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December 2014

Key findings

- Business conditions again declined in December compared to November. The business conditions index for respondents with more than 100 power units dropped from 7.2 to 6.7 while it rose to 6.2 from 6.1 for respondents with up to 100 power units. *(Page 4)*
- Overall, 22.5% of respondents said business was better or much better in December vs. November and 60.6% said it was the same. (*Page 5*)
- 61.9% of all respondents said December business conditions were better than December 2013 (including 70.6% of larger fleet respondents), and 63.4% expect business to be better or much better in the next six months, adjusting for seasonality. (*Pages 5 & 6*)
- Driver availability again comes in as the top concern at 71.8% for all respondents, followed by freight pricing (8.5%) and the political climate in Washington (7.0%) and freight volume (also 7.0%). (*Pages 7 & 8*)
- In-cab camera usage is more prevalent in large fleets: 25.5% of large fleet respondents said they are currently using them in their fleet equipment vs. only 5.5% of respondents from small fleets. Overall, 47.9% of respondents that aren't currently using in-cab cameras are considering it in the future. *(Page 9)*

Quotes of the month

- **Up to 100 power units:** "The climate for transportation looks good for the coming year. Rates will however need to rise dramatically to overcome the increase cost of new equipment, continued increase in wages for all employees, and the loss of productivity due to the lack of reliability of newer equipment."
- **More than 100 power units:** "We seem to be in a period of equilibrium with slight tension, creating a positive position for carriers relative to pricing. The driver shortage is becoming rather bothersome."

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Methodology

The December 2014 Randall-Reilly MarketPulse report is based on an ongoing survey that was sent to 200 senior executives of for-hire trucking companies who had agreed to participate monthly. The panel includes executives of carriers that operate at least 10 power units and does not change except to add new panel members that agree to join or to remove those who fail to participate for several consecutive months.

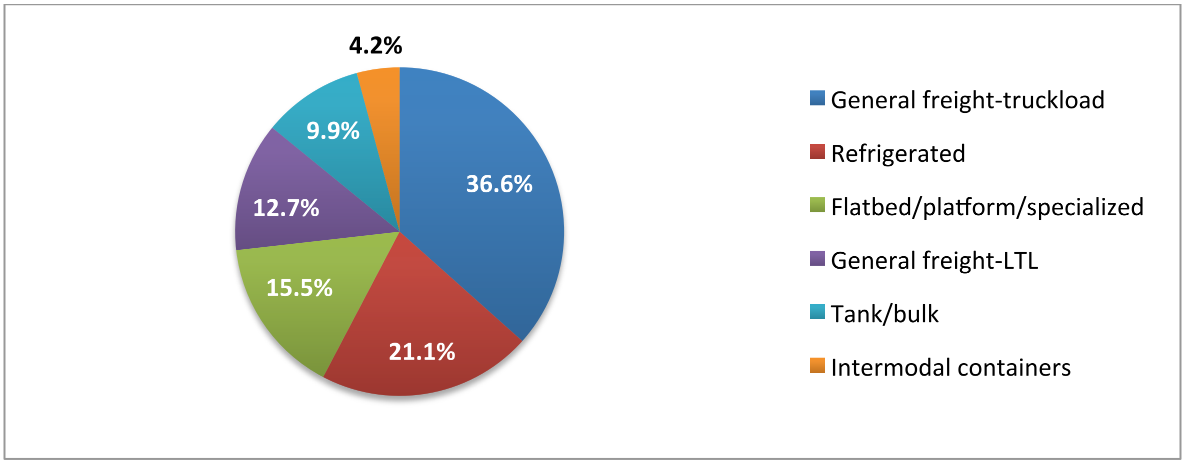
No attempt is made to weight the results to match the make-up of the trucking industry. The goal of MarketPulse is to provide a directional assessment of market conditions by polling a relatively stable panel of respondents each month. Variations in the respondent pool will, however, cause some fluctuations.

The survey was sent initially on January 26, 2014 with reminders sent out on January 30, 2015. Out of the total pool, 71 carrier executives completed the questionnaire.

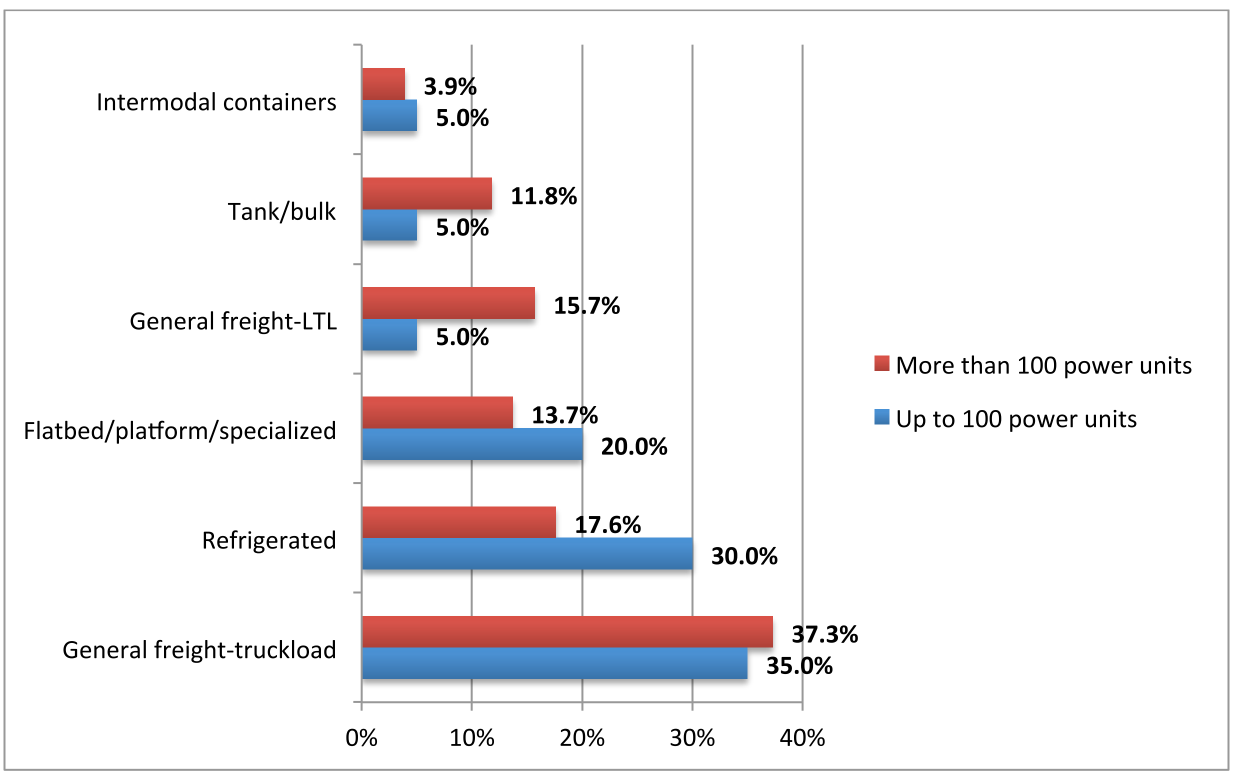
Demographics

71 respondents

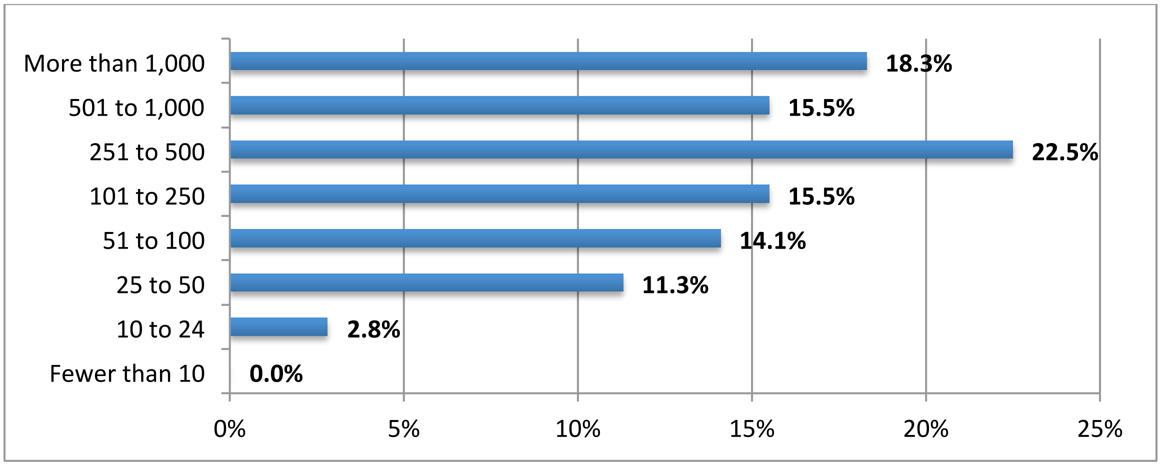
Which of the following represents the largest portion of your operation?



By fleet size



How many power units does your company operate (including owned, leased or independent contractors)?

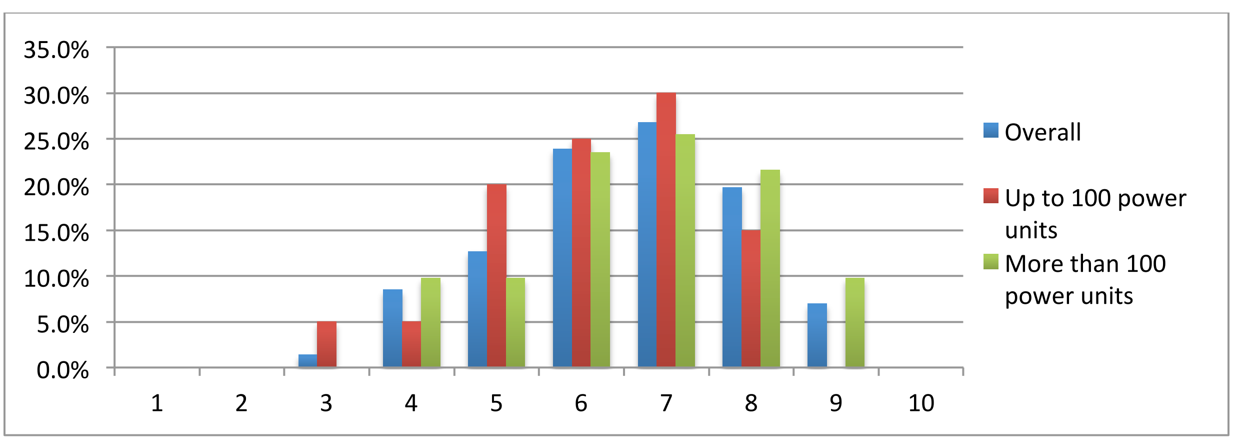


Business conditions

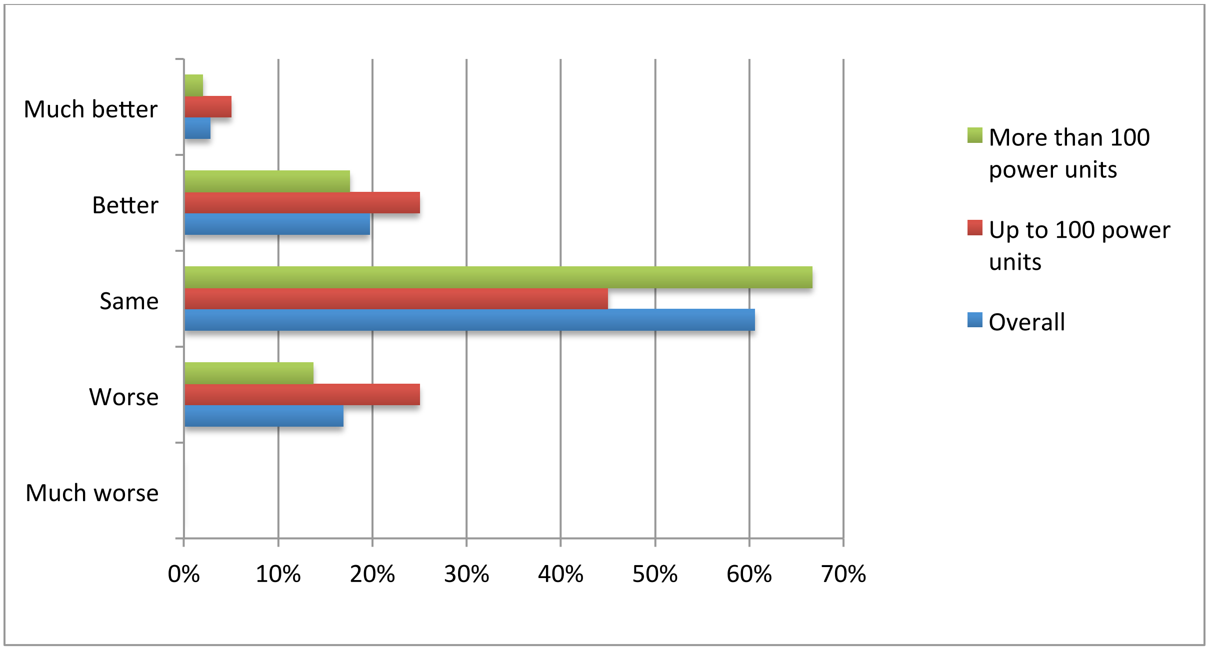
On a scale of 1 to 10 (where 1 is the worst month ever and 10 is the best month ever), how would you rate overall business conditions during December 2014?

	December 2014	November 2014
Average response	**6.5**	**6.8**
Up to 100 power units:	6.2	6.1
More than 100 units:	6.7	7.2

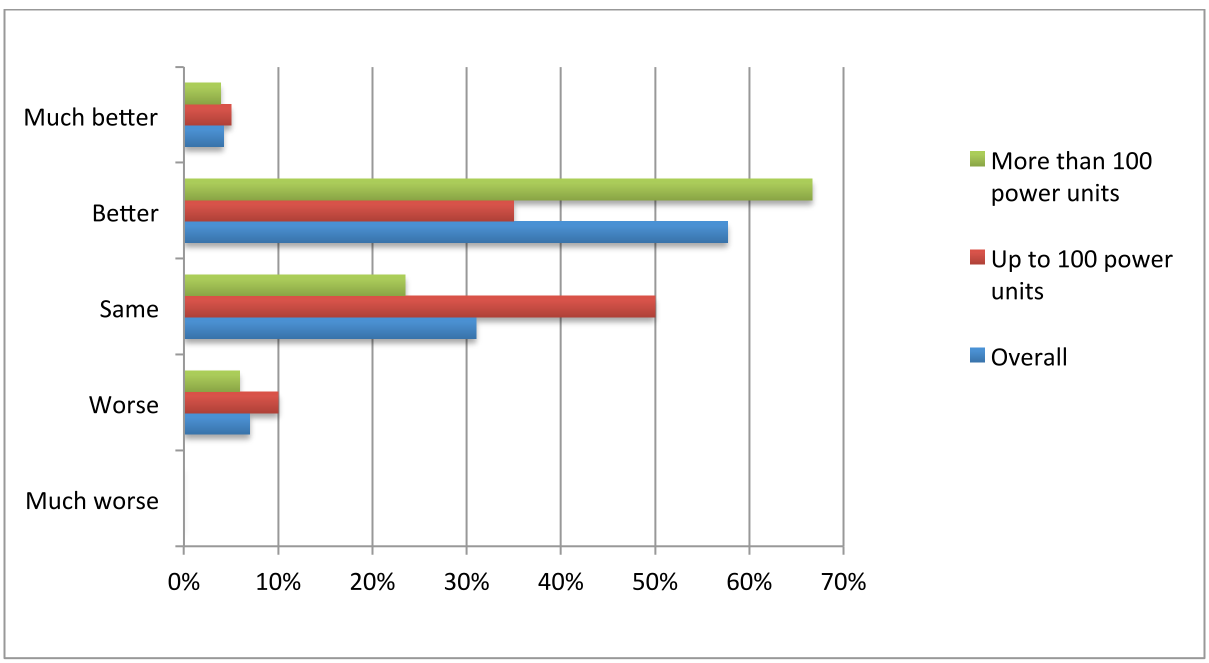
Distribution of responses



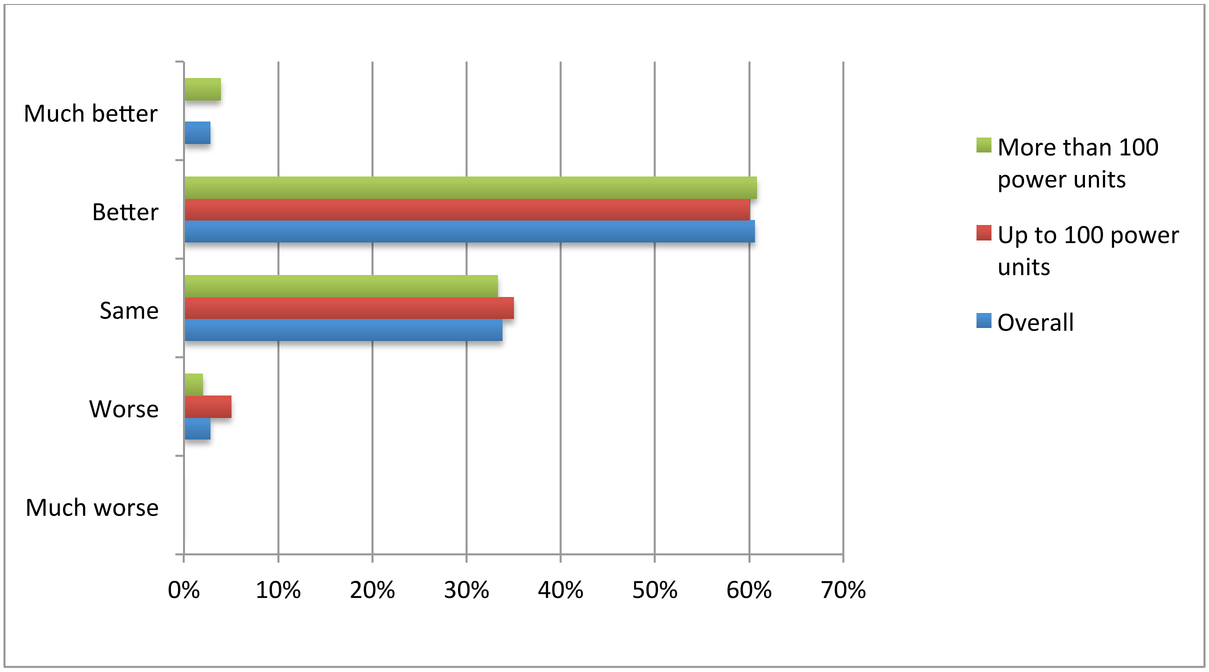
How is your business doing this month compared to last month?



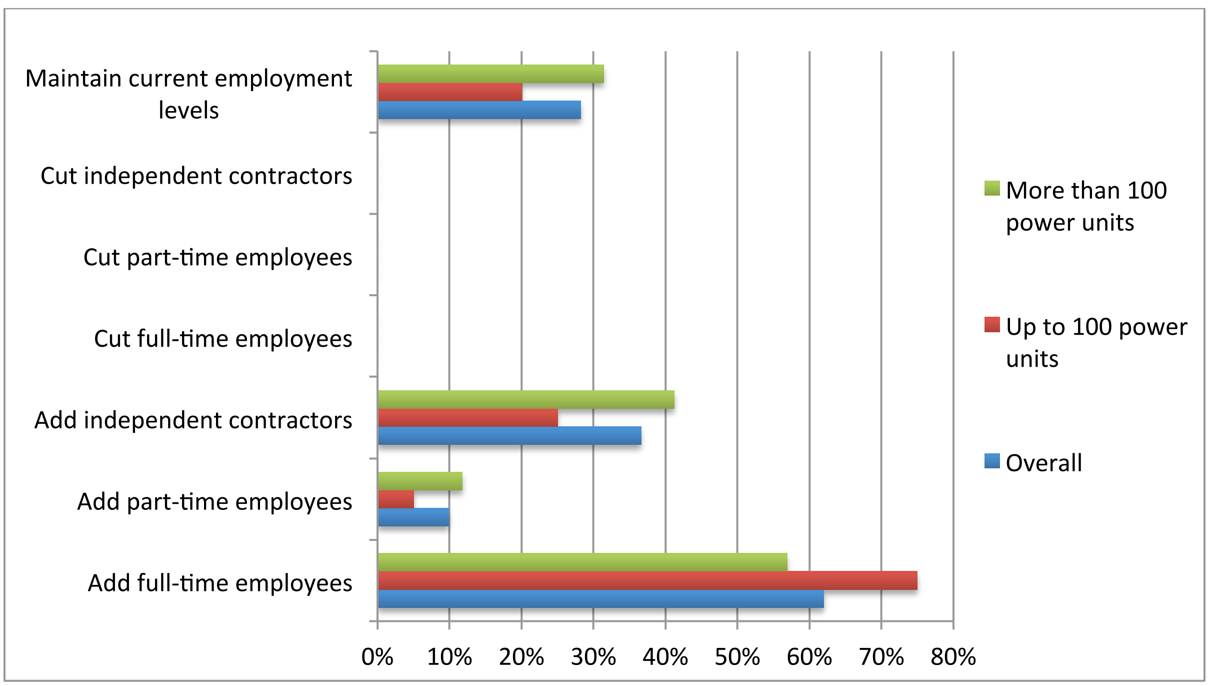
How is your business doing this month compared to the same month last year?



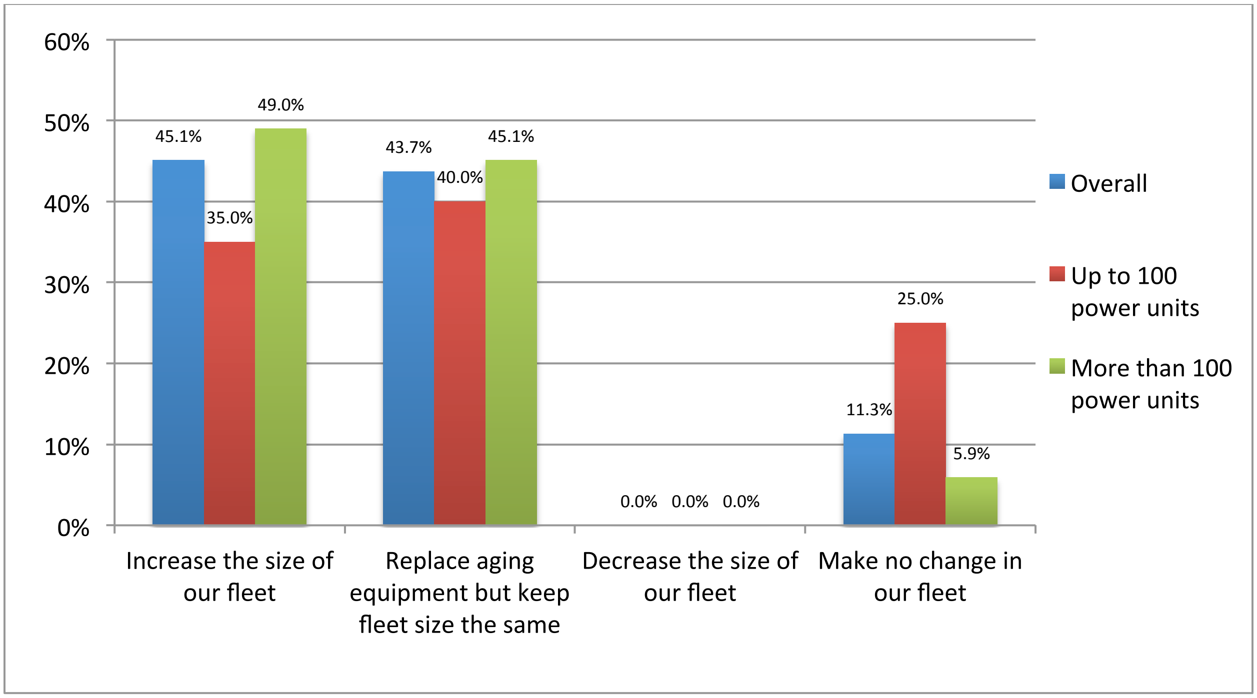
Adjusting for seasonality, how do you see business in the next 6 months?



Not counting seasonal employees, in the next 6 months, do you plan to:



In the next 6 months, we plan to:



Please rank your top five concerns right now (with 1 being the biggest concern).

	1 - (Biggest concern)	2	3	4	5
Freight volume	7.0%	11.4%	11.3%	5.6%	7.0%
Freight pricing	8.5%	18.6%	11.3%	8.5%	12.7%
Cash flow	1.4%	1.4%	2.8%	0.0%	2.8%
Fuel costs	1.4%	1.4%	2.8%	1.4%	4.2%
Driver availability	71.8%	11.4%	8.5%	0.0%	2.8%
Cost of labor	0.0%	21.4%	8.5%	11.3%	5.6%
Maintenance costs	0.0%	10.0%	14.1%	11.3%	4.2%
Cost of equipment	0.0%	7.1%	8.5%	15.5%	11.3%
Unionization	0.0%	0.0%	0.0%	0.0%	2.8%
Access to credit	0.0%	0.0%	0.0%	2.8%	1.4%
Cost of credit	0.0%	0.0%	0.0%	0.0%	1.4%
Regulation	1.4%	14.3%	19.7%	16.9%	16.9%
Taxes	1.4%	0.0%	5.6%	4.2%	8.5%
Political climate in Washington	7.0%	2.9%	7.0%	21.1%	18.3%
Other	0.0%	0.0%	0.0%	1.4%	0.0%

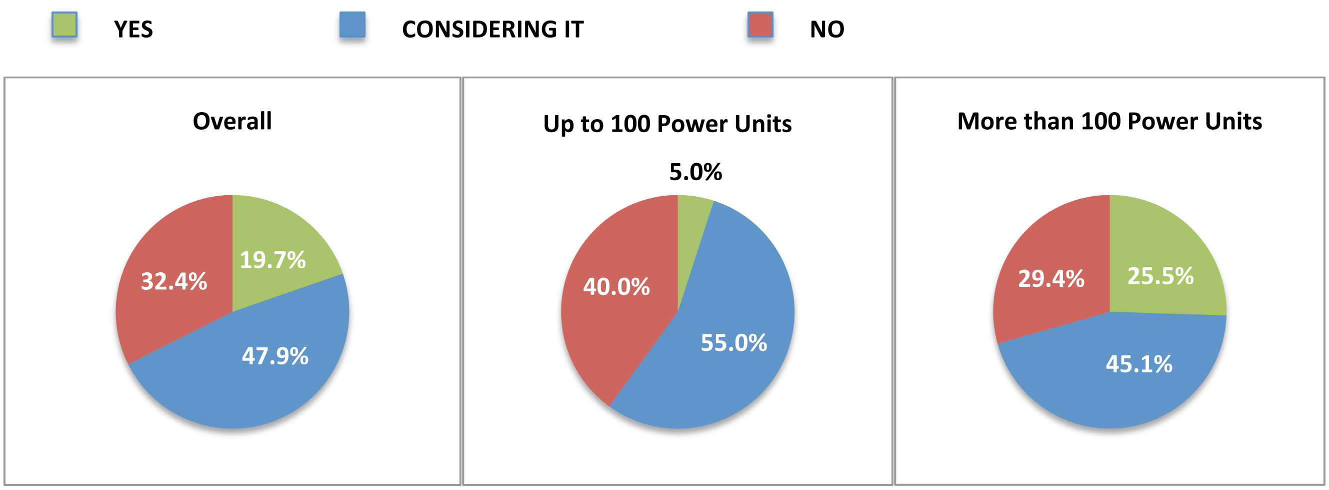
Top concerns for carriers with up to 100 power units

	1 - (Biggest concern)	2	3	4	5
Freight volume	5.0%	15.8%	15.0%	5.0%	5.0%
Freight pricing	10.0%	26.3%	15.0%	5.0%	10.0%
Cash flow	0.0%	5.3%	10.0%	0.0%	0.0%
Fuel costs	0.0%	0.0%	5.0%	5.0%	5.0%
Driver availability	75.0%	10.5%	5.0%	0.0%	5.0%
Cost of labor	0.0%	15.8%	15.0%	10.0%	10.0%
Maintenance costs	0.0%	10.5%	15.0%	15.0%	0.0%
Cost of equipment	0.0%	10.5%	0.0%	20.0%	15.0%
Unionization	0.0%	0.0%	0.0%	0.0%	0.0%
Access to credit	0.0%	0.0%	0.0%	5.0%	5.0%
Cost of credit	0.0%	0.0%	0.0%	0.0%	5.0%
Regulation	5.0%	5.3%	5.0%	15.0%	15.0%
Taxes	0.0%	0.0%	10.0%	5.0%	5.0%
Political climate in Washington	5.0%	0.0%	5.0%	15.0%	20.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%

Top concerns for carriers with more than 100 power units

	1 - (Biggest concern)	2	3	4	5
Freight volume	7.8%	9.8%	9.8%	5.9%	7.8%
Freight pricing	7.8%	15.7%	9.8%	9.8%	13.7%
Cash flow	2.0%	0.0%	0.0%	0.0%	3.9%
Fuel costs	2.0%	2.0%	2.0%	0.0%	3.9%
Driver availability	70.6%	11.8%	9.8%	0.0%	2.0%
Cost of labor	0.0%	23.5%	5.9%	11.8%	3.9%
Maintenance costs	0.0%	9.8%	13.7%	9.8%	5.9%
Cost of equipment	0.0%	5.9%	11.8%	13.7%	9.8%
Unionization	0.0%	0.0%	0.0%	0.0%	3.9%
Access to credit	0.0%	0.0%	0.0%	2.0%	0.0%
Cost of credit	0.0%	0.0%	0.0%	0.0%	0.0%
Regulation	0.0%	17.6%	25.5%	17.6%	17.6%
Taxes	2.0%	0.0%	3.9%	3.9%	9.8%
Political climate in Washington	7.8%	3.9%	7.8%	23.5%	17.6%
Other	0.0%	0.0%	0.0%	2.0%	0.0%

Is your company currently using in-cab camera devices in your fleet equipment to record driver behavior and/or road conditions?



General comments

Up to 100 power units

- My customers are shipping more, not less. I have had my capacity maxed for over a year. Equipment costs are high, mostly due to government regulations. I have not increased the size of the fleet because of the government regulations and the uncertainty. Wish we could hold an election for President next week. I might increase my fleet then.

- West Coast port labor issues have negatively impacted our ability to move freight and invoice for those movements. Average wage for a port union employee is $147k, when the unions hiccup the system, trucking entities lose money and their driver employees earn less. Trucking entities continue to operate at the bottom of the transportation/logistics industry pissing pole.

- The climate for transportation looks good for the coming year. Rates will however need to rise dramatically to overcome the increase cost of new equipment, continued increase in wages for all employees, and the loss of productivity due to the lack of reliability of newer equipment.

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General comments

More than 100 power units

- This winter has been much better for trucking up north... 6 more weeks.
- Best December on record top line and bottom line!!!
- Milder winter in our market footprint should help. But irresponsible Federal Government will continue to be a drag on business and margins.
- When you would think that a lot of drivers would not change jobs, we saw a lot of drivers leaving and more then we expected applying for jobs. We believe that the sign on bonus is really driving the turnover. In the past 16 years our turnover has never gone above 26%. We see our turnover this year to maybe hit 50%. We are being asked by just about every driver that applies, "What is your sign on bonus?" How did we ever get to this, sign on bonus, it reminds me of Major League Baseball.
- Freight is in line with normal seasonal expectations. Driver availability continues to be the most difficult challenge.
- Could be rough year for farm machinery haulers as commodity prices are backed up to 5 years ago and do not look like they are going to change much in the near future, just taking a wait-and-see approach.
- The end of December and beginning of January seemed softer than we anticipated. Fuel prices are going back up, so we need the seasonal uptick by March.
- Business does not seem to be as robust as it was in the 3rd quarter, result of weather, holidays, etc., we hope.
- We seem to be in a period of equilibrium with slight tension, creating a positive position for carriers relative to pricing. The driver shortage is becoming rather bothersome.
- CSA continues to project a negative profile to the public and shippers that are using it as a litmus test for contracts. This despite our fleet being a safer trucking company than ever in our history, internal metrics showing on-going improvements, record low loss runs with our captive, in-cab cameras and electronic logs. Shippers do not educate themselves on the CSA thresholds; they only react to the yellow flags. They don't know that the carrier is being measured against other carriers that are also improving.

(Continued on next page)

More than 100 power units (continued)

- Tight capacity should continue into 2015 resulting in higher pricing. We will not receive the benefit of rapidly falling fuel prices this year.

- I love this country. Business is good in spite of this administration. Just think where we'd be with a competent businessperson, an ex-Governor who ran a state well, most anybody but the guy we've got in charge.

- We feel this year 2015 will be okay but at this time not as good as 2014 for freight!