Business Forecasting Roundtable
August 9, 2006

Transportation Challenges and Trends

- Capacity
- Infrastructure
- Cost
- Impact on businesses
Capacity

- Shortage of qualified drivers
  - 3.4 million truck driver base
  - 136% turnover in 4Q 2005
  - Driver shortage forecast

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Capacity

- Strained global supply chain
  - Longer supply chain
  - Enhanced customer service
  - Faster inventory turns

[Bar chart showing capacity for various companies including Lowe's, Coca-Cola, Best Buy, Wal-Mart, Toyota, Anheuser-Busch, Publix, Johnson Controls, Dell, and a total of 86.8 for Dell]
Infrastructure

• Constraints

✓ Urban growth congestion
✓ Deteriorating highways and bridges
✓ Dispersed shipping locations
✓ Inefficient transportation policy
Cost

- Carrier cost pressures
  - ✓ Driver compensation
  - ✓ Liability insurance
  - ✓ Fuel volatility
  - ✓ Equipment requirements
  - ✓ Productivity
  - ✓ Technology
  - ✓ Low ROI
Cost

- **Fuel**
  - ✓ 25% of carrier operating costs
  - ✓ Slow recovery of fuel surcharge
  - ✓ Variation in region fuel prices

<table>
<thead>
<tr>
<th>Region</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>E Coast</td>
<td>295.8</td>
</tr>
<tr>
<td>New England</td>
<td>299.1</td>
</tr>
<tr>
<td>Central Atlantic</td>
<td>303.0</td>
</tr>
<tr>
<td>Lower Atlantic</td>
<td>292.4</td>
</tr>
<tr>
<td>Midwest</td>
<td>298.8</td>
</tr>
<tr>
<td>Gulf Coast</td>
<td>292.5</td>
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<tr>
<td>Rocky Mtn</td>
<td>305.2</td>
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<tr>
<td>West Coast</td>
<td>306.6</td>
</tr>
<tr>
<td>California</td>
<td>309.3</td>
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<tr>
<td>Avg US</td>
<td>298.0</td>
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Cost

- Regulation changes
  - DOT driver hours of service changes
  - Transportation Security requirements
  - Ultra Low Sulfur Diesel fuel 2006
  - Lower-emission diesel engines 2007
Impact on businesses

- U.S. logistics costs as percent of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (%)</th>
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<tbody>
<tr>
<td>2003</td>
<td>8.6%</td>
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<tr>
<td>2004</td>
<td>8.6%</td>
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<tr>
<td>2005</td>
<td>9.5%</td>
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<tr>
<td>2006 est</td>
<td>10.0%</td>
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