



- Mexico – The next largest U.S. trading partner?
Nearshoring Trends and Logistics in Mexico

TPM Conference

Monday March 4, 2013

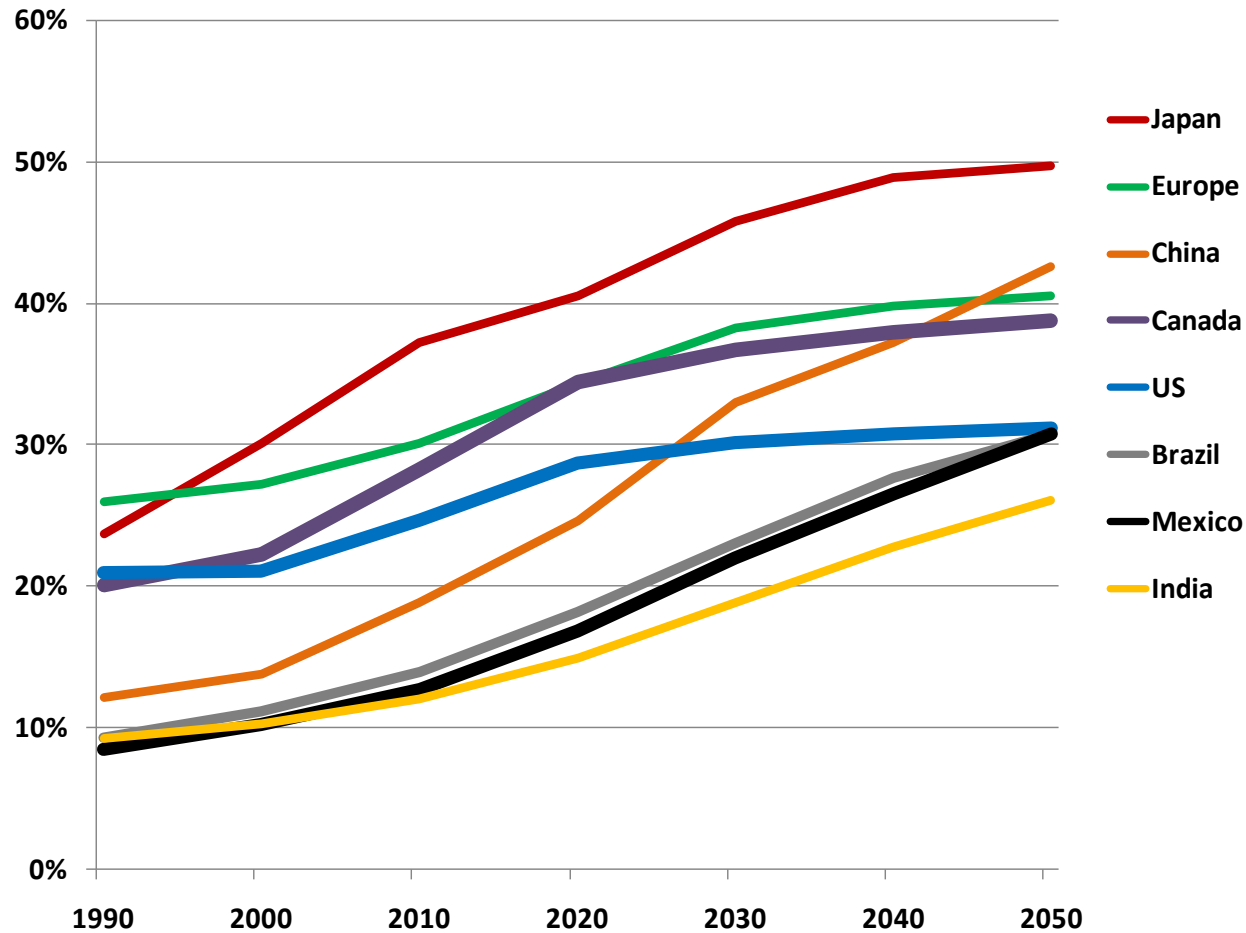


■ Mexico Economic Overview

Economy, Politics, Business Climate

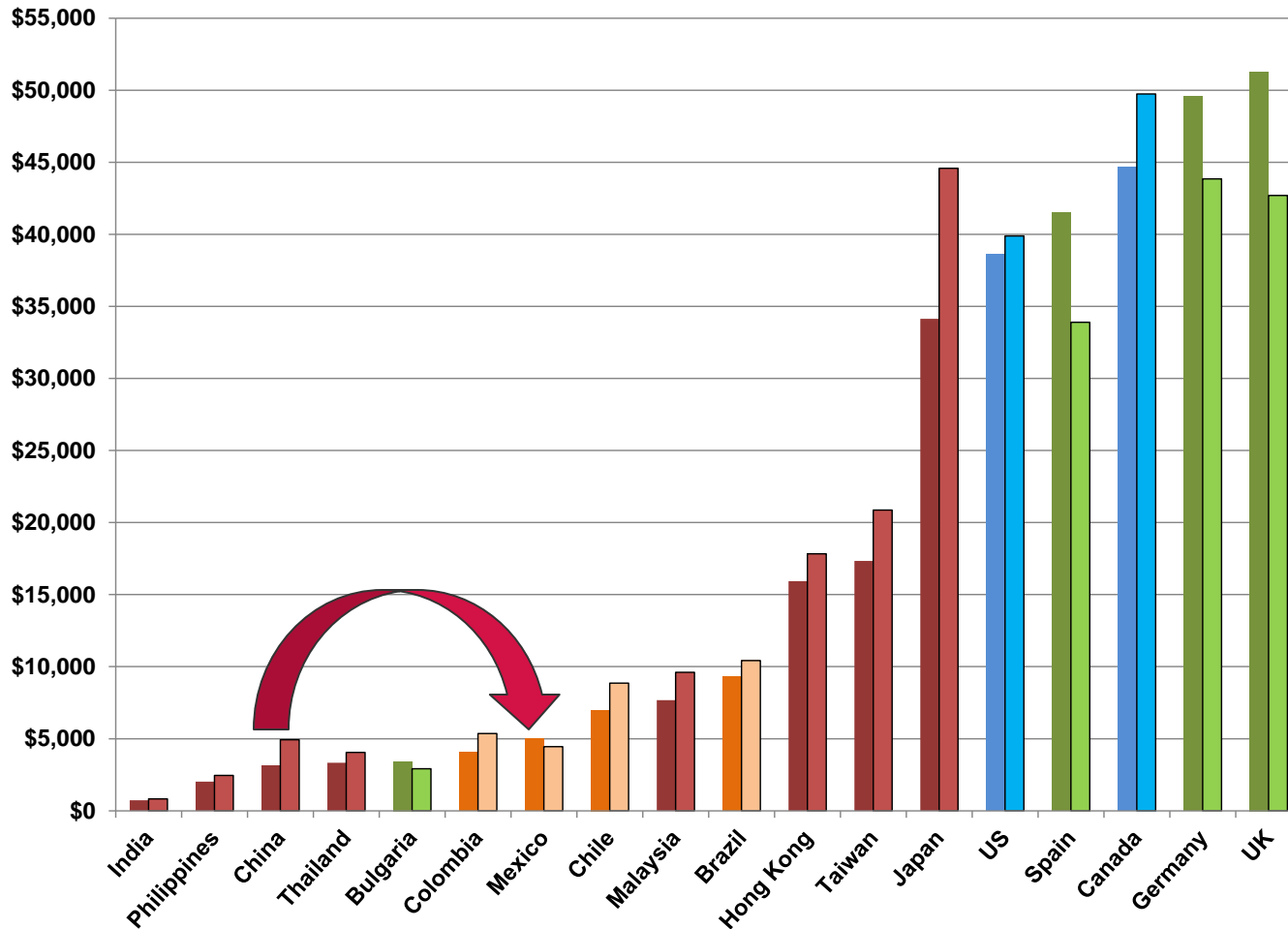
■ Mexico is a young country in an aging world

Proportion of Population Above 55 Years of Age



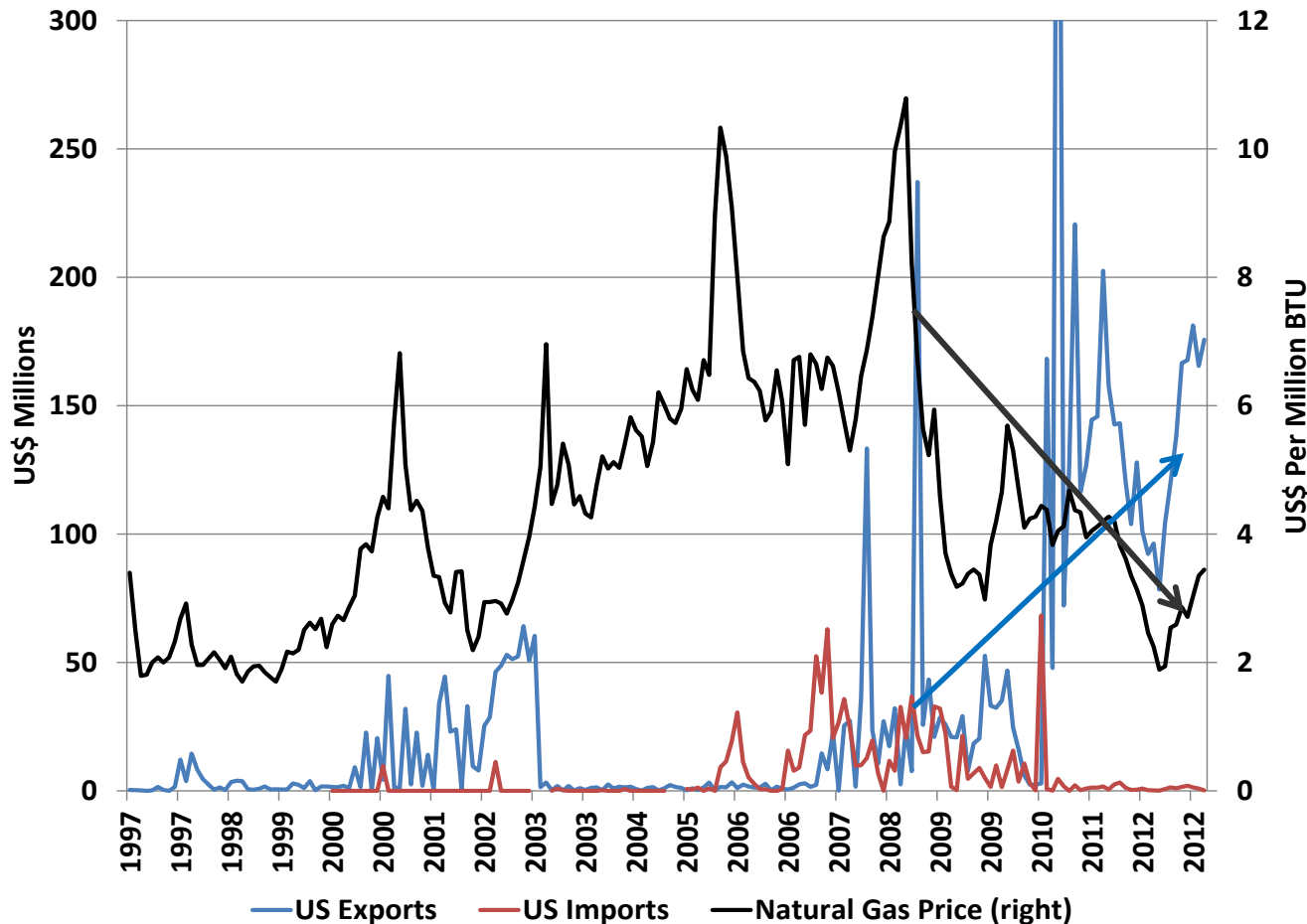
■ Mexico has competitive labor costs

Manufacturing Wage Comparisons in US\$ in 2008 and 2012E



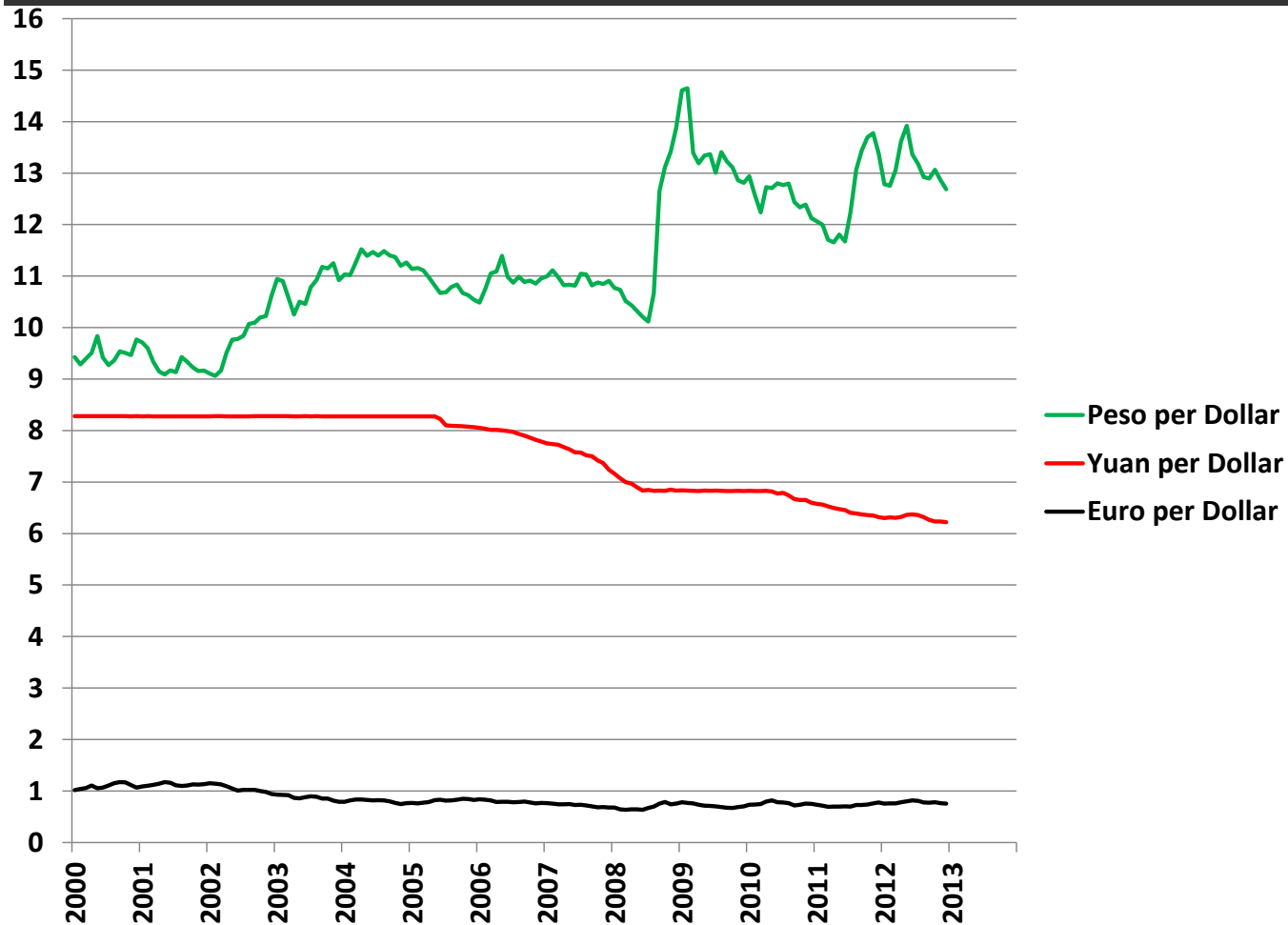
■ Mexico benefits from low cost US natural gas

US Natural Gas Prices and Trade With Mexico



■ Mexico benefits from global FX trends

Foreign Exchange Trends



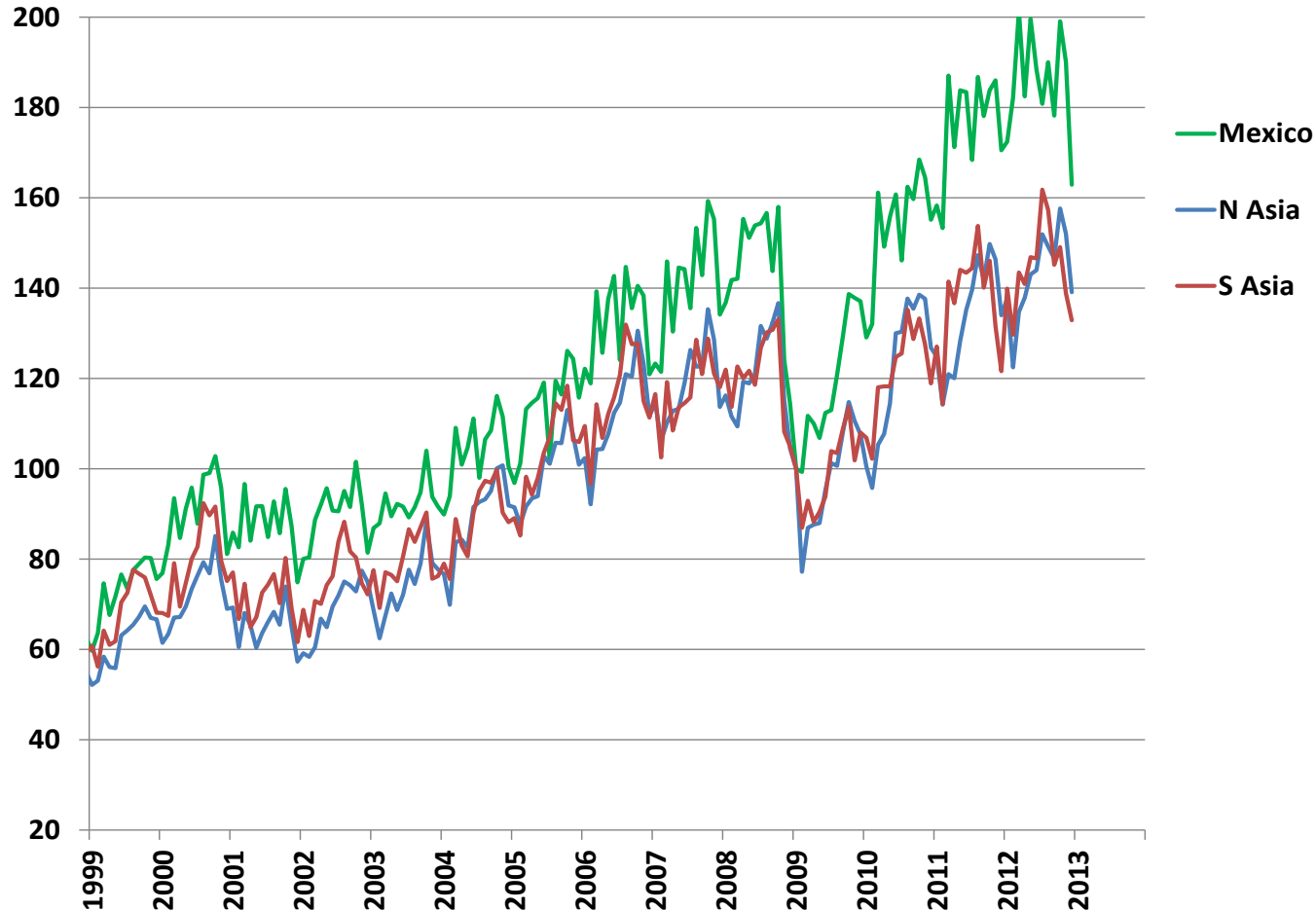
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U.S. XPRESS ENTERPRISES
SERVICE THAT MATTERS - DRIVEN BY INNOVATION

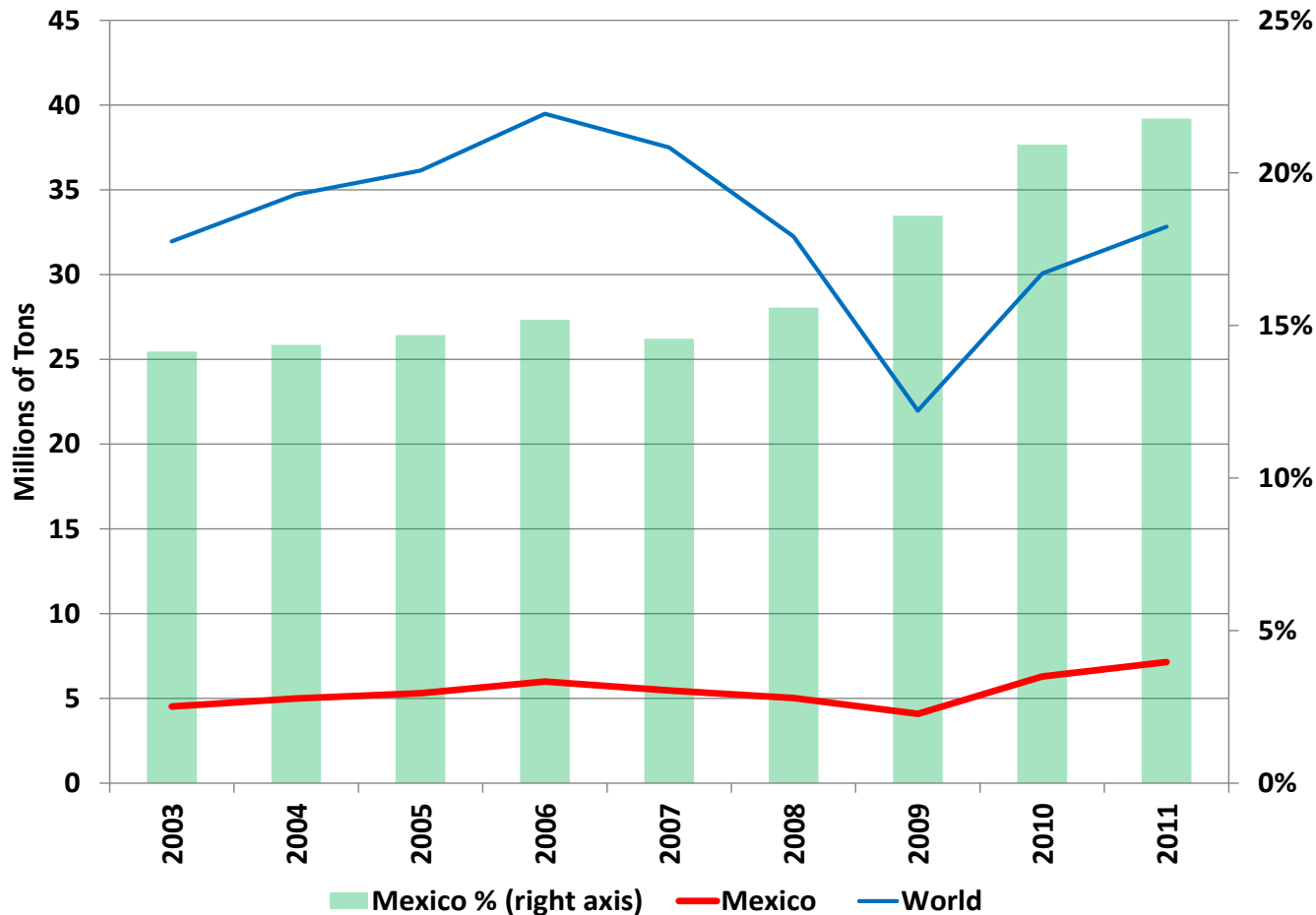
■ Mexico exports to the US have outperformed Asia since 2009

Index of US Imports From Mexico and Asian Trade Lanes (Jan 2009 = 100)



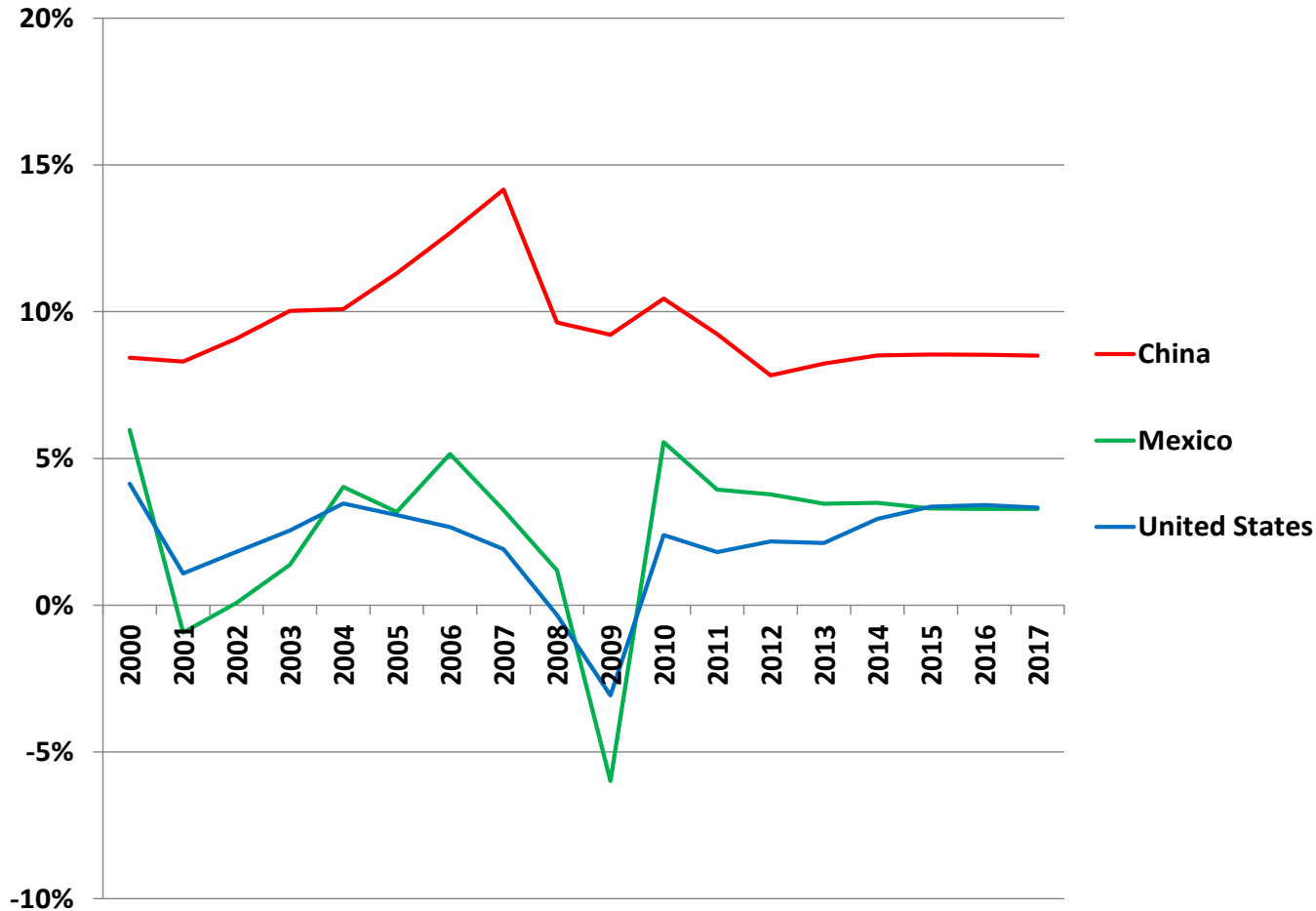
■ Mexico vehicle exports to the US have outperformed since 2009

US Vehicle Imports and Mexico's Share (millions of tons)



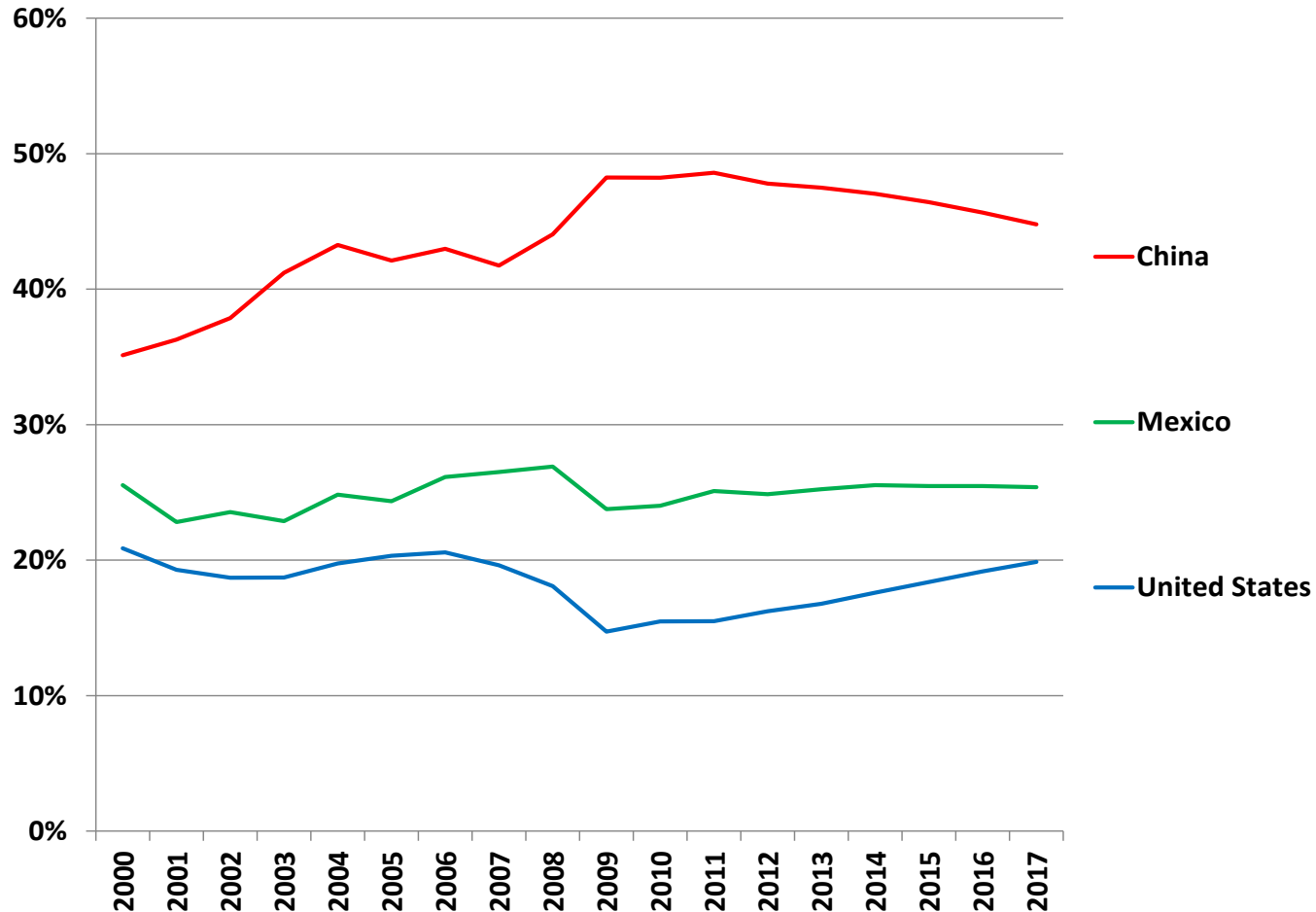
■ Mexico's economy has grown faster than the US but not as fast as China's, but...

Real GDP Growth



■ ... investment-driven GDP growth is not as stable as consumer-driven growth

Investment Spending Share of GDP





■ Mexico Logistics and Trend

Volumes, Infrastructure, Mexico Zones, Supply & Demand,
Modes of Transport, Load Sharing, Trends



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■ Laredo is largest land based port

Rank:	Location:	Type:	Imports:	Exports:
1	Port of Los Angeles, CA	Water Gateway	\$202.6 bil	\$33.7 bil
2	Port of NY/NJ	Water Gateway	\$125.1 bil	\$46.3 bil
3	JFK Intl Airport	Air	\$77.7 bil	\$81.9 bil
4	Port of Houston	Water Gateway	\$60.2 bil	\$70.7 bil
5	Laredo, TX	Land	\$63.7 bil	\$57.3 bil
6	Detroit	Land	\$48.2 bil	\$62.8 bil
7	Chicago Airport	Air	\$75.3 bil	\$35.3 bil
8	Port of Long Beach, CA	Water Gateway	\$56.6 bil	\$31.8 bil
9	Los Angeles Intl Airport	Air	\$40.5 bil	\$36.9 bil
10	Port Huron, MI	Land	\$38.7 bil	\$34.7 bil
11	Buffalo-Niagara Falls, NY	Land	\$35.3 bil	\$37.4 bil
12	Port of Savannah, GA	Water Gateway	\$34.4 bil	\$24.2 bil
13	New Orleans	Air	\$35.0 bil	\$22.7 bil
14	El Paso, TX	Land	\$23.9 bil	\$31.7 bil
15	Port of Charleston, SC	Water Gateway	\$30.8 bil	\$19.4 bil

By Jessica Naziri Posted 23 April 2012 CNBC.com

Sources: Bureau of Transportation's Statistics of the Research and Innovative Technology Administration rankings (2010) and individual gateways (2007, 2010, 2011).

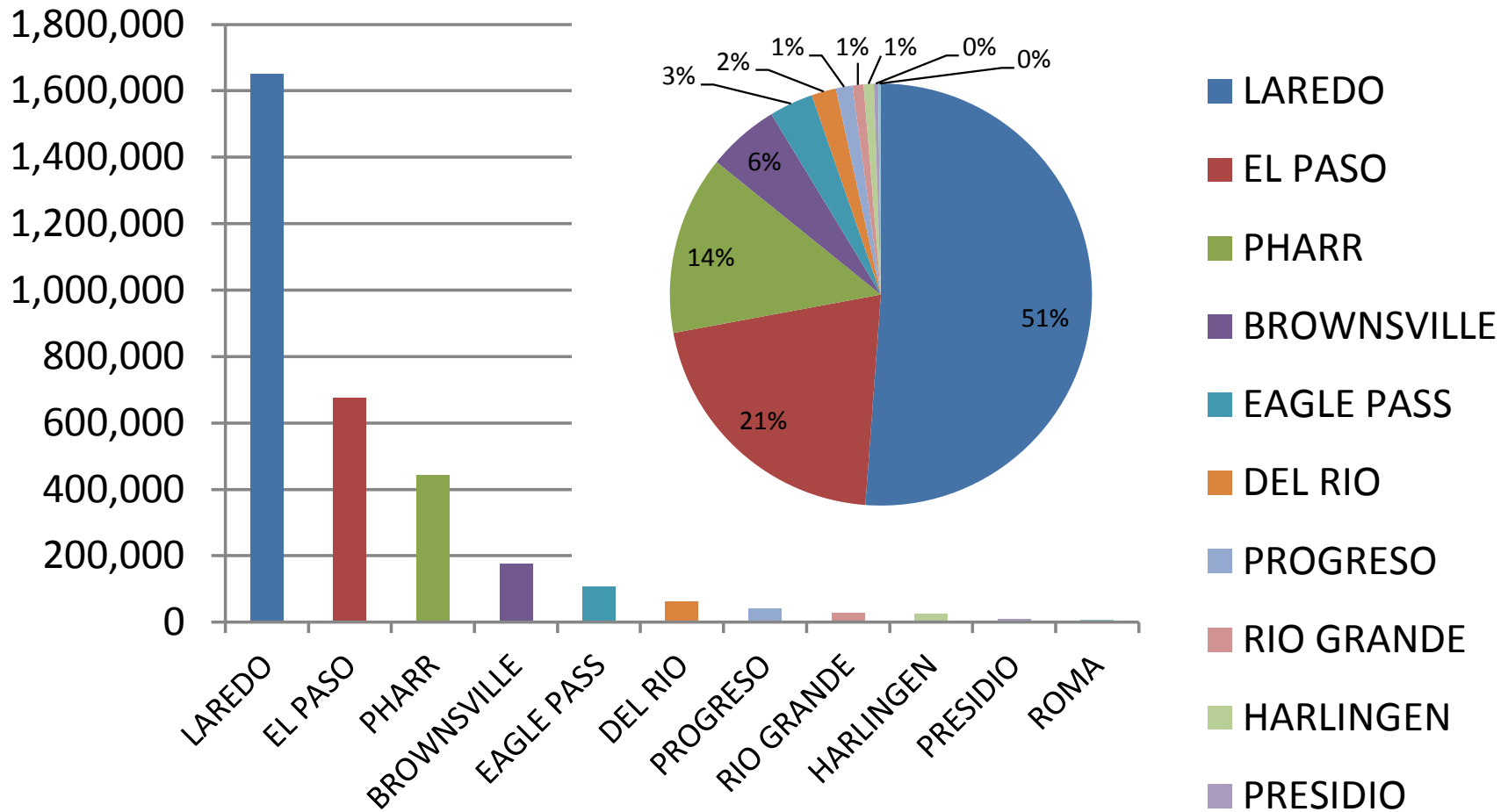


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Texas Port Crossing North Jan-Nov 2012



Truck Crossings comprise all commercial vehicles crossing through international bridges (2,3,4,5,6+ axle).

North Bound Data provided by U.S. Customs Service at Laredo, TX.

Texas A&M International University, Texas Center for Border Economic and Enterprise Development



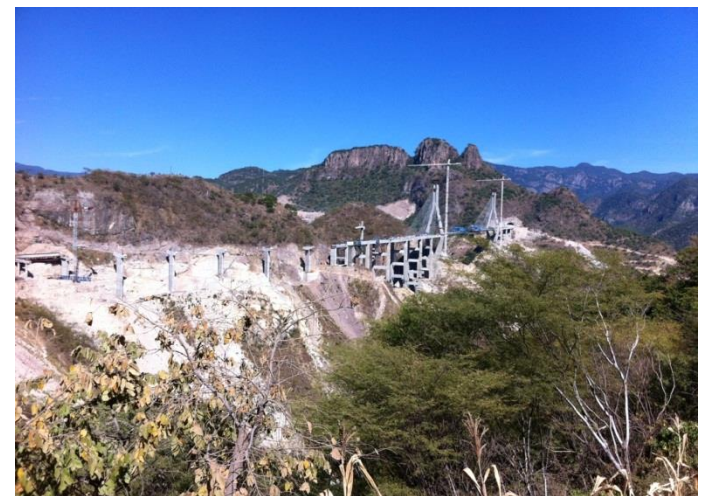
■ Maquiladora Program

- Existed Before NAFTA – 1965
- Over 3,000 Maquiladora Plants in Mexico
- Companies Import Components Duty Free
- Process: Assemble, Store, Re-Export
- Duty Paid on Value Added Only

■ Mexico Highway Investment

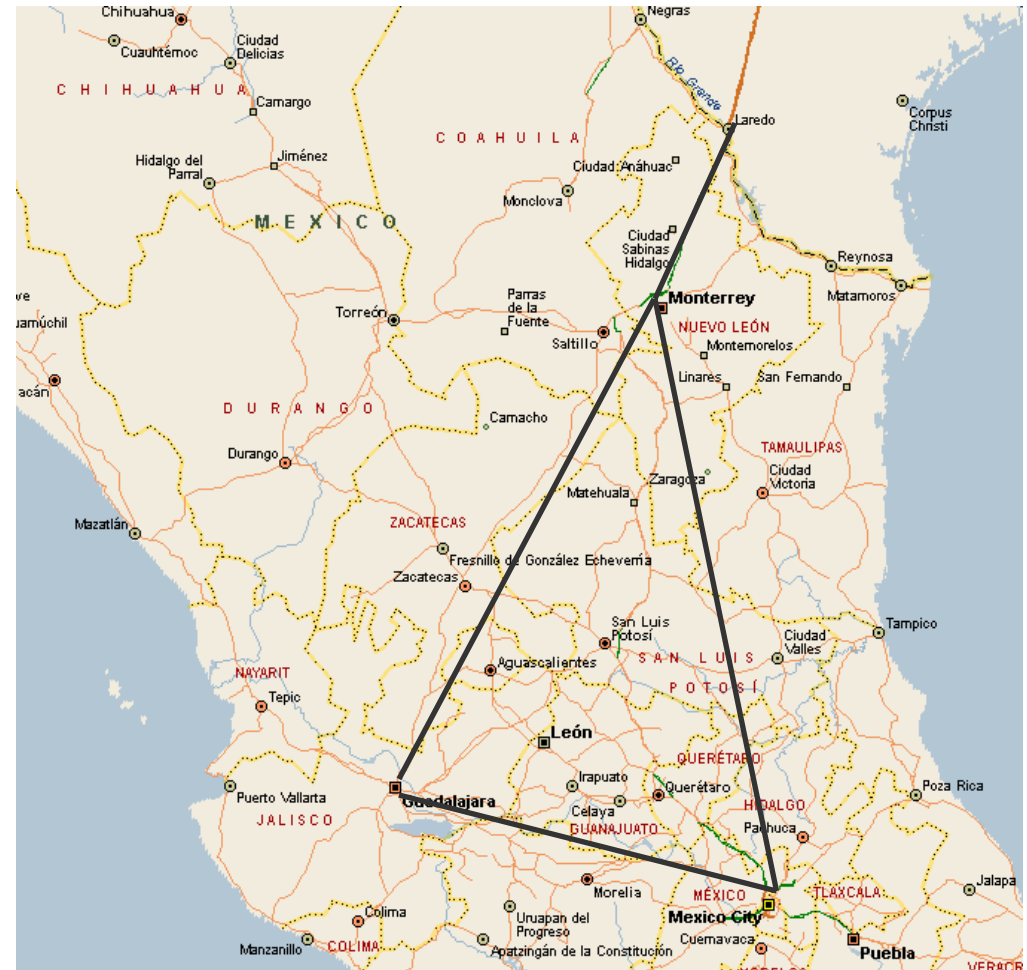


- Infrastructure development
 - Toll roads
 - Interstate highways
 - New routes for produce



■ Laredo's access to Monterrey and Interior/Central Mexico

- Shortest distance to major cities
- 70% of Industrial Base
- Perception of less risk
- Avoids major mountain ranges







UNITED STATES

TEXAS

LOUISIANA

CHIHUAHUA

Chihuahua

COAHUILA

MEXICO

SINALOA

Culiacán

DURANGO

ZACATECAS

North Central
(San Luis Potosí)

San Luis Potosí

Iguascaltepec

León

GUANAJUATO

Querétaro

Morelia

Guadalajara

JALISCO

COLIMA

MICHOACÁN

Mexico City

MÉXICO

MORELOS

GUERRERO

Acapulco

Querétaro

HIDALGO

TLAXCALA

Puebla

PUEBLA

VERACRUZ

OAXACA

Gulf of Mexico

Bay of Campeche

Mérida

YUCATÁN

QUINTANA ROO

CAMPECHE

Villahermosa

TABASCO

Belmopan

BELIZE

GUATEMALA

CHIAPAS

Pacific Ocean



UNITED STATES

TEXAS

Austin

San Antonio

Houston

LOUISIANA

MISS.

ALABAMA

FLOR

CHIHUAHUA

Chihuahua

COAHUILA

MEXICO

SINALOA

Culiacán

DURANGO

ZACATECAS

Torreón

Saltillo

Monterrey

NUEVO LEÓN

TAMAULIPAS

SAN LUIS POTOSÍ

San Luis Potosí

NAYARIT

León

Guanajuato

Bajío (Querétaro)

Querétaro

HIDALGO

Guadalajara

JALISCO

Morelia

Mexico City

TLAXCALA

Puebla

VERACRUZ

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QUINTANA ROO

CAMPECHE

Villahermosa

TABASCO

Belmopan

BELIZE

CHIAPAS

GUATEMALA

Ocean





UNITED STATES

MISSISSIPPI ALA.

TEXAS

LOUISIANA

CHIHUAHUA

COAHUILA

SINALOA

MEXICO

NUEVO LEÓN

Culliacán

Torreón

Saltillo

San Antonio

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TAMAULIPAS

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Gulf of Mexico

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Guadalajara

GUANAJUATO

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GUATEMALA

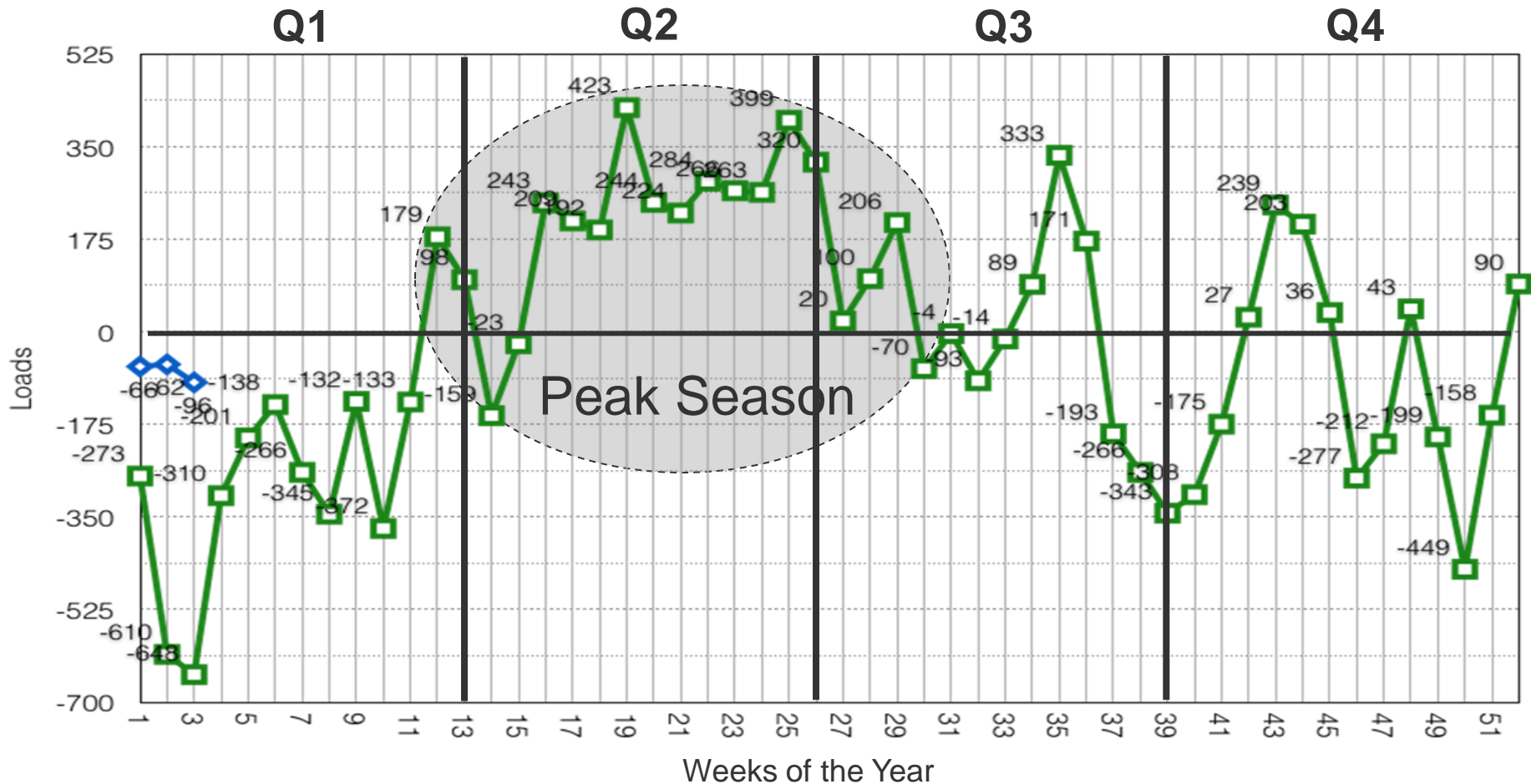
Pacific Ocean



Imbalance of Equipment – A Severe Issue

◆ 2012

■ 2011

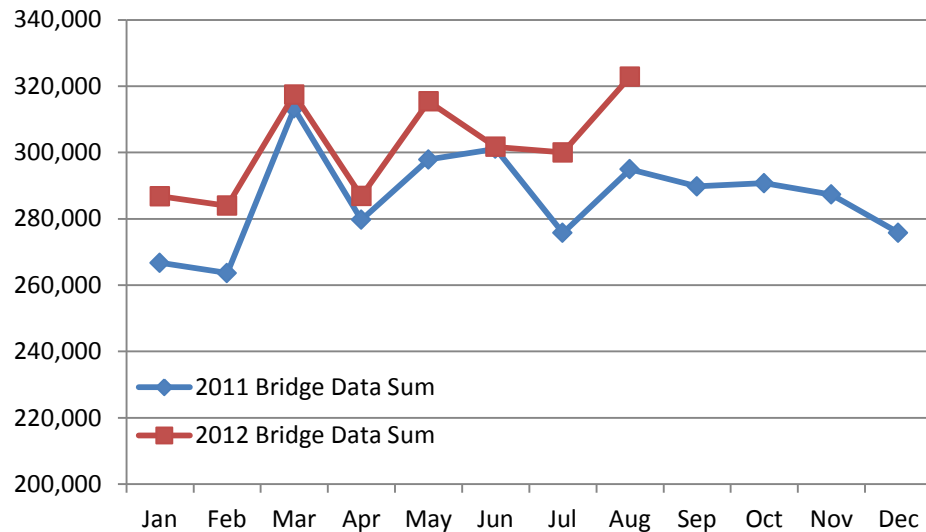


■ Peak Season Solutions?

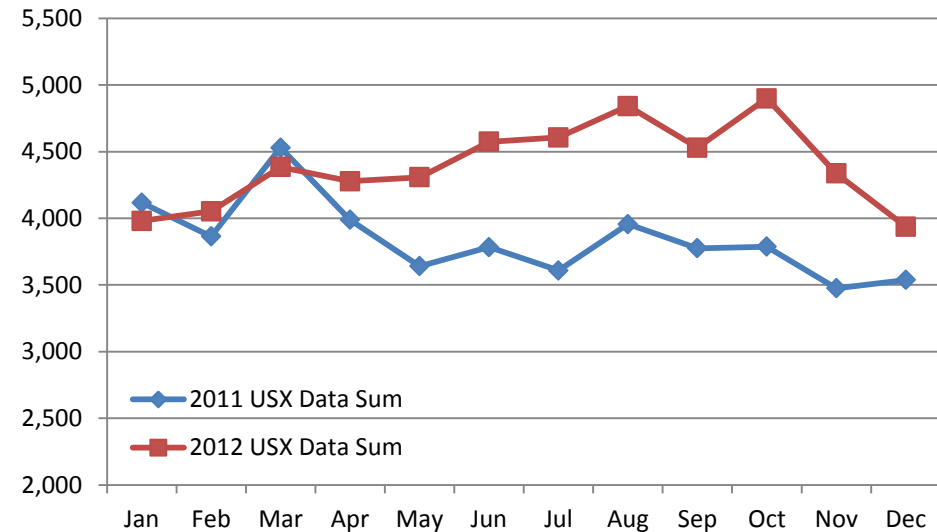
- Projecting Northbound Capacity Severely Restricted - 2013
- Customer Preparation:
 - Critical Carriers Discussions/Planning Before Peak Season
 - Year Around Volume or Premium Freight Advantage
 - Consider Diversified Carrier Base
 - Best Carrier Option - Balanced North and Southbound
- Consider Different Entry Ports & Modes of Transportation
 - Rail/Intermodal
 - Cross-Docking at Border
 - Dedicated Truck Solutions

■ Diversified carrier base

Laredo Bridge Both Directions

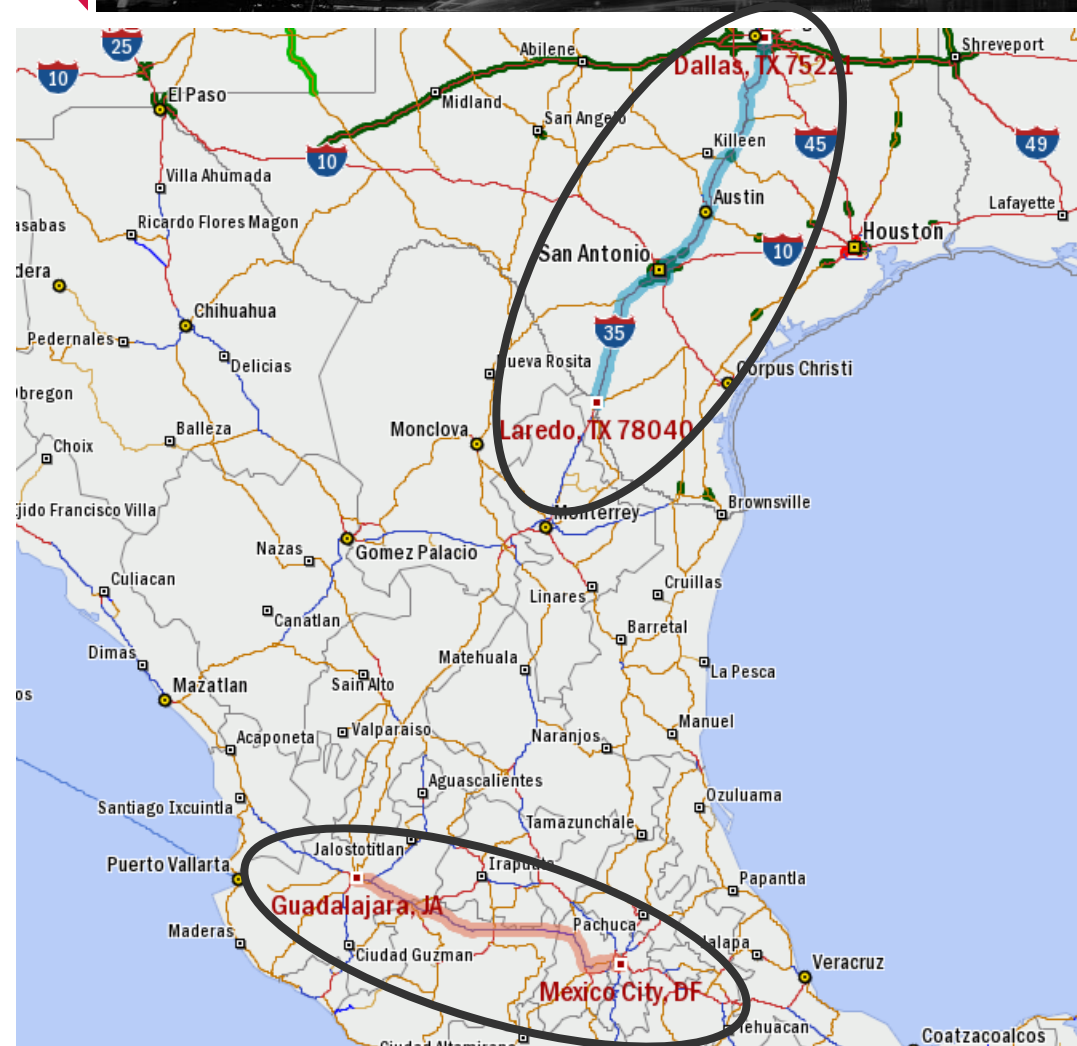


Carrier Crossings



- Spike in activity March, May-June, August-October
- Major truckload providers combined are less than 10% of overall daily crossings

Peak Season Solutions – Shifting Capacity 2 segments... 2 shifts



- With peak season demand both markets in Mexico and Laredo will need capacity.
 - 400-450 miles from Dallas metro area down to Laredo.
 - 300-350 miles from Mexico City area to Guadalajara.

■ M-10 Marine Highway



- Route from Brownsville to Port Manatee, Florida
- \$3.2 million government grant extended to end of 2013
- Move overweight (57k lbs.) out of Mexico into Florida
- Opportunity to avoid congestion in Laredo and capacity shortages
- Project on-hold mainly due to limited westbound backhaul

U.S. – Mexico Interline Rail-Ferry Service



- Rail-ferry service operates between Mobile and Veracruz.
- CGR's ferry service is provided by two 585-foot long, roll-on/roll-off, self-propelled vessels that can each be loaded with 115 railcars. The vessels have double decks and 30-foot high sidewalls that protect the railcars from sea water

■ Rail is Becoming a Better Option



- Rail service has improved significantly
 - Ferromex & Kansas City Southern
- Cost effective solution
 - Generally longer haul makes economic sense.
 - New options to northwest corner of Mexico – West Coast markets
- Southbound - Mexican Customs Limitations

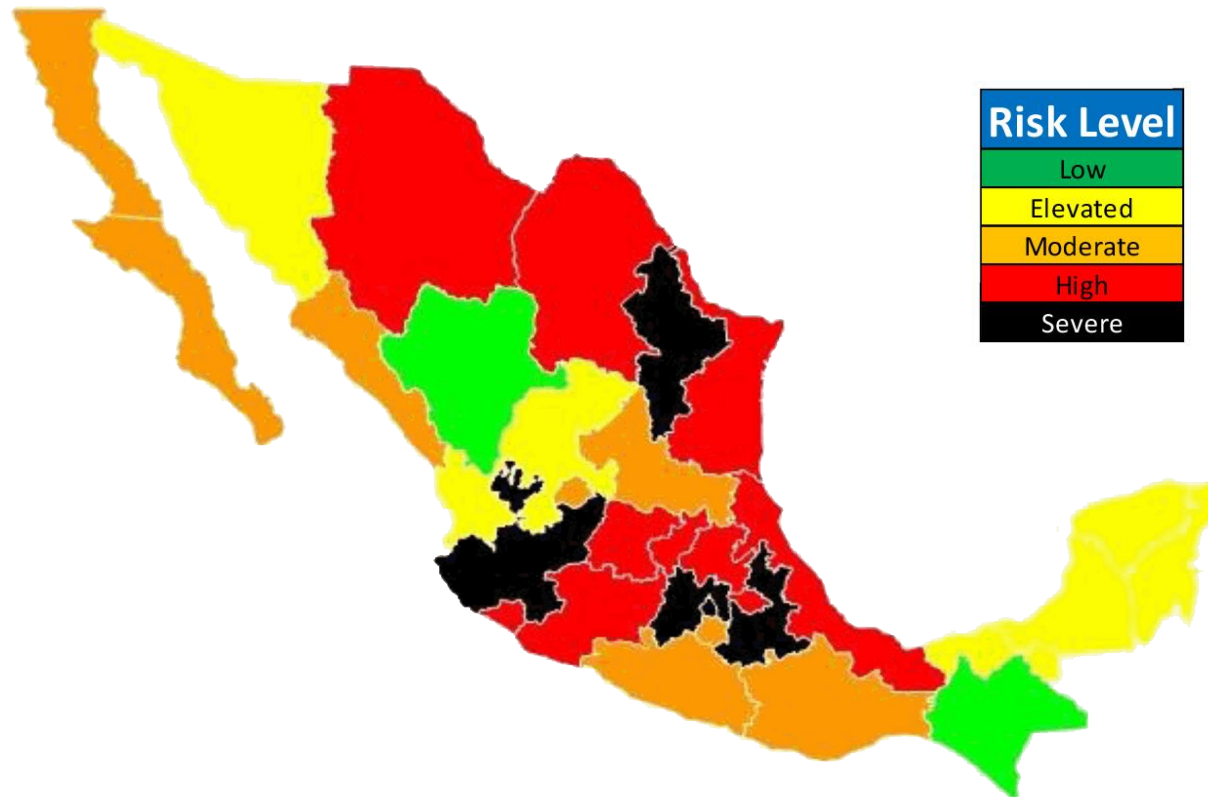


■ Security

Perceptions and Misperceptions, Security Solutions

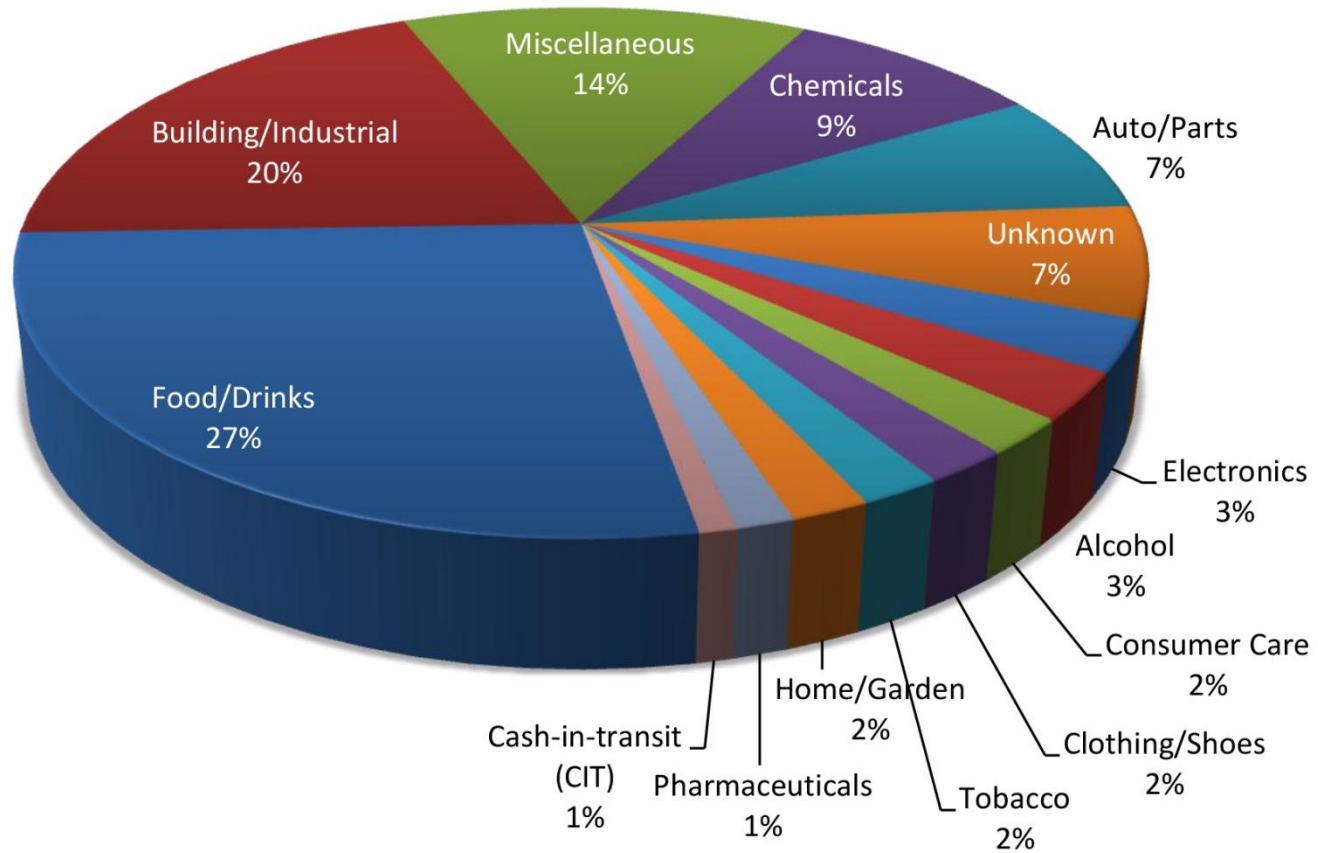
■ Mexico Risk by Geographic Region

Central, Gulf Coast, and Northeastern parts of Mexico are high risk areas.



Source: "2012 Mexico Cargo Theft Annual Report"; FreightWatch Supply Chain Intelligence Center

■ Mexico Cargo Theft by Product Type



Source: "2012 Mexico Cargo Theft Annual Report"; FreightWatch Supply Chain Intelligence Center

■ Quantifying Mexico Freight Theft

- One source estimated 4,715 reported thefts in 2012
- Stolen freight represents a fraction of a percentage of the millions of loads moved each year
- Stolen freight load value increased 38% 2011 v. 2012
- Great security companies available
 - Hidden GPS
 - Virtual corridors
 - Security providers capable of freight recovery is key

■ Cargo Insurance in Mexico

- Mexican carriers – limited cargo liability
- Must be stated in the Carta De Porte
- Carmack applies or Mexico liability?
- Concealed theft
 - Where did loss occur?
 - Shipper
 - Transit United States
 - Laredo Terminal
 - Laredo Customs Broker Facility/Yard
 - Drayage Service
 - Bridge Crossing
 - Mexico Yard/Terminal
 - Transit Mexico
 - Consignee
 - Transload
 - Crossdock
 - Maintenance

■ Cargo Theft Modus Operandi

- Highjacking - 83% of 2012 cargo theft incidents in Mexico
- Remaining 17% cargo theft incidents:

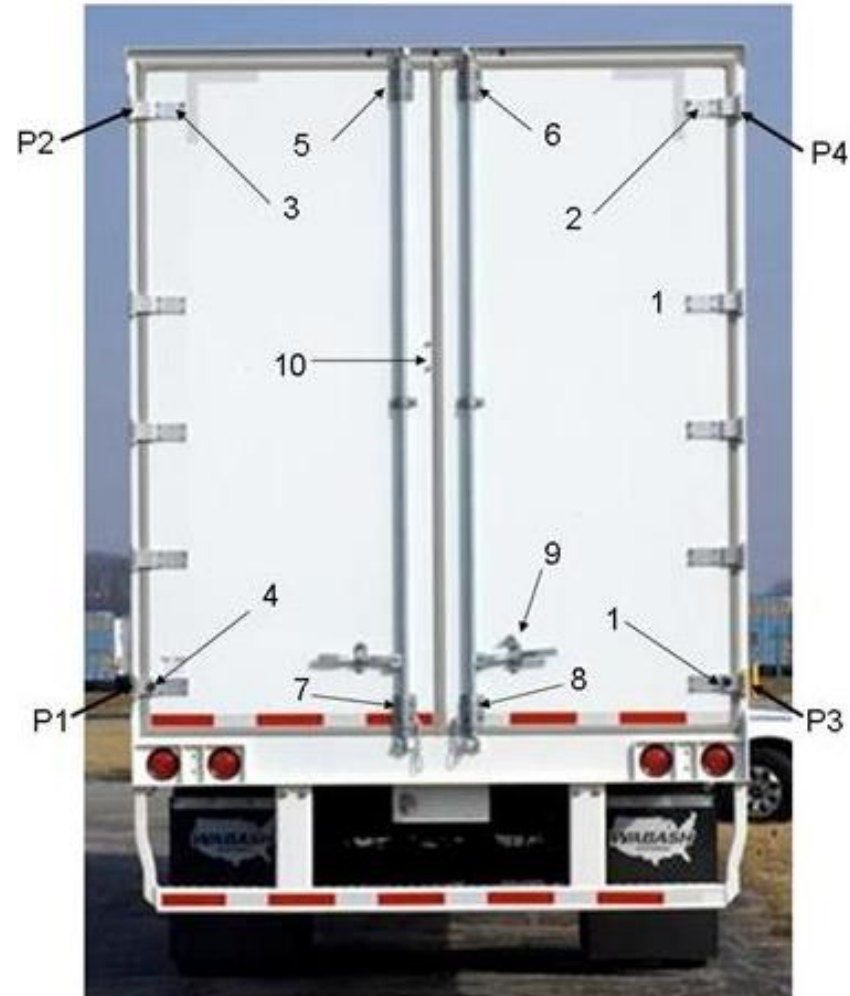
- Theft of unattended trailer
- Rail theft
- Warehouse burglaries
- Deceptive stops

Thieves stop loads disguising themselves by driving fake police or military vehicles and/or wearing clothing with insignias of police or other law enforcement.

Source: "2012 Mexico Cargo Theft Annual Report"; FreightWatch Supply Chain Intelligence Center

■ Mexico Security Concerns Carrier and Customer Practices

- Driver Hiring Process
- Equipment
- Communication
- C-TPAT Compliance
 - Trailer Yard – Terminal security.
- Route Control
- Monitoring and Quick Response





■ Best Practices



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■ Role of Mexican Customs Broker

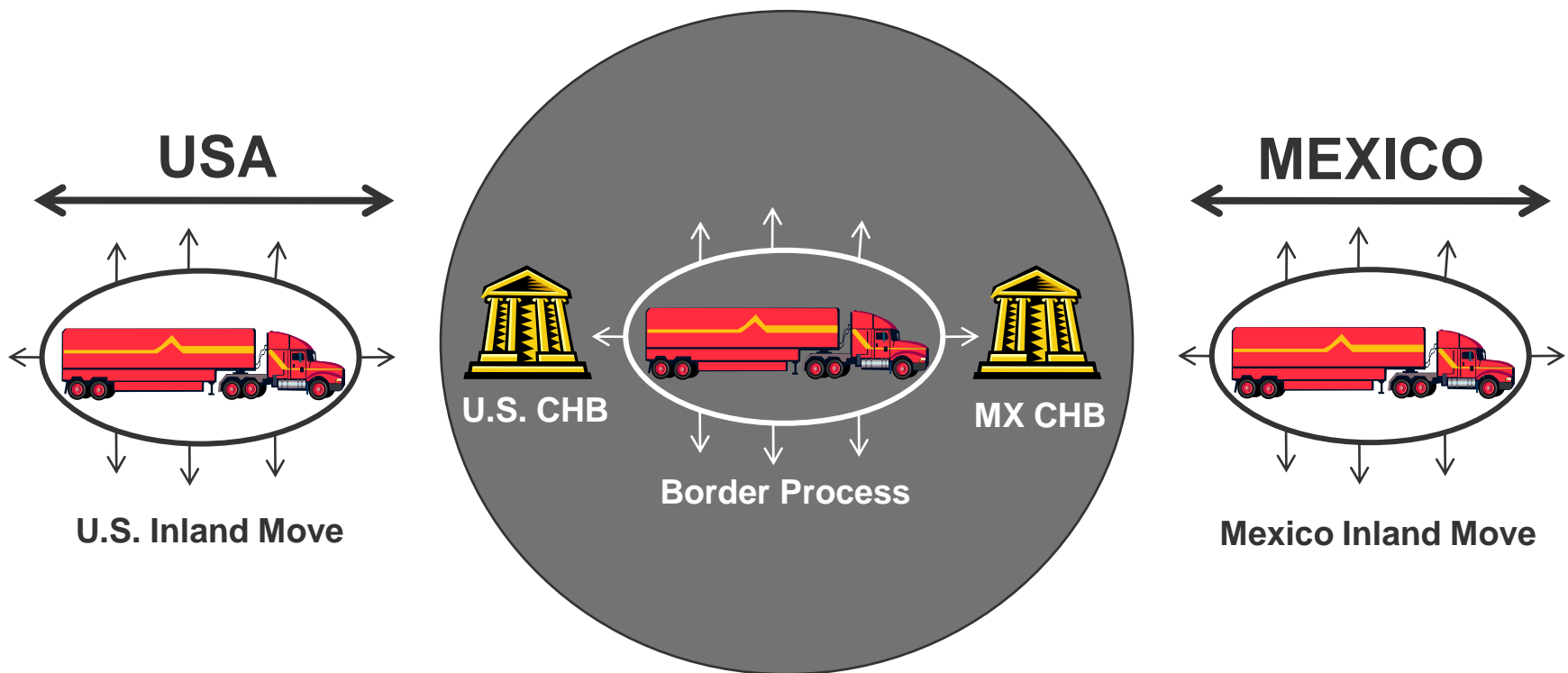
- Very different from the U.S.
- 750 licensed brokers in Mexico
 - U.S. has 11,000 active brokers
 - No new licenses in Mexico
 - Handed down from generation to generation
 - Mexican customs reducing number of brokers
- Liable for verifying paperwork and cargo against actual entry
 - Mistakes create fines, confiscated cargo, loss of lic., jail
- Hold client's paperwork for 5 years

Border Trending Toward Integration

Simplifying the border with single party accountability

“Hands off communication and limited visibility”

BLACK HOLE



■ Ownership of Mexican Transport Partner vs. Interchange

- Better visibility of freight
- Clear separation of finances.
- No mixed priorities
- Improved trailer turns
- Profitable
- Trustworthy partner (but finances still audited)
- 2 fleets to manage

Best Practice - US-MX Border Operations



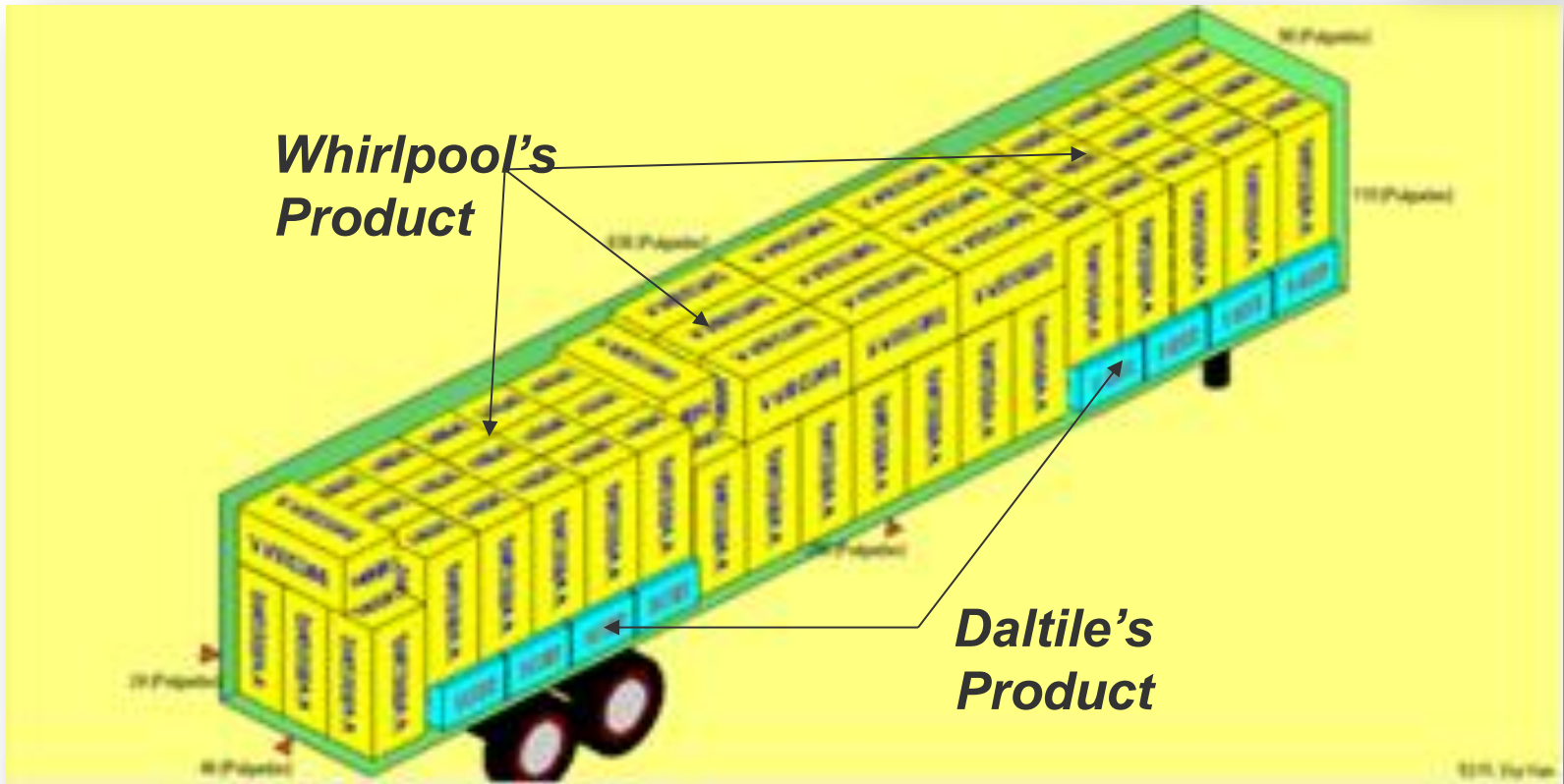
Lengths of Haul in Primary Lanes (1500-2200 Mi.)

Legend

- Ontario
- Sunnyvale
- Eldersburg
- Plant
- DC
- Gateway

Collaborative Planning – Co-Load

ANALYSIS
SOLUTION
PROCESS
OBJECTIVES
TEAMWORK
VISION
SALES



Each Partner Saved 10-20% on Freight Spend



■ Intra Mexico Distribution

- Historically controlled by small/family owned carriers
- Limited infrastructure / low cost
- Larger players beginning to emerge
- New focus on technology (TMS)
 - Improved optimization, efficiency and security



■ Thanks



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