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Cause and Effect of Rising Fuel Costs

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14th Annual Transportation & Infrastructure Summit

Irving, TX

August 12, 2011

Con-way Today – who we are

- \$5.0 Billion Industry Leader in Freight Transportation and Logistics
 - Con-way Freight
 - Con-way Truckload
 - Menlo Worldwide Logistics
- 30,000 employees worldwide
 - Over 500 operating locations
- 11,500 trucks, 35,000 trailers, 20 million sq ft warehouse space globally
 - 150,000 customer pickups and deliveries daily in N. America
 - Nearly one billion miles annually moving freight on USA highways
- Consume 150 million gallons of diesel fuel annually

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Trucking / Intermodal Statistics

- Over 500,000 trucking companies in the US
 - 97% have fewer than 20 trucks
 - Pay 40% of HTF total and drive 13% of the miles
- 70% of all goods (by weight) in the US move by truck
 - 83% by value
 - 97% of all consumer goods
- Future modal shares are expected to stay fairly constant
 - Over 80% of US communities are served only by truck
 - Shipments traveling >500 miles only 13.4% of the truck freight market
 - If rail intermodal capacity doubled by 2020, market share will be only 1.8% vs. today's 1.5% if capacity stayed constant

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A Framework to Remember

- Economic growth cannot be decoupled from the growth of transport.
- There is a direct relationship between transport and population.
- Transport capacity constraints will result in economic constraints.

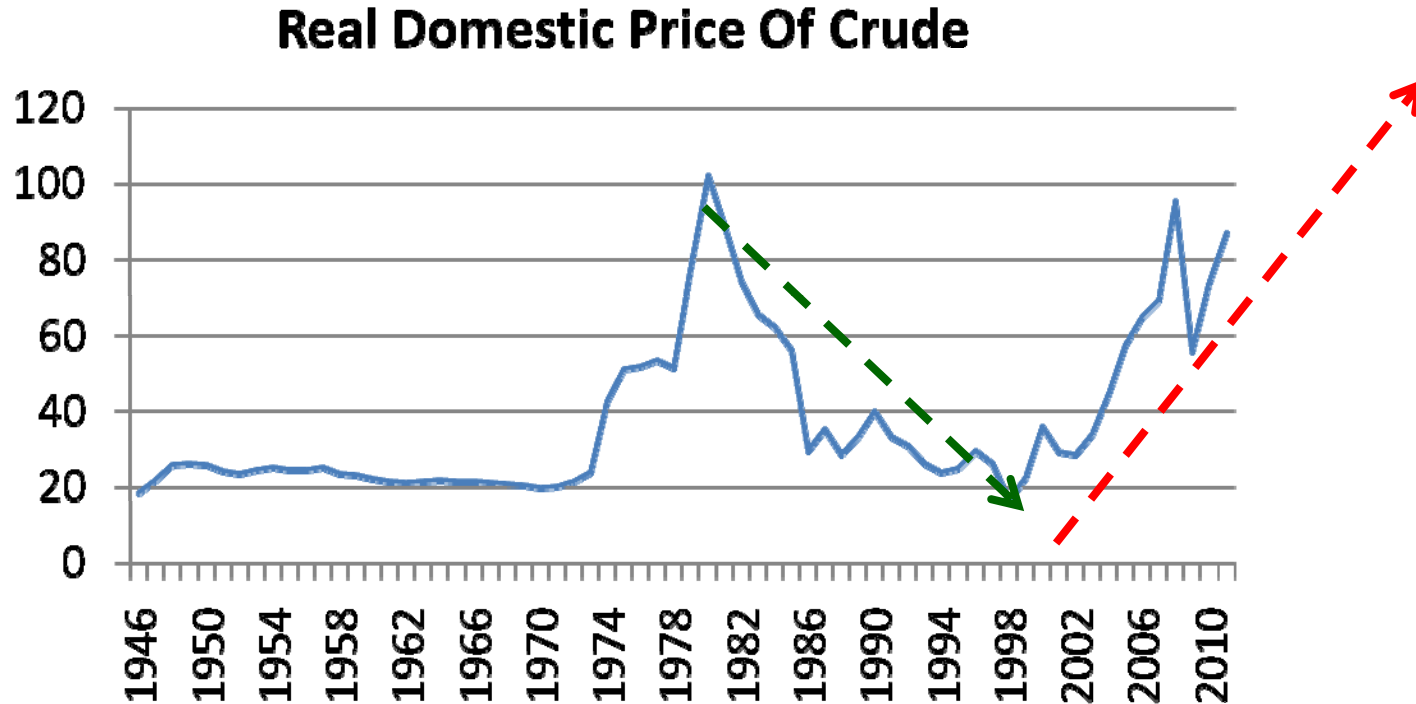


Freight - A System of Systems

- Water, Rail, Air, and Truck systems connect to maximize efficiency while meeting supply chain requirements for velocity, cost, and service.
- Integrity of the intermodal system is dependent on the integrity of the individual modal systems
 - Weakness in one causes modal shift and decreases efficiency of the entire US freight transportation system
 - Constraints (Infrastructure, Regulation, Security, Labor, Energy) and cost increases have similar effects
- New Externalities - Sustainability, Energy, Climate Change



The Reagan - Bush, Sr. - Clinton era benefited from falling energy prices.



Sources: EIA

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Causes of Fuel Price Increases

- Supply and demand driven
 - Ease of and cost of substitution
 - Geopolitics
 - Speculation
 - Regulation (biodiesel, renewables, ULSD, low carbon)
 - Current price (affects supply)
 - New source discoveries
 - Emerging markets / growing economies

- US is not the price setter



Results of Fuel Price Increases

- Prices of transportation services go up so everything becomes more expensive with economic consequences
- Shippers re-engineer supply chains, including near sourcing.
- Governments consider alternative policies
- Trucking bankruptcies rise (supply shrinks)
- Survivors search for efficiencies and alternatives.



EPA SmartWay



- All Con-way operating companies participate in the Environmental Protection Agency's SmartWay Transport program.
- In 2008 our company took a simple yet major step to reduce carbon emissions: turned back speed governors on every truck.
 - Con-way Freight's fleet of 8,400 tractors reduced from 65 to 62 mph
 - Con-way Truckload's 2,700 long-haul fleet reduced from 70 to 65 mph
 - Annual approximate reduction in diesel fuel consumption – 6 million gallons
 - Annual approximate carbon emissions reduction – 134 million pounds



Additional Con-way Initiatives

- Single wide tires
- Reduced idling
- Weight reduction
- Aerodynamic changes; advanced lubricants
- Line-haul network simulation and rationalization
- Local route optimization
- Asset tracking (satellite and GPS)
- Re-lamping project (warehousing operations)
- Menlo spend on SmartWay carriers
- Recycling at RSI
- LEAN



SmartTruck Partnership – UnderTray System



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ATA Sustainability Task Force Recommendations

- Encourage fuel efficiency improvements through EPA SmartWay
- Reduce idling
- Improve infrastructure to reduce congestion
- Set a national speed limit at 65mph
- Increase truck size and weight limits



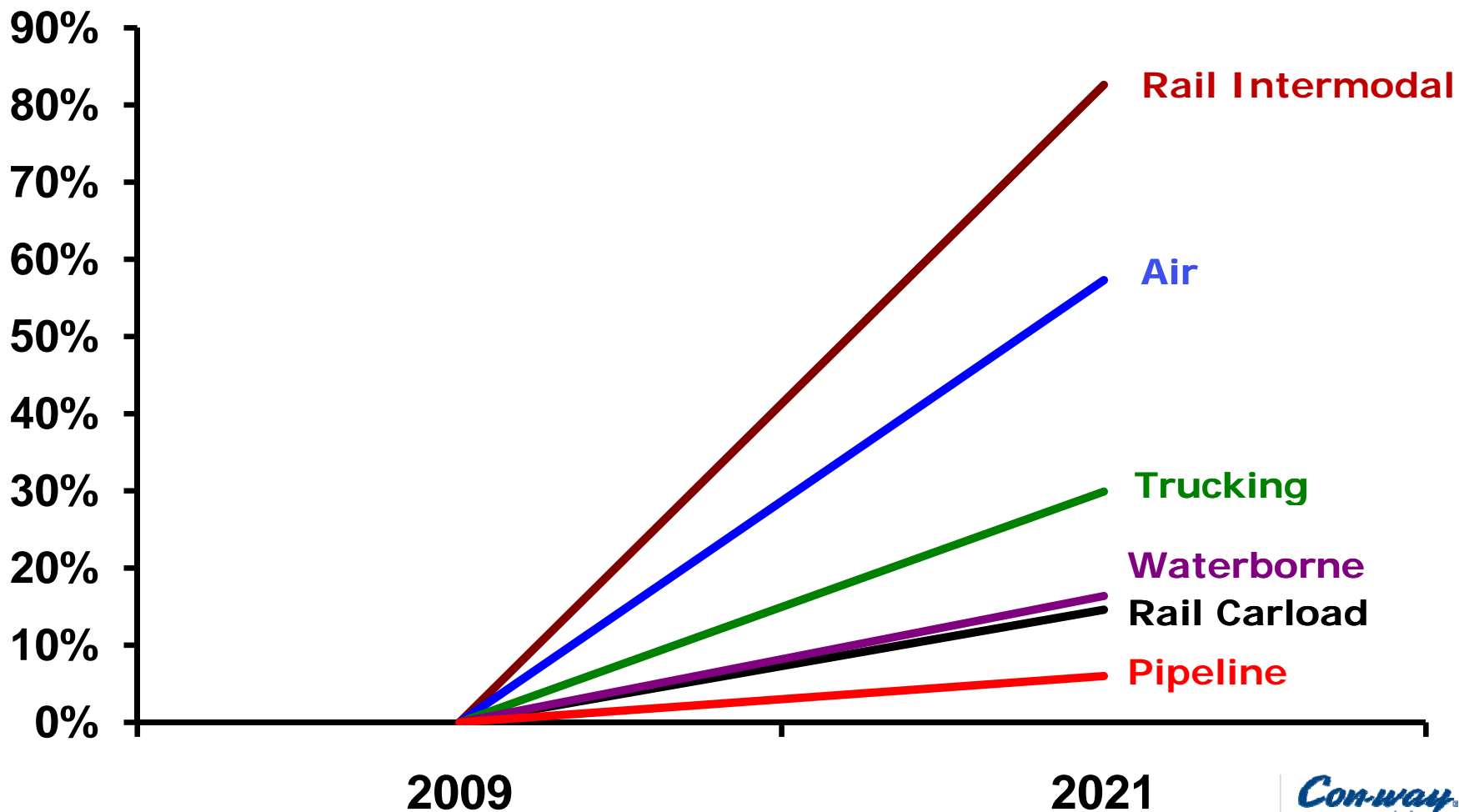
Why does it matter?

- Freight in all modes will increase (26% by 2020) with resulting capacity constraints
- Energy and sustainability concerns will increase and oil prices are expected to increase.
- Rates will increase. Delays will occur. Economy will be affected.
- Feds, States, and Communities will rediscover that freight and freight infrastructure are the underpinnings of economic development.



Growth in Tonnage

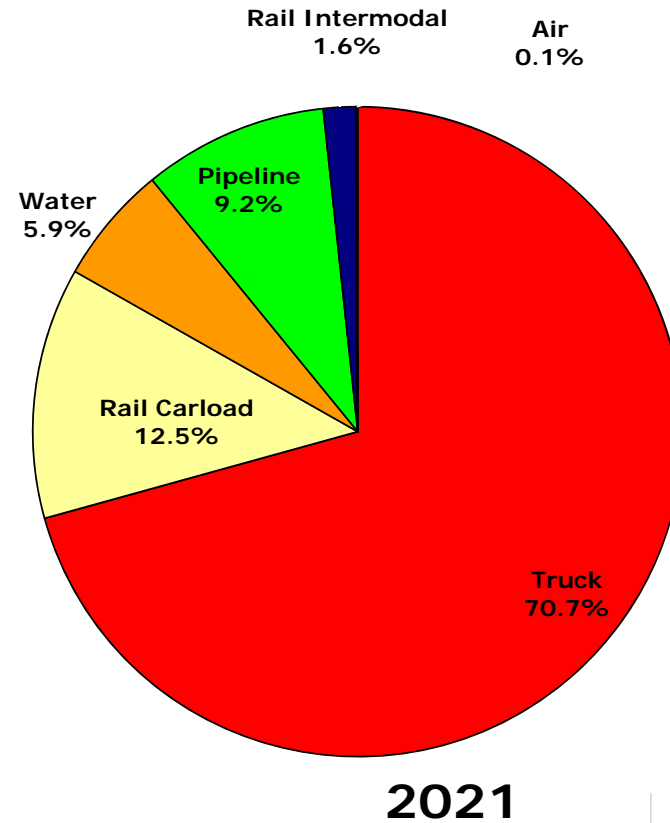
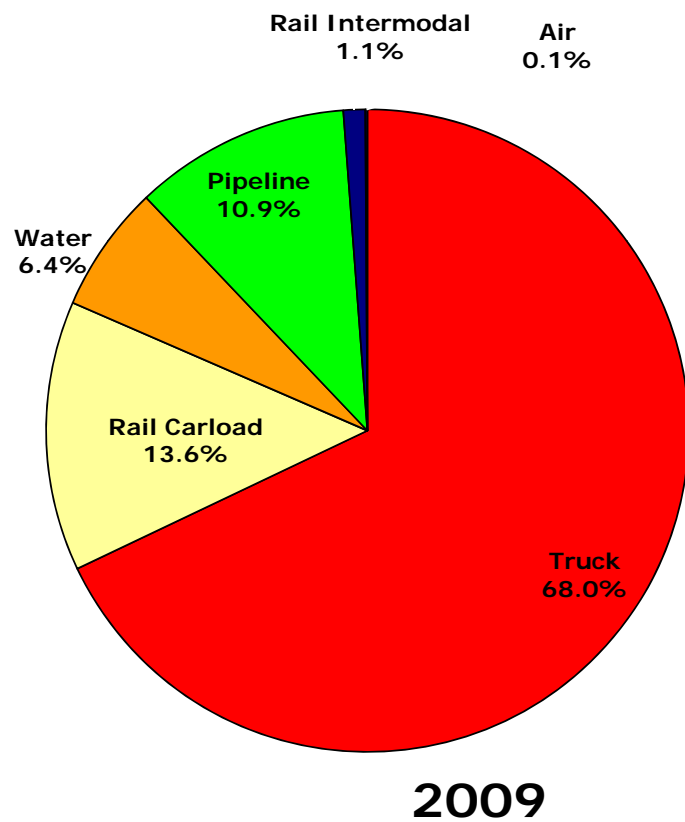
Total Increase from 2009 to 2021



Source: U.S. Freight Transportation Forecast to 2021



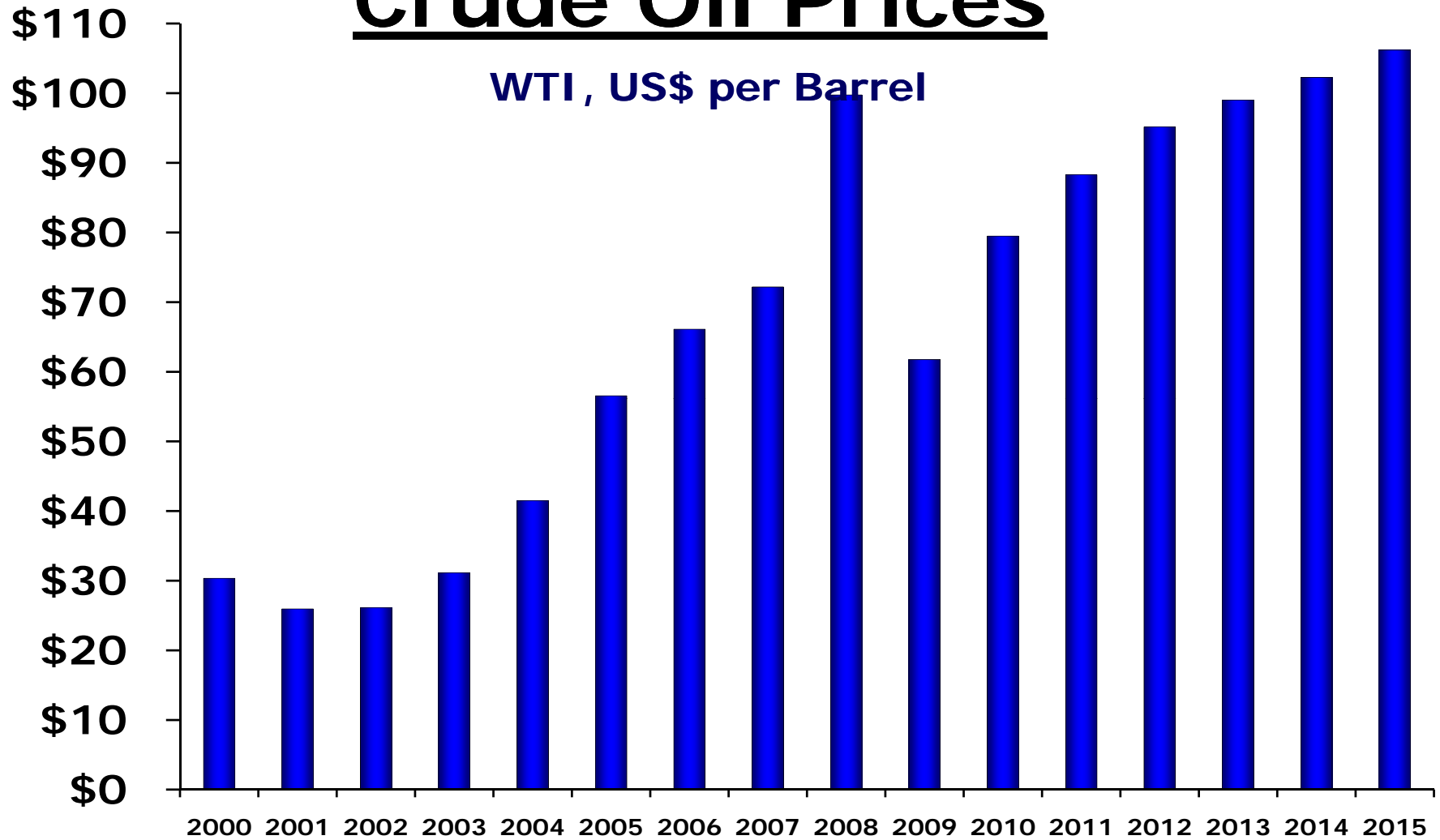
Distribution of Tonnage by Mode: 2009 vs 2021



Source: U.S. Freight Transportation Forecast to 2021



Crude Oil Prices



Source: IHS Global Insight

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Remember

**Economic growth
cannot be separated from
transport growth.**

