Supply Chain Trends in Intermodal

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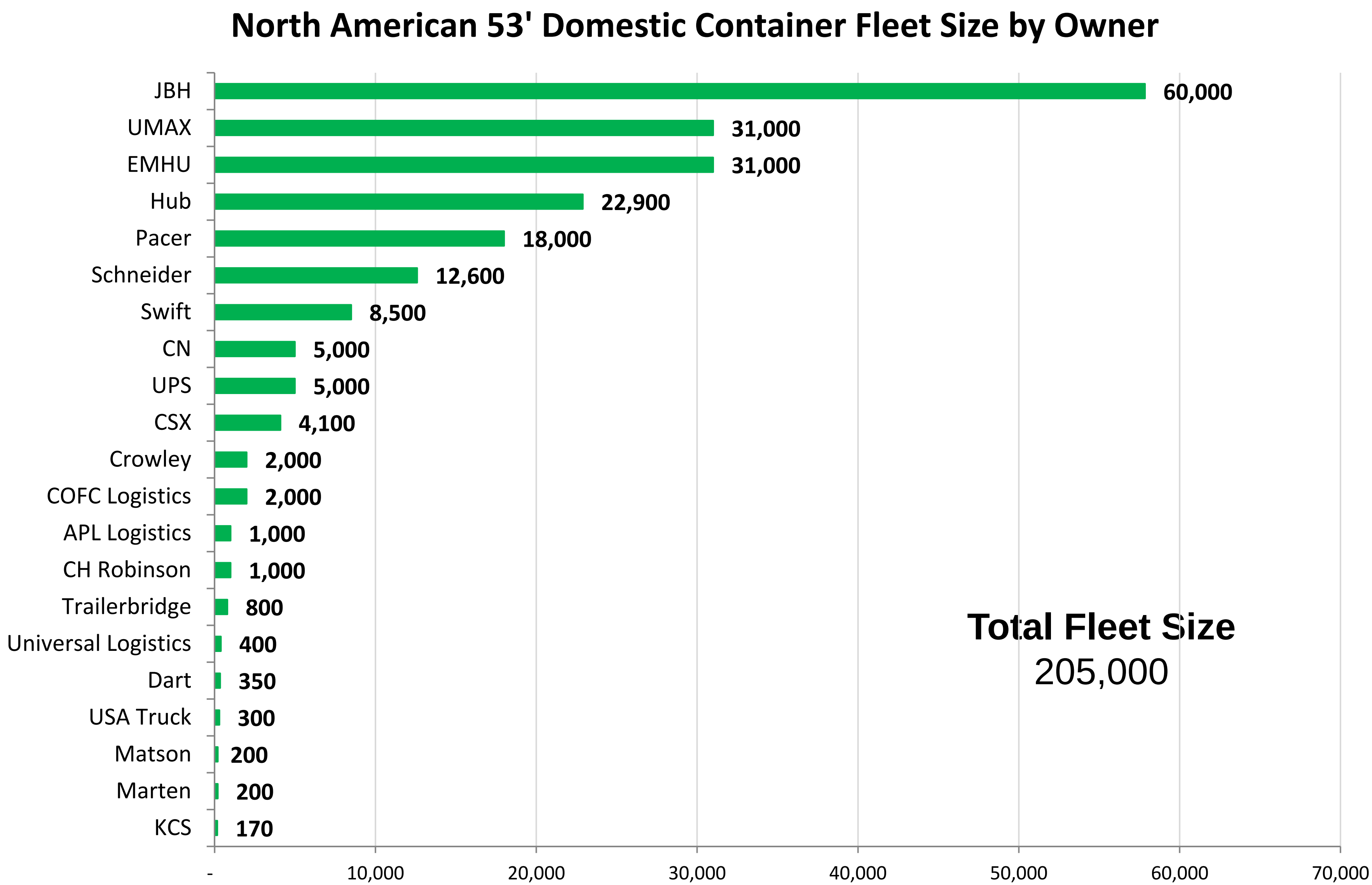
SERVICE REVIEW: MARKET SHARE

- Market overview (segment specific)
  - Market size: $12 Billion
  - Capacity: 205,000 53-foot Containers
  - Industry outlook: Growing at > 7%
- Our position
  - 25 - 28% of overall market (revenue and/or capacity)
- Opportunities
  - ***Highway Conversion***
  - Customer Deliveries
  - New Services – Canada/Mexico/Eastern Network Expansion
- Roadblocks
  - Market Share
  - Competitor Actions

Intermodal Rail Carrier Industry Comparison

	INTERMODAL VOLUME 2011	SALES APPROACH	EQUIPMENT OWNER / Type	CAPACITY	LARGEST SEGMENT by volume
BNSF RAILWAY	4.5 M	BNSF & Motor Carriers	Motor Carriers / Trailers & Containers	Unlimited	Intermodal
UNION PACIFIC	3.3 M	IMC	Rail Owned / Containers	Limited by fleet size	Industrial Products
CSX TRANSPORTATION	2.3 M	IMC & Motor Carriers	Rail Owned / Containers	Limited by fleet size	Industrial Products
NS NORFOLK SOUTHERN	3.2 M	IMC & Motor Carriers	Rail Owned / Containers	Limited by fleet size	Coal

Estimated 53’ Domestic Container Fleet by Owner



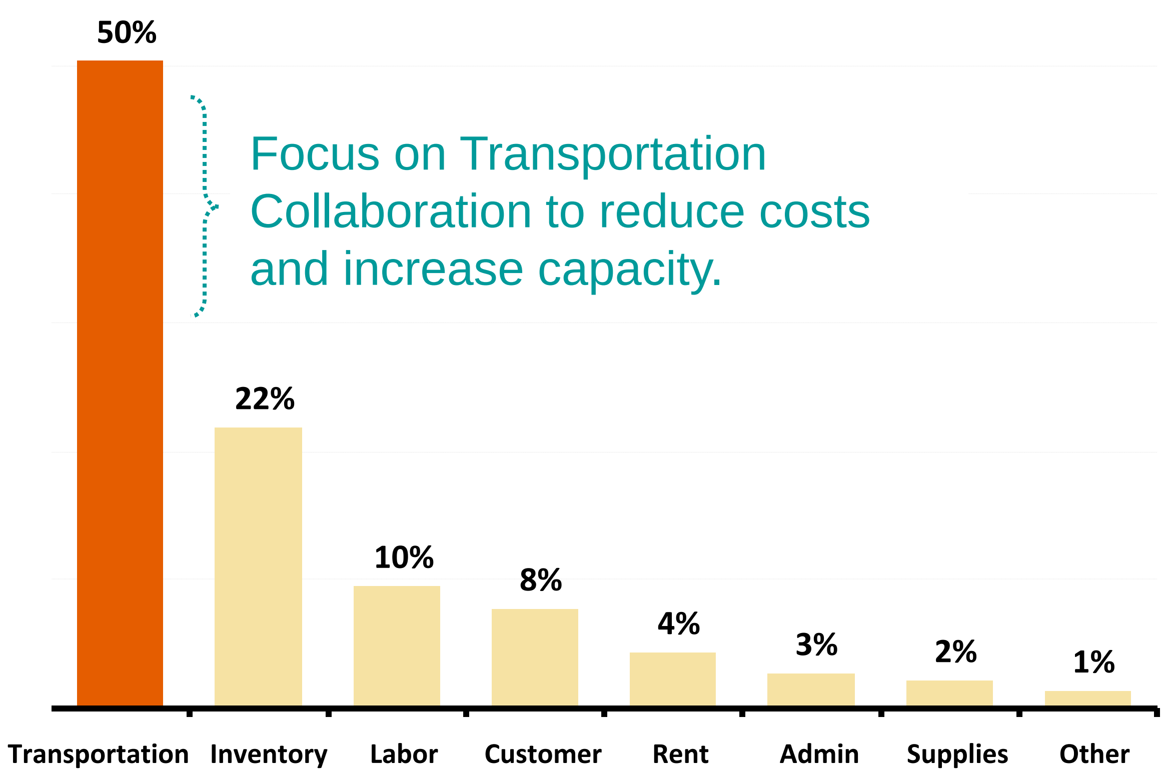
Who are the players?

- Union Pacific Based Providers
  - Hub Group (Red, White, or Green Containers)
  - EMP Rail Owned Equipment (White or Green Containers)
  - UMAX (Blue Containers / Yellow and White Lettering)
  - PACER (Blue Containers)
  - 100's of IMC Competitors (Intermodal Marketing Company)
  - Largest Mexico Presence
- BNSF Based Providers
  - Schneider
  - Swift
- ***First Priority is Highway Conversion***

Supply Chain Opportunities

Transportation is generally the greatest cost in the supply chain.

LOGISTICS COST BREAKDOWN



Source: Establish, Inc/Herbert W. Davis and Company 2006 Database

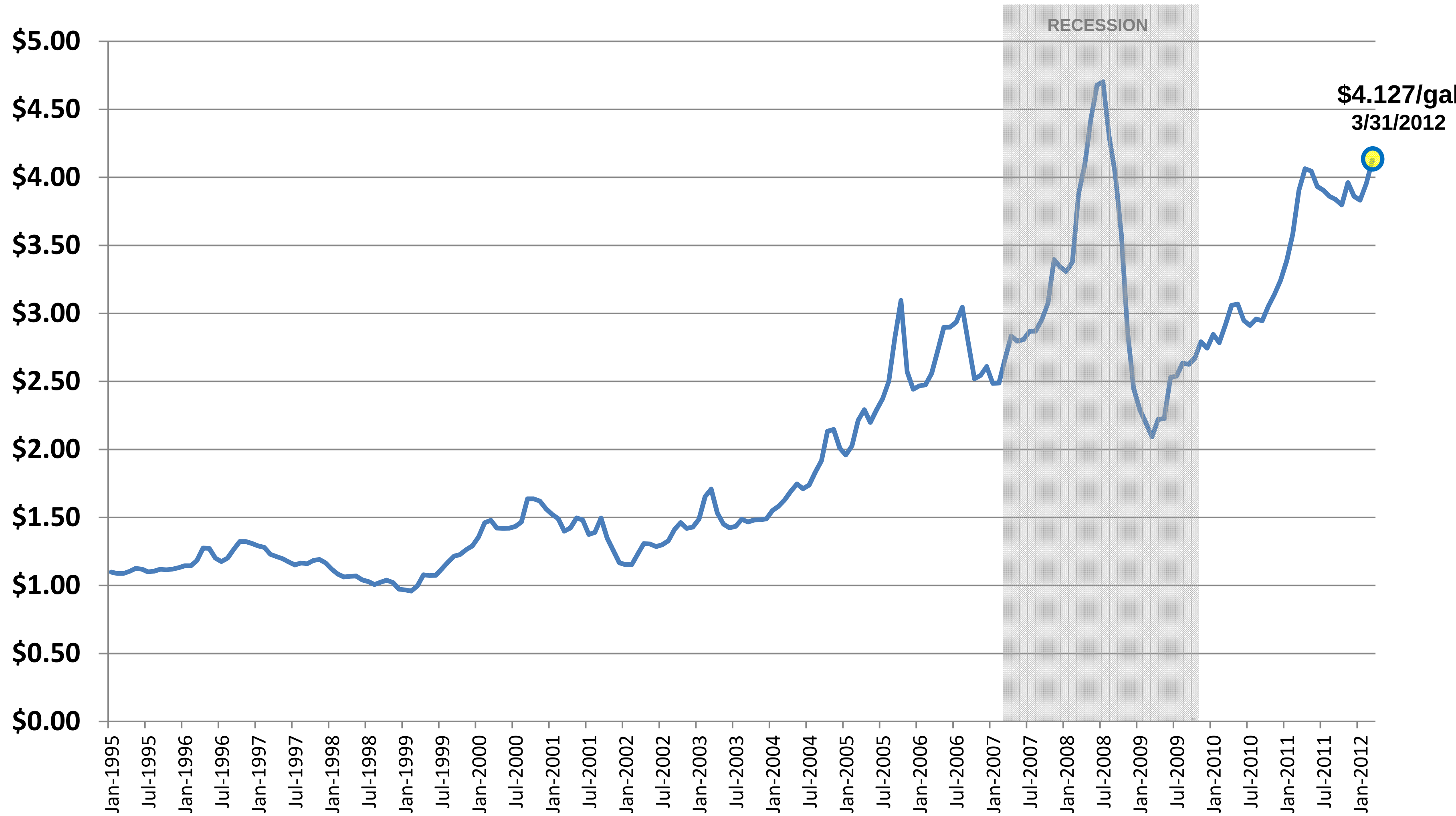
Today’s Supply Chain Landscape

- Shippers are looking for partners with flexible, comprehensive, value added solutions
- Steadily increasing freight demand
- Truckload capacity continues to tighten
- Supply/demand balance becoming an issue
- Intermodal volumes continue to rise and take highway share
- Diesel prices remain elevated

Top Supply Chain Challenges *(Next 2-5 Years)*

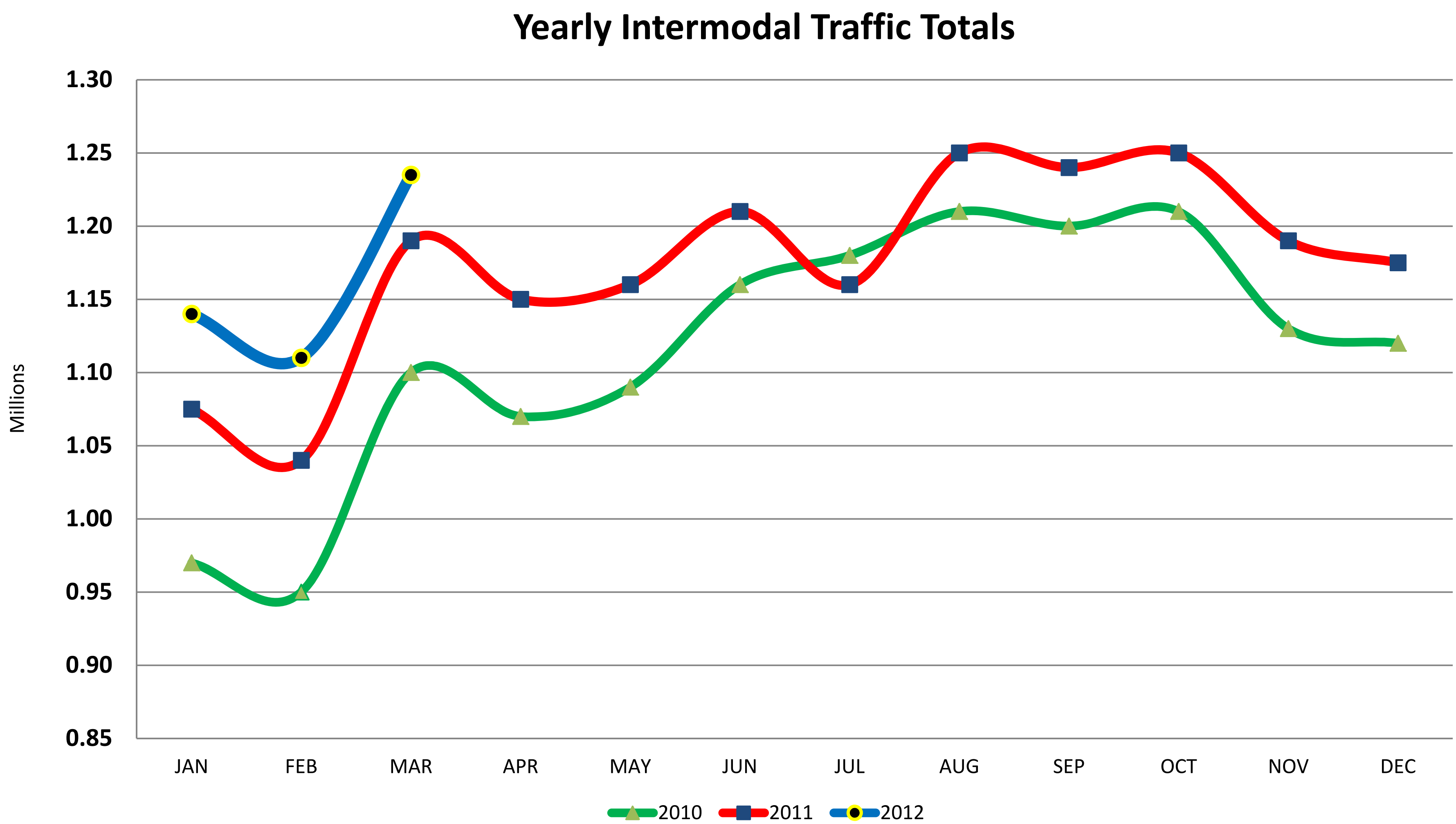
- Tightening driver market
- Government regulations
  - CSA EOBR mandates Hours of Service CARB
- Aging equipment leads to replacement at higher cost basis
- Highway infrastructure – congestion and deterioration
- Access to capital
- Fuel
- Managing Budgets

Fuel is Gaining Executive Visibility in Freight Costs



Source: U.S. Dept. of Energy (EIA)

Intermodal Remains Attractive



Source: IANA Intermodal Market Trends and Statistics

Intermodal Benefits Are Driving Change

Shippers, Carriers, Environment

- Economical
- Expanding capacity
- Greener shipping
- Less congestion
- Better jobs

What Freight Moves Intermodal Today?

Types of Intermodal Shipments

- Import shipments
- Inbound to DC and Outbound to Store
- Consolidation
- Temp-Controlled
- Flatbed

So Why Hasn't More Freight Been Converted?

Some Shippers Say…

- **"I had a bad experience with Intermodal 15 years ago."**
- **"Shipping requirements won't allow Intermodal."**
- **"Intermodal transit is slow and variable."**
- **"Won't work for my customers."**