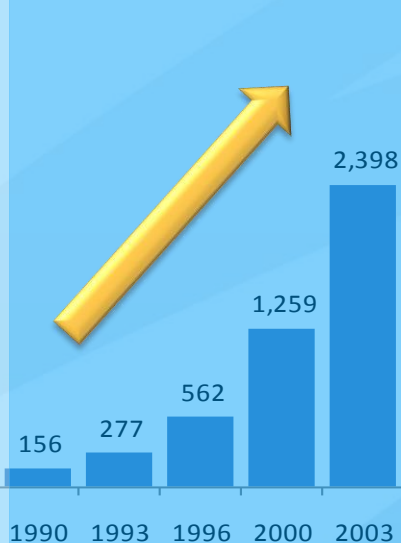
- Founded
- Flatbed
- Refrigerated
- Owner Operators
- Deregulation



## 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



# Swift Transportation



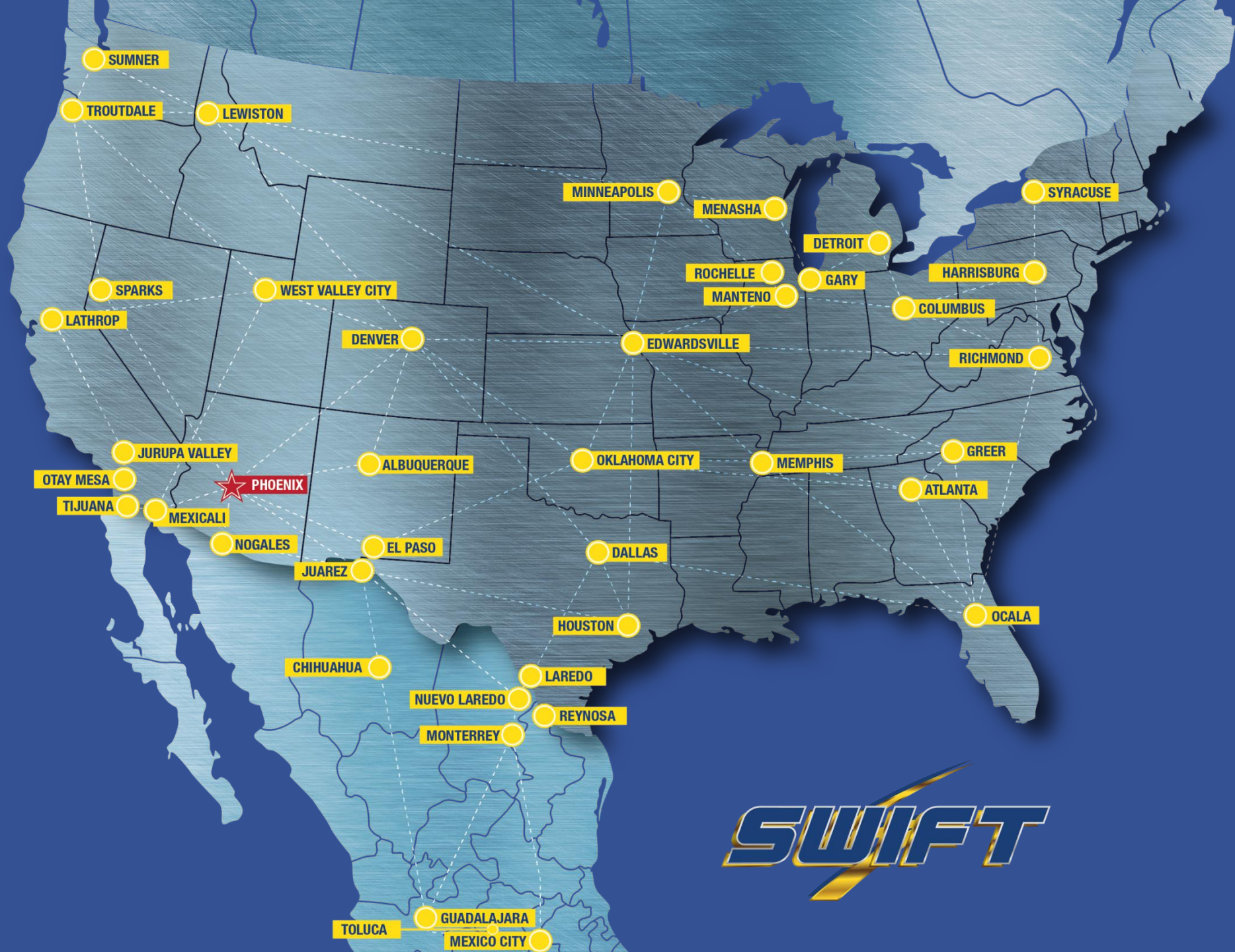
- 40 Terminals across US/Mexico - proximity for customers and drivers
- Significant and growing lines of business in intermodal, logistics etc..
- State of the art technology



Focused on long term Safety, Service, and Speed







**SWIFT**

# Swift Intermodal



- 8,900 Boxes Equipped with T2 Tracking
- 250 Swift Owned Dray Daycabs
- Partners with BN, CSX, NS, FEC, KCS, CP





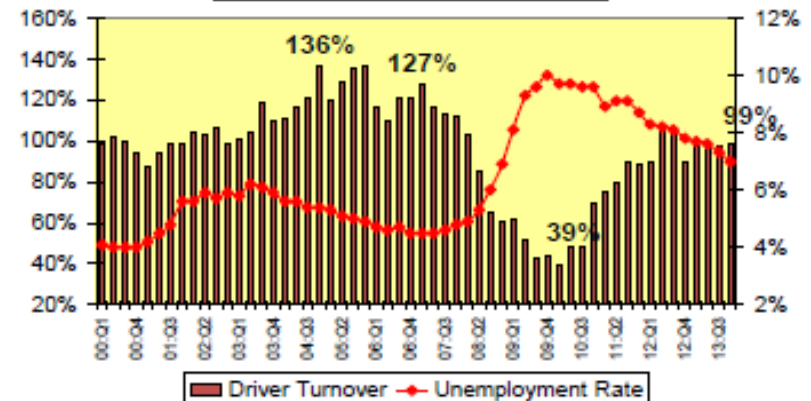
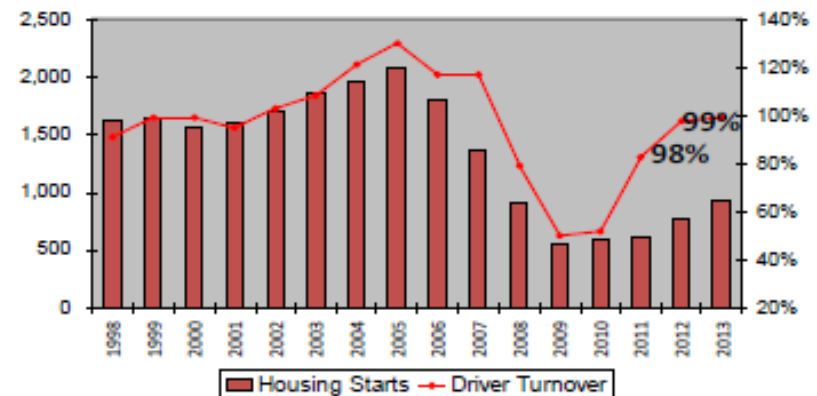


**ITS ALL ABOUT  
THE DRIVER!**



## Since 2011 Construction has Hired 543,000 Workers—Up to 130,000 were ex-Truck Drivers

Year	Total Construction Jobs (000s)	Residential Construction Jobs (000s)	Non-Resid. Jobs (000s)
2002	-85	88	-173
2003	127	161	-34
2004	290	230	60
2005	416	268	148
2006	152	-62	214
2007	-195	-271	76
2008	-789	-515	-274
2009	-1,047	-428	-619
2010	-192	-131	-61
2011	144	50	94
2012	114	58	56
2013	156	116	40
2014YTD	124	31	98



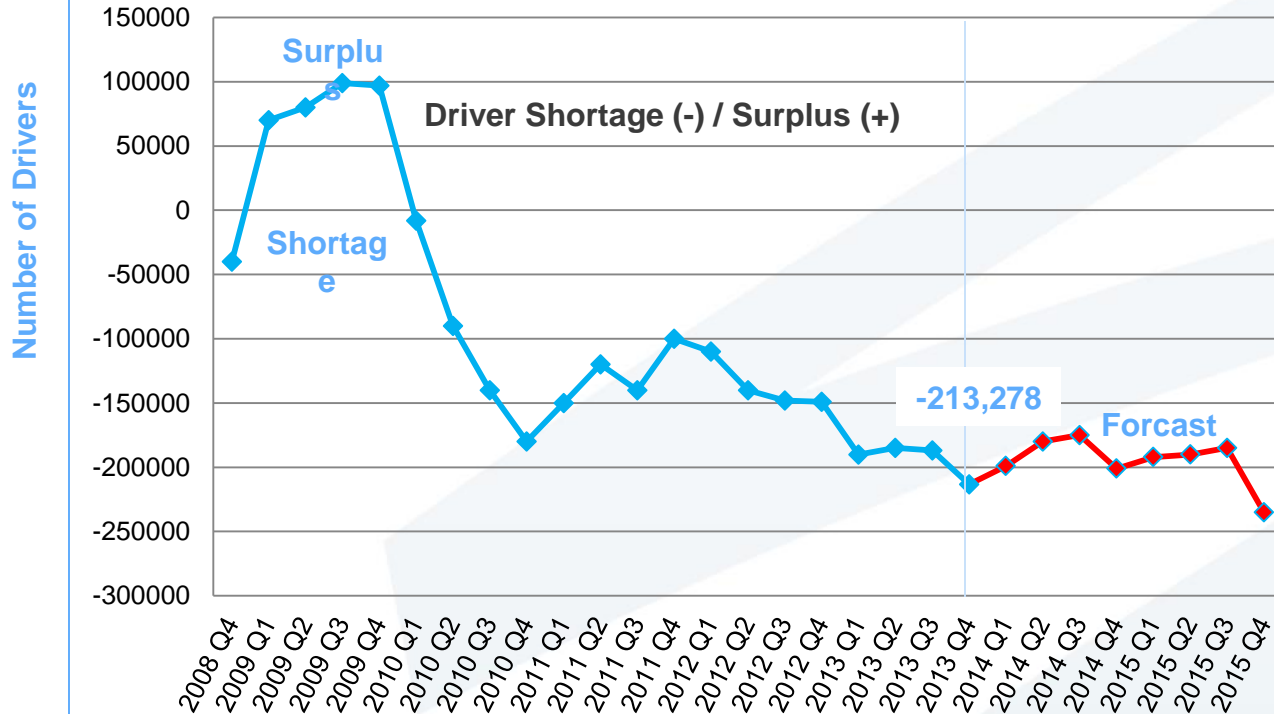
- Construction hiring picked a bit in 2013, with further acceleration in 2014
- Lots of cash payments in 2012 and absorption of late '11-early '12 hiring
- Drivers are targeted for hiring

# Driver Retention



*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 FACTS

- **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%

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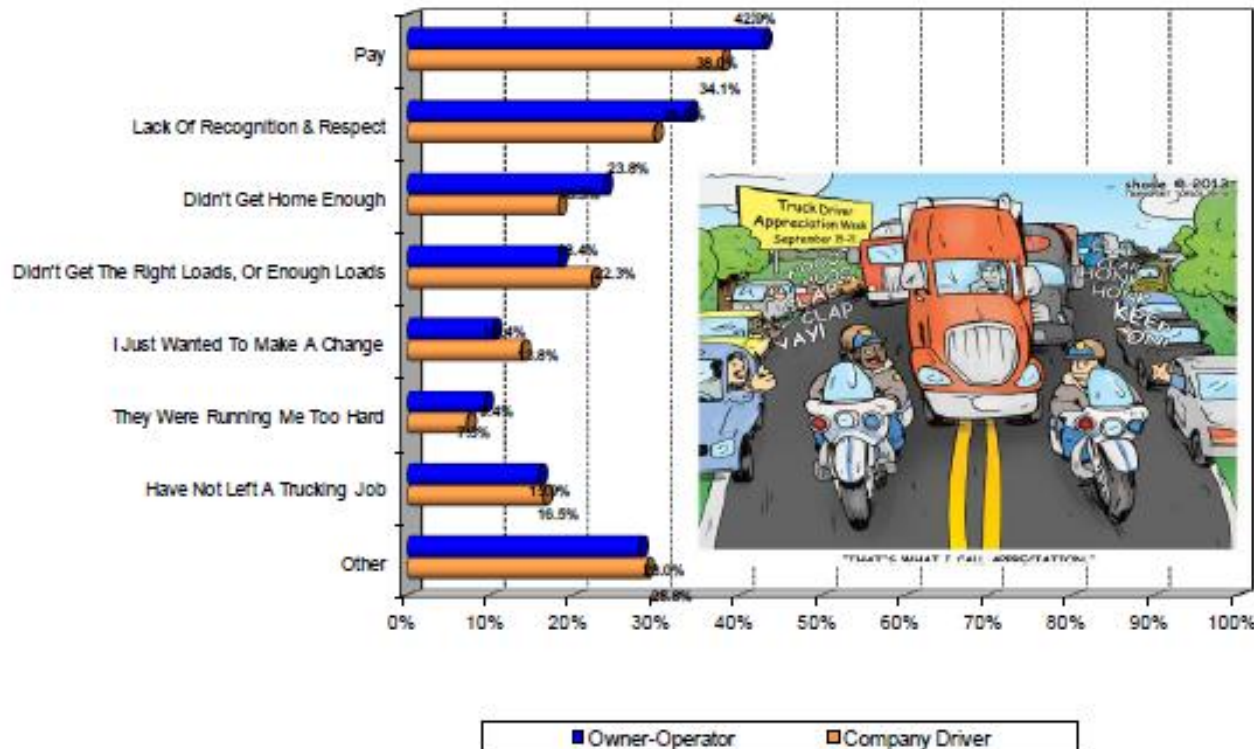
- Gordon Klemp  
“National Survey of Driver Wages”  
National Transportation Institute 2013







## 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
- 3<sup>rd</sup> 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

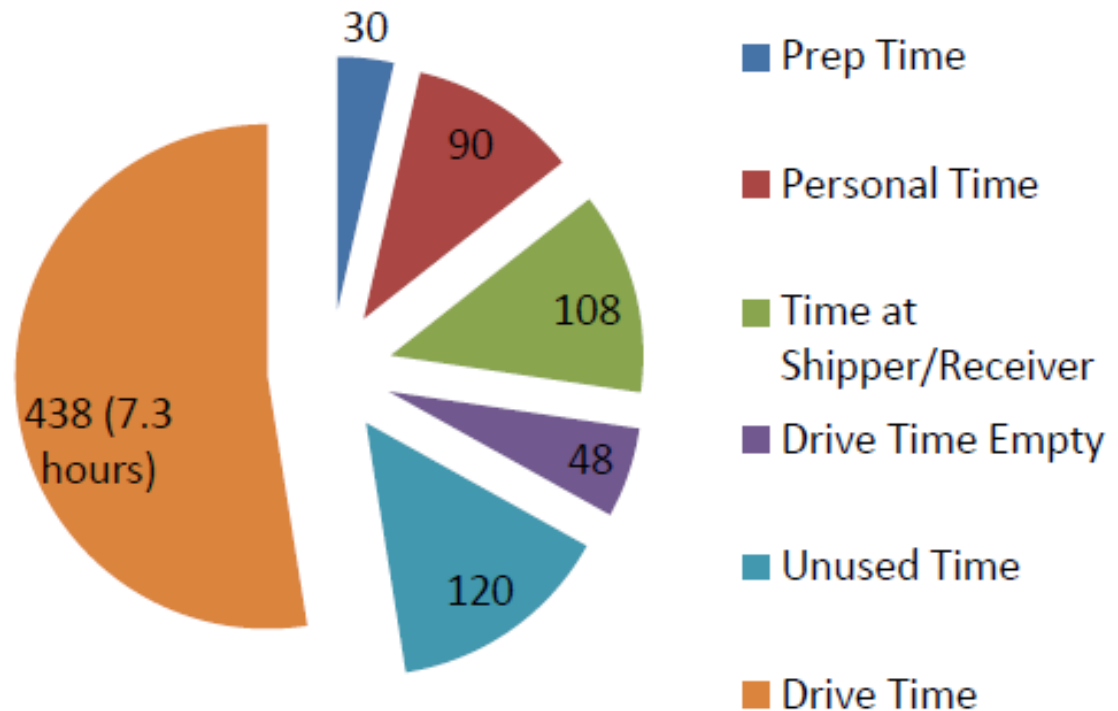




## Driver Miles Equals Driver Smiles

- 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)



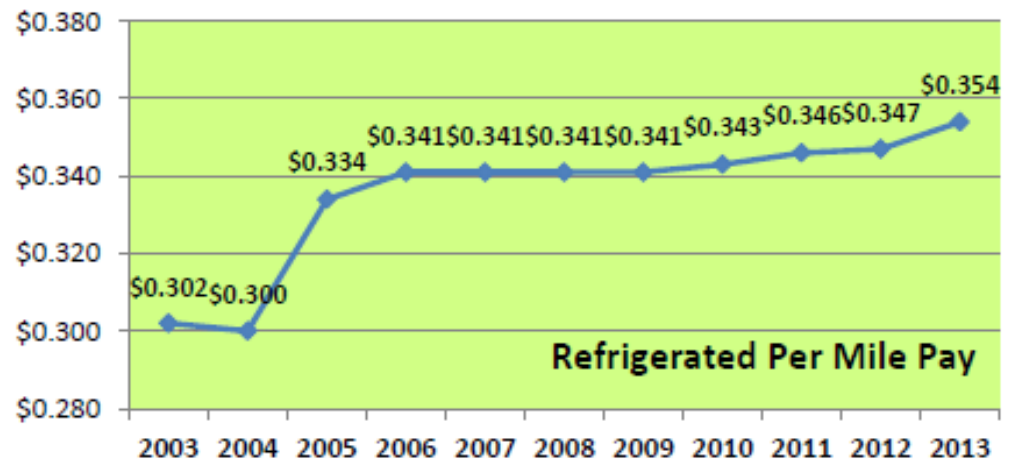
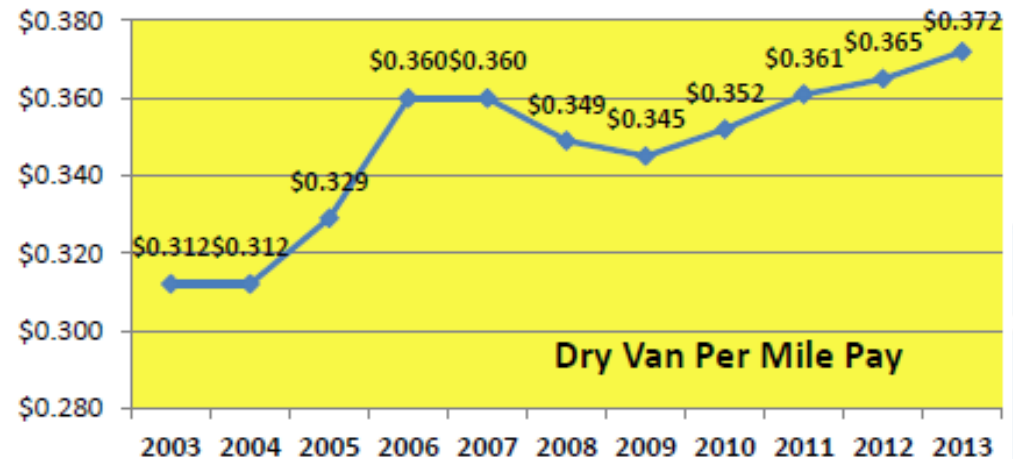
Note: 600 available drive time minutes per day





## 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*



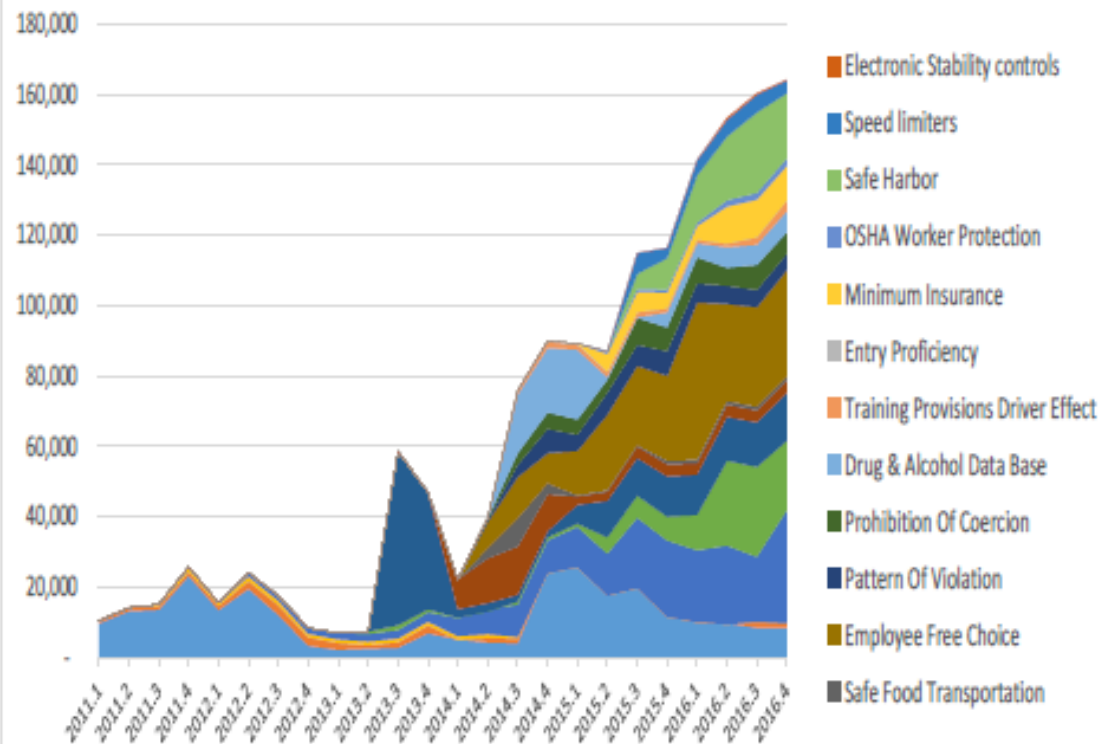


# Regulations, More than Demand, Will Drive the Next Crunch-But It's Coming

## 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 lcs
- 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



# 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



DELIVERING A **BETTER LIFE**