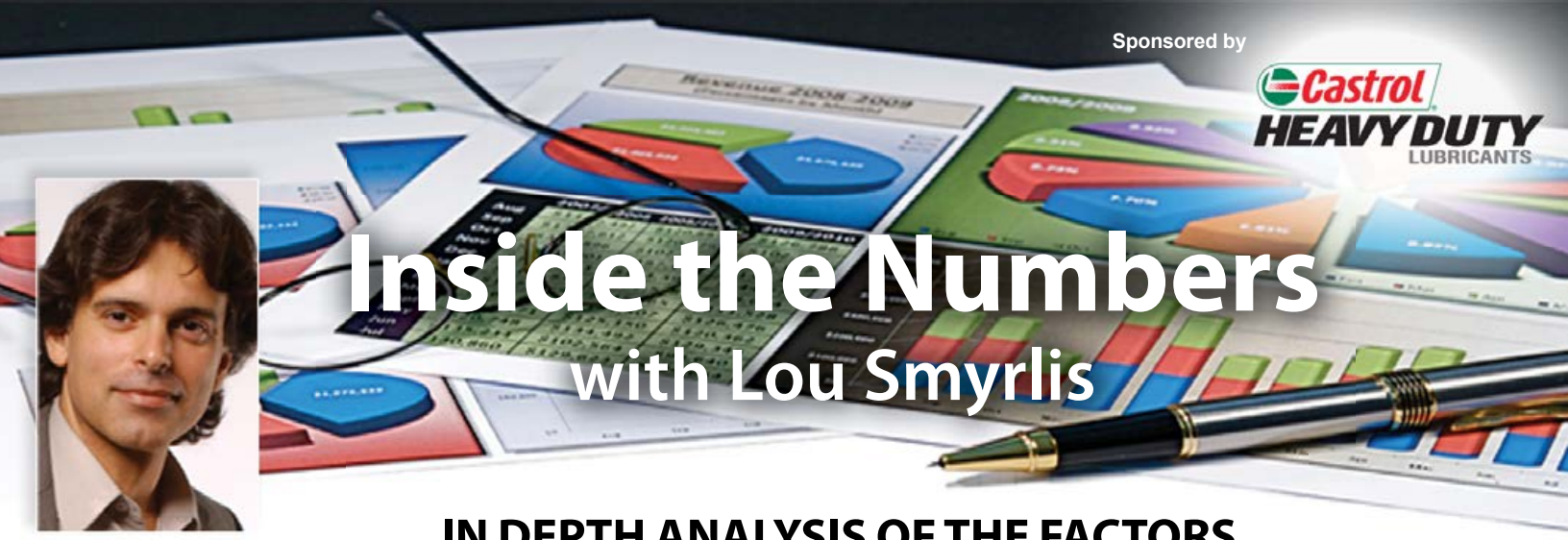


Inside the Numbers
with Lou Smyrlis

Editorial Director,
Transportation Media

IN DEPTH ANALYSIS OF THE FACTORS AFFECTING YOUR PROFITABILITY

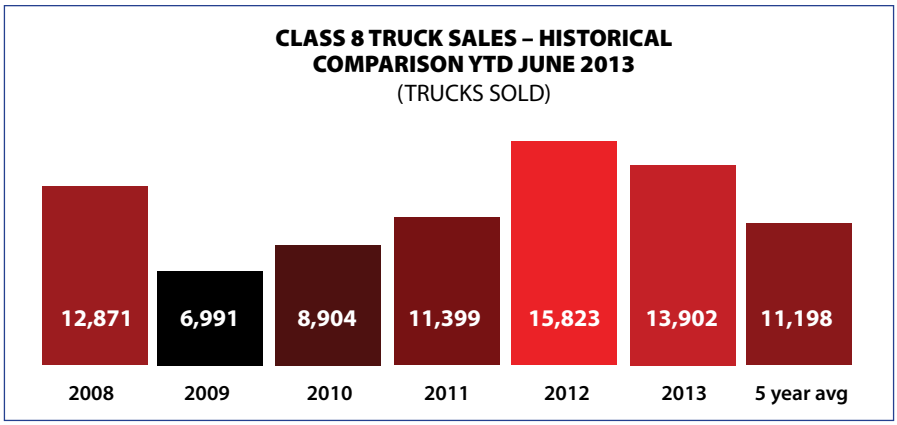
VOLUME 3, ISSUE 3

ANYBODY BUYING?

Why Class 8 truck sales are falling behind last year's pace

Assuming an 8-year life cycle for the average Class 8 truck, there are more than 35,000 trucks due for renewal in 2013 in Canada. Sales had climbed steadily every year since the disaster year of 2009. This should have made 2013 a spectacular year for Class 8 truck sales, surpassing last year's strong mark of 30,586. My own initial projection for the year was for Class 8 truck sales in the range of 35,000 to 35,986, a rather conservative figure I thought at the time, which accounted strictly for due replacements with little growth.

My forecasts the previous few years were pretty much on the mark. For example, my forecast for 2012 was 30,319 to 31,227 Class 8 trucks sold and the year finished up at 30,586. Yet with Class 8 sales YTD (June) of 13,902 Class 8 trucks, it's clear that hopes for the Canadian market were ahead of reality. As of June, Class 8 truck sales are almost 2,000 units behind last year's pace. Should we expect a strong second half to bolster sales as it did back in 2011? I don't think we should. My revised estimate is for Class 8 sales to come in around 28,500 vehicles in 2013 – not shabby, but certainly a disappointment when compared to the previous year's results.



What's soured Class 8 sales in 2013 and what does that say about the health of Class 8 truck purchasers? The results from our recently completed *Annual Equipment Buying Trends Survey* offer some insights, particularly when we examine the purchasing intentions of for-hire carriers and owner/operators.

At first glance, the purchasing intentions of for-hire carriers for the rest of 2013 look promising. Only 24% of for-hire carriers responding to our national survey indicated they had no plans to purchase new Class 8 trucks by the end of the year. In comparison, 36% said likewise in 2012. In fact, 2013 showed the lowest "no intent to purchase" since 2008 among for-hire carriers. But there is something different between this year and 2012 and even

FOR-HIRE CARRIER CLASS 8 PURCHASING PLANS – HISTORICAL COMPARISON

	2008	2009	2010	2011	2012	2013
No replacements	22%	43%	39%	27%	36%	24%
10% of fleet	41%	37%	35%	39%	33%	49%
20% of fleet	24%	12%	16%	19%	19%	20%
30% or more	13%	8%	10%	15%	13%	7%

2011. It seems the number of fleets planning large purchases has dwindled. Whereas 13% of for-hire carriers told us they would be replacing more than 30% of their fleet that year and 15% said likewise in 2011, only 7% had similarly ambitious plans for this year.

Digging further into the numbers we found great differences between the purchasing plans of medium-sized and large carriers and those of small carriers. Only 10% of large carriers (firms owning 100 Class 8 trucks or more) and only 23% of medium-sized carriers (firms owning 10-99 trucks) had no plans to purchase new Class 8 trucks this year. In comparison our survey found that 50% of small carriers (firms owning 5-9 trucks) had no plans to get into new Class 8 trucks this year.

FOR-HIRE CARRIER CLASS 8 PURCHASING PLANS BY SIZE OF CARRIER

Carriers	Small	Medium	Large
No replacements	50%	23%	10%
10% of fleet	25%	61%	57%
20% of fleet	8%	21%	23%
30% or more	17%	5%	10%

The fact that half the nation's small carriers are sitting on the sidelines this year when it comes to Class 8 truck purchases is not as shocking when considered along with the mounting evidence of the plight of North America's small carrier base. New truck purchases need to be supported by revenue gains yet in a previous *Inside the Numbers* we noted that our research was finding a great divide in how Canadian carriers, depending on their fleet size, were approaching rate increases for 2013. Three quarters of large carriers expected to raise their core pricing in 2013. In comparison, only 39% of small carriers expected to hike their pricing this year. Some have argued this simply indicates that small carriers did a better job of holding their rates during the Great Recession and don't require the large increases their larger counterparts do. But that argument runs counter to the recent findings from a recent Transport Capital Partners survey in the US, which found that although rate increases seem to have stagnated across the board, almost a fifth of smaller carriers are actually "reporting rate decreases of 5%, 10% or even 15%."

Owner/operator purchasing plans are also not as strong yet as they used to be prior to the Great Recession, our research indicates. Thirty percent of owner/operators surveyed told us they would be purchasing a new Class 8 truck this year, which is an improvement over the 26% who said likewise last year, but still some distance from the 37%-40% range of committed buyers in the growth year prior to 2009. It's also important to consider that the number of small carriers and owner/operators has dwindled and so can't contribute as robustly to Class 8 sales as in years past. Transport Canada shows that the number of owner/operators and small carriers (for-hire carriers earning less than $1 million annually) shrunk from a high of 63,747 in 2008 to 46,547 in 2011, the latest year for which numbers have been compiled.

Class 8 truck sales are not likely to be as strong as hoped this year and will likely come in below last year's total. This does indicate some weaknesses in the economic recovery of Canadian carriers, primarily amongst small carriers and owner/operators.

It's important, however, to place current expectations for Class 8 truck sales in perspective. If my estimate of Class 8 sales coming in around 28,500 this year proves correct, 2013 would still go down as the 6th best year since 1999.

OWNER/OPERATOR CLASS 8 PURCHASING PLANS

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Planning replacements	37%	37%	40%	34%	27%	32%	26%	30%	35%

Smaller carriers are "feeling the heat" in the truckload market

Dan Goodwill, president of Dan Goodwill and Associates
has more than 20 years of experience in the logistics and transportation industries in both Canada and the US.
He has held executive level positions in the industry, including president of Yellow Transportation's Canada division, president of Clarke Logistics, general manager of the Railfast division of TNT, and vice-president of sales and marketing at TNT Overland Express.
Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He can be reached at dan@dantranscon.com.

Dr. Richard Mikes, Managing Partner of Transport Capital Partners (TCP) recently spoke on the subject of the Truckload Market on a conference call hosted by Stifel Nicolaus & Company. Here are some excerpts from the survey results presented by Dr. Mikes.

"The freight rate market as a whole started switching directions about a year ago. In other words, the share of the carriers reporting that their freight rates are increasing has just dropped from a high of about 80% to a low of about 10% this past month. Accordingly, we would classify rates as being stuck in neutral. Three quarters of the firms are now reporting that rates have remained the same, certainly a massive change from a year ago."

The survey segmented carriers into two groups, those under $25 million and those over $25 million in revenue. "Interestingly, the (data)presents "a real divergence in rate changes. Though both large and small carriers are largely keeping rates the same, there is a spattering of smaller carriers reporting rate decreases of 5%, 10%, or even 15%. Those numbers total only 18%, but they still tell the story. The pressure is on the smaller carriers."

The FTR survey asked carriers to indicate their expectations with respect to volume. "After a nice bounce this quarter, about 52% of carriers expect volumes to increase over the next 12 months and a similar number expect them to remain the same. Very few say volumes will actually decrease.

The survey then looked at what carriers plan to do with respect to adding capacity in this predicted environment. "The number of carriers saying they will not add capacity remained largely constant with a temporary spike around the (U.S.) election. It jumped up to almost 50% around election time. Those were the feelings in the moment.

If we again split the data by the size of carrier . . . we see the larger carriers have a larger percentage looking to add any sort of capacity. However, the smaller carriers who do plan on adding capacity have more ambitious plans than the larger ones. It is hard to pick up any trends beyond that. On a related note, the ATA says that since December 2007, both large and small fleet tractor counts are flat. In other words, capacity has not changed from the beginning of the recession. We are down from the peak capacity by 15%-20% depending on what metric you choose."

Dr. Mikes then addressed the question of how carriers plan on adding capacity. "There has been a steady increase in the use of financed or leased equipment as the means of adding capacity over the last two to three years. At the same time, the use of independent contractors has trended downward for the last two years, despite an increase in the most recent survey. What we hear from carriers is that drivers are scarce and independent contractors are even scarcer. As a result, there is a rebirth in trying to offer financing programs, or really anything to get a person interested in buying a tractor and leasing it to a carrier. This has added to the independent contractor method of adding capacity trickling down. If you look at the various numbers for independent contractors and what has happened to them, they were probably the hardest hit during the major recession and, accordingly, parked their trucks. A lot of those trucks hit the auction market after repossession."

One of the other things that the survey tries to track is how carriers are marketing their business, acquiring loads, and how much they depend upon the spot market. "We asked this at different times over the last three years and noticed that the amount firms relying on the spot market is going up constantly. This means there is less reliance on brokers by the entire industry, which meshes with what we are hearing from the carriers."

The survey inquired into the use of brokers. "We survey in the first and third quarters because the first quarter of every year is low freight time and is the time when carriers tend to look for freight from brokers. It is interesting that the numbers are about the same between 2012 and 2013.This is really the period of peak use and the numbers are about the same year over year. If we look at the 'less use' compared to 'more use' over time, our reporting base suggests that carriers are using less brokered loads than they had previously. That trend has held for every survey point since February 2011. Brokered freight accounts for less than 5% of volume for 50% of the carriers; in other words it truly is a spot-on spot-off market for a number of carriers."

The survey segregated the responses by size and it shows the same general trend. "Generally, carriers under $25 million are more reliant on brokers. Carriers under $25 million are clearly more dependent on loads from the spot market than the larger carriers are. Generally speaking, smaller carriers have a longer average length of haul compared to larger carriers. These smaller companies also do not have the same size of marketing departments that the larger carriers have nor as much freight in lanes. So they are, by nature, more dependent on brokers.

One of the big things on the horizon is electronic logging and the potential regulation requiring it. Dr. Mikes stated that "currently only some carriers use electronic logging, and no final date has been set for when you are going to be required to have elogs. There is also the question of, 'Who will be required to have them?' When we asked this question three quarters ago in May 2012, 44% of the carriers responding said that they had not utilized them yet but they were considering them. Today, that number is down to 32% and there has been a jump from

25% to 35% saying that all trucks use elogs. In other words, we have had a pretty fast transition to elogs and people tell us that elogs are helping them in many different ways, including driver management and compliance with CSA. Once again splitting the industry by size of carrier, carriers under $25 million in revenue are using elogs far less than their larger counterparts (12% versus 42% fully equipped). This is a big difference."

The TCP survey examined what they call "voluntary sellers." Dr. Mikes indicated that "this question is slightly different, probing a carrier's interest in selling the company in the next 18 months. Interest in selling was somewhat higher in 2011, but if you look at it year-over-year, we are at the same place we were a year ago. By size of carrier, the picture is unsurprisingly similar . . . and the conclusion is apparent, though not unexpected: smaller carriers are feeling more pressure.

In summary, the survey highlighted how smaller carriers are more dependent on long haul movements, are feeling more pressure to reduce rates, are more reliant on freight brokers for loads and are more interested in selling their companies than their larger competitors. The small guys are feeling the heat.

IS THIS THE RIGHT TIME TO SELL?

Five factors to consider before making the decision

By Mark Borkowski

With the economy languishing in Canada, many business owners are wondering if this is the year to consider selling their business. There are five specific reasons why it would make sense to sell sooner than later.

There are many factors that determine a best timing for selling a business — the financial condition of the company, valuation, growth cycle, profit history, and the current market. Usually the best time to obtain the highest price occurs when sales and earnings are good and trending upward with a history of good performance. This gives buyers confidence in projected future earnings.

Value is dynamic and proper timing makes a big difference in the prices paid for business acquisitions. External factors such as the economy, industry trends, stock market volatility, competition, investor confidence, interest rates, and geopolitical considerations are cycles of constant change that impact value.

Internal conditions within a company also change. Often in combination with external factors, sometimes independent of those factors.

So how should you determine if 2013 would be the right time for you to sell your business? The following are five factors for business owners to consider:

***1.* FIRST, GET A BUSINESS VALUATION TO DETERMINE WHAT YOUR BUSINESS IS WORTH IN THE CURRENT MARKET. THIS IS AN INITIAL STEP IN DETERMINING IF A SALE WOULD MEET YOUR OBJECTIVES. YOU DO NOT NEED TO PAY FOR A VALUATION. AN ACCOUNTANT OR AN EXPERIENCED MERGERS & ACQUISITIONS PROFESSIONAL CAN WORK WITH YOU IN DETERMINING VALUE.**

***2.* UNDERSTAND THAT OPTIMISM OF THE MID MARKET BUSINESS MARKET FOR CONTINUED PROSPERITY AND GROWTH IN PROVINCES SUCH AS ONTARIO AND ALBERTA. WE ARE GOING TO POP UP ON A LOT OF RADAR SCREENS AS A PLACE TO RELOCATE OR EXPAND FOR BUSINESSES. ONTARIO GAINED MORE RESIDENTS THAN ANY OTHER PROVINCE AS THE RECESSION DEEPENED IN 2008 AND EARLY 2009 AS JOB SEEKERS MIGRATED TO ONE OF THE NATION'S STRONGEST LABOR MARKETS.**

***3.* BUYERS IN EVERY CATEGORY ARE LOOKING FOR ALTERNATIVES TO TRADITIONAL INVESTMENT AVENUES. THEY ARE LOOKING FOR STABILITY, BETTER PREDICTABILITY AND CONTROL. BUSINESS ACQUISITIONS OFFER ALL OF THESE AND CAN ALSO OFFER A BETTER RETURN THAN TRADITIONAL INVESTMENT OPPORTUNITIES. MOST OF CANADA IS A PRIME TARGET BECAUSE OF FUTURE ECONOMIC EXPECTATIONS AND LONG-TERM OUTLOOK.**

***4.* THE CAPITAL GAINS TAX RATE IS PRESENTLY AT A HISTORIC LOW. THEREFORE, BUSINESS OWNERS CONSIDERING A SALE SHOULD SELL BEFORE THE BUDGET OF 2014. THIS IS A TIME WHEN THE SMALL BUSINESS GAINS EXEMPTION COULD CHANGE DRAMATICALLY. THE CURRENT CAPITAL GAINS EXEMPTION ALLOWS EVERY BONA FIDE SHAREHOLDER THE FIRST $750,000 AS TAX FREE.**

***5.* MOST IMPORTANTLY, EVEN IN OUR CURRENT ECONOMY, BUYERS EXCEED SELLERS AND WE HAVE A ROBUST SMALL BUSINESS EXIT MARKET FOR NOW. THE TIME WILL COME WHEN THE FLOOD OF BABY- BOOMER BUSINESS OWNERS READY TO SELL WILL OUTWEIGH THE READY BUYERS.**

If internal conditions, both business and personal, are right, 2013 is the time to consider selling a privately-held enterprise. We realize that the decision to sell is neither purely tax-driven, nor even a purely financial consideration. Business sales are usually motivated by personal factors.

However, because it can take anywhere from 6-12 months on average to sell a private company, we suggest that business owners considering a sale prepare now so they can take advantage of this exceptional, impermanent window of opportunity.

With all categories of buyers in play, historic low interest rates with the government working to make credit more readily available, the capital gains tax rate the most favorable in 40 years, and the positive future outlook of the Canadian economy, it appears to be an excellent time for business owners in Canada to explore their opportunities for exit. FE

Mark Borkowski is president of Mercantile Mergers & Acquisitions Corporation. Mercantile is a mid market M&A brokerage firm. Contact Mark at mark@mercantilema.com or www.mercantile-mergersacquisitions.

TransCore's Canadian Freight Index continues rollercoaster ride

TransCore Link Logistics' Canadian Freight Index of the spot market slipped by 7% in June, continuing the up and down results for the first six months of the year, and was 21% lower than last year's peak in June 2012.

The second quarter saw a slight gain of 6% over the first quarter of 2013; however, volume was down 17% compared to elevated second quarter results of 2012. The high point year-to-date was in May.

Equipment postings for June were again virtually flat from the previous month, similar to May's results. However, month-over-month levels increased slightly by 1% and load postings came in at 12% above last year's level for the same period.

Top equipment volumes for June were: dry vans at 51%, reefers at 23% and flatbeds at 19%. The equipment-to-load ratio increased for June to 2.37 from 2.18 in the previous month.

Cross-border loads destined for provinces within Canada were 3% higher than May and accounted for 74% of overall volume. Intra-Canada postings contributed to 21% of the total volume for June and were 3% below May levels.

TransCore's Loadlink freight matching database constitutes the largest Canadian network of carriers, owner/operators, freight brokers and intermediaries. More than 13 million full loads, LTL shipments and trucks are posted to the Loadlink network annually. As a result of this high volume, TransCore believes the Index is representative of the ups and downs in spot market freight movement. The first six columns include monthly index values for years 2008 through 2013. The seventh column indicates the percentage change from 2012 to 2013. The last column indicates the percentage change from the previous month to the current month. For the purpose of establishing a baseline for the index, January 2002 (index value of 100) has been used.

TransCore Canadian Spot Market Freight Index 2008-2013

	2008	2009	2010	2011	2012	2013	% Change Y-O-Y	% Change M-O-M
Jan	214	140	171	222	220	228	-4	25
Feb	217	117	182	248	222	198	-11	-13
Mar	264	131	249	337	276	245	-11	24
Apr	296	142	261	300	266	229	-14	-7
May	316	164	283	307	301	234	-21	-7
Jun	307	185	294	315	295			
Jul	264	156	238	245	233			
Aug	219	160	240	270	235			
Sep	203	180	234	263	200			
Oct	186	168	211	251	215			
Nov	143	157	215	252	215			
Dec	139	168	225	217	182			

TransCore Canadian Spot Market Freight Index 2008-2013

Freight costs decline 2.4%, according to CGFI

The total cost of ground transportation for Canadian shippers decreased by 2.4% in April when compared with March results, according to the latest figures from the Canadian General Freight Index (CGFI).

The Base Rate Index, which excludes the impact of accessorial charges assessed by carriers, decreased by 2.1% when compared to March.

Average fuel surcharges assessed by carriers have seen a decrease from 22.43% of base rates in March to 21.43% in April.

"Cross border LTL continued on an upward swing, however, all other segments declined," said Doug Payne, president and COO of Nulogx. "Total costs are 1.2% higher than a year ago."

The CGFI is sponsored by Nulogx, a transportation management solutions provider, and is used by shippers and carriers to benchmark performance, develop business plans, and secure competitive agreements. It was developed with the assistance of Dr. Alan Saipe. The most recent results are available at the CGFI Web site: www.cgfi.ca..

Heavyweight freight pushes US truck tonnage higher

US for-hire truck tonnage nudged up 0.1% in June, on the heels of a 2.1% increase in May, according to the latest data from the American Trucking Associations (ATA).

May's gain was revised down from the initially reported 2.3% gain. June's seasonally adjusted truck tonnage is the highest level on record.

The seasonally adjusted tonnage index was up 5.9% compared to June 2012, ATA reported. It characterized the latest data as "robust, although below May's 6.5% year-over-year gain."

Year-to-date, tonnage is up 4.7%.

"The fact that tonnage didn't fall back after the 2.1% surge in May is quite remarkable," ATA chief economist Bob Costello said. "While housing starts were down in June, tonnage was buoyed by other areas like auto production which was very strong in June and durable-goods output, which increased 0.5% during the month according to the Federal Reserve."

He added: "Robust auto sales also helped push retail sales

higher, helping tonnage in June. The trend this year is heavy freight, like autos and energy production, is growing faster than lighter freight, which is pushing truck tonnage up."

Railway freight enjoys strong growth in April

The Canadian railway industry saw double-digit growth in commodity loadings in April, as freight traffic carried rose 11.0% from the same month in 2012 to 30.2 million tonnes, Statistics Canada reports. The growth was spurred by a strong increase in domestic non-intermodal loadings which helped offset a decline in shipments received from the US.

Within Canada, combined loadings of non-intermodal freight (i.e., cargo moved via box cars or loaded in bulk) and intermodal freight (i.e., cargo moved via containers and trailers on flat cars) rose 13.0% to 26.9 million tonnes.

Non-intermodal freight loadings reached 24.4 million tonnes in April, a 14.2% increase. The gain was mostly the result of robust growth in four commodities – iron ores and concentrates (up 791,000 tonnes), coal (up 790,000 tonnes), fuel oils and crude petroleum (up 595,000 tonnes) and potash (up 365,000 tonnes). These commodities accounted for more than twice the gain of the remaining 37 commodities that rose during the month.

Intermodal freight loadings increased 2.4% to 2.5 million tonnes. Both containerized cargo shipments and trailers loaded onto flat cars contributed to the gain.

From a geographic perspective, both the Western and Eastern railway divisions in Canada saw increased loadings in April. The Western Division, which accounted for 59.4% of the domestic freight loadings, rose 11.5% from the same month in 2012 to 16.0 million tonnes. The Eastern Division accounted for the remainder of the loadings and increased 15.3% to 10.9 million tonnes. For statistical purposes, cargo loadings from Thunder Bay, Ont., to the Pacific Coast are classified to the Western Division while loadings from Armstrong, Ont., to the Atlantic Coast are classified to the Eastern Division.

Rail freight traffic received from the US decreased 3.2% to 3.3 million tonnes. The drop was brought on by a decline in non-intermodal loadings.

Purchasing Managers Index shows indications of awakening Canadian economy

Operating conditions in Canada's manufacturing sector improved at the strongest pace in 11 months in May, partly reflecting a sharp acceleration in the rate of new order growth, according to the RBC Canadian Manufacturing Purchasing Managers' Index.

The headline RBC PMI – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – rose to an 11-month high in May.

At 53.2, up sharply from 50.1 in April to a level broadly in line with the series average, the headline PMI index was above the 50.0 no-change mark that separates growth from contraction and consistent with a solid improvement in Canadian manufacturing operating conditions.

The RBC PMI found that manufacturing output increased for the first time in three months during May. The solid rise in production levels was supported by a much faster expansion of new orders, which also contributed towards the first increase in backlogs of work for eight months and encouraged firms to hire additional staff. On the price front, input costs rose modestly in May, with the rate of inflation little-changed from April's nine-month low.

"The RBC PMI rose with spectacular fashion in May, signalling the strongest manufacturing expansion in 11 months," said Cheryl Paradowski, president and CEO of the Purchasing Management Association of Canada.

"The headline RBC PMI index improved significantly over previously disappointing readings in 2013, reflecting the first increase in output levels in three months and an accelerated rate of new order growth."

The headline RBC PMI reflects changes in output, new orders, employment, inventories, prices and supplier delivery times.

The volume of new work received by Canadian manufacturers rose for the second month running in May. Firms generally reported greater client demand and new contract wins, as well a further increase in new export order volumes. Overall, the rate of total new order growth accelerated sharply since April to an 11-month high.

The solid rise in incoming new work contributed to an increase in production during May. Notably, this was the first rise in output in three months. FE

RBC CANADIAN MANUFACTURING PMI™

Canada's manufacturing output slightly improves in April

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INTERMODAL TRANSPORTATION: Expanding beyond its niche

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DEDICATED TRANSPORTATION: Outsourcing fleet management to a third party

CROSS-BORDER FREIGHT TRANSPORTATION: Best practices

TRANSPORTATION SALES: Can you adapt to the new normal?

MERGERS & ACQUISITIONS IN TRANSPORTATION: How big are the opportunities?

LOOKING AHEAD: Economic forecasts for 2014

Introducing the 2013 team of presenters...

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President, Bailey Metal Products Limited

Grace Tomaszun
Manager, N.A. Transportation McCormick & Company

Carlos M. Gomes
Senior Economist, Scotiabank

Neil McKenna
V. P. Transportation, Canadian Tire Corporation

Keith Reardon
V. P. Intermodal Services, CN Rail

Mike Owens
V. P. Physical Logistics, Nestlé Canada Inc.

Jeff Lindsay
President and CEO, Canada Cartage

Anna Petrova
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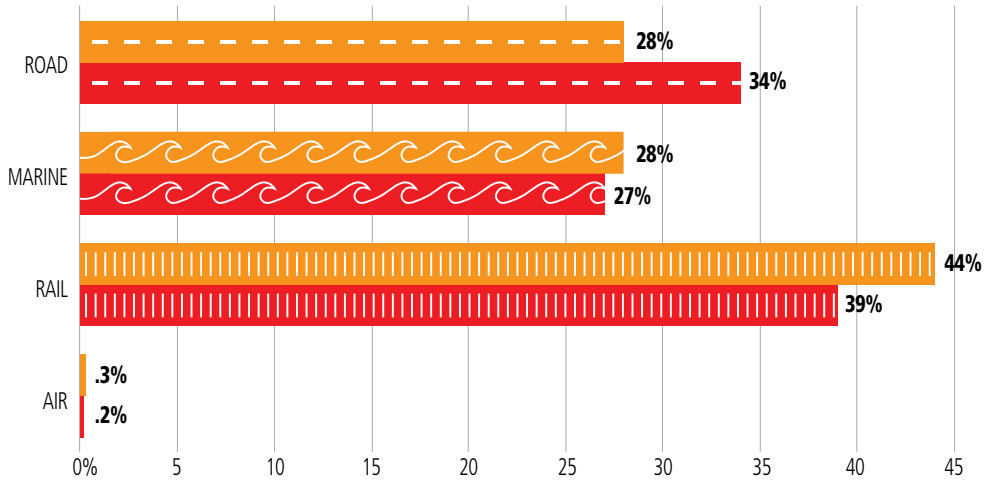
INSIDE THE NUMBERS

The price of success

Greater GHG emissions tied to market gains in transportation

Canada's freight sector has grown considerably over the past two decades. Total freight moved, in tonne-kilometres, increased by 54% from 1990 to 2010. Total freight moved by truck has shown particularly strong growth, increasing by 166% over that period. But there has been a price to pay for that success and that has come through a significant increase in greenhouse gas emissions. GHG emissions from the freight sector have increased 70% between 1990 and 2010. Interestingly, trucking, which is the most often used mode, has actuallyimproved its energy efficiency per tonne-kilometre by 25% over that time period, but these efficiency improvements have not been enough to offset the emissions produced from the rapid growth in demand for the movement of goods. The accompanying tables, provided by Transport Canada, show a snapshot of energy use and GHG emissions by industry and mode.

Distribution of Freight Tonne-Kilometres by Mode, 2000 ■ and 2009 ■



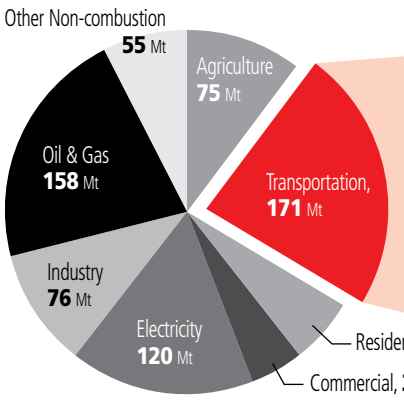
Total energy use in the Canadian economy

Sector	Mining	Manufacturing	Forestry	Construction	Agriculture	Residential	Public Administrations	Commercial	Pipelines	Transportation	Total
Petajoules 2010	743	1,465	32	81	246	1,267	120	989	124	2,516	7,585
Annual growth %	14.2	2.1	15.6	13.5	16.8	-4.5	-4.4	-1.6	-9.4	3.1	2.1

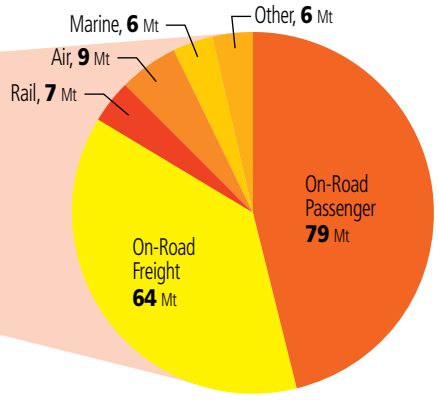
Total energy use in the Canadian economy

Sector	Road	Aviation	Marine	Rail	Total
Petajoules 2010	2,111	204	118	84	2,516
Annual growth %	2.8	-0.7	0.5	9.1	0.1

GHG EMISSIONS (MT CO2E) BY ECONOMIC SECTOR, 2008



GHG EMISSIONS (MT CO2E) BY TRANSPORTATION MODE



INSIDE THE NUMBERS

National Highway System in Western Canada (kilometres)

	Core routes	Feeder routes	Northern/remote routes	Total
Manitoba	982	742	368	2,092
Saskatchewan	2,432	—	238	2,671
Alberta	3,994	216	197	4,406
British Columbia	5,855	447	724	7,026
Canada	27,601	4,492	5,917	38,010

Length of Public Road Network in Western Canada (two-lane equivalent thousand km)

	Paved	Unpaved	Total	Share of Total
Manitoba	19.3	67.3	86.6	8.3%
Saskatchewan	29.5	198.7	228.2	21.9%
Alberta	61.7	164.6	226.3	21.7%
British Columbia	48.2	22.9	71.1	6.8%
Canada	415.6	626.7	1,043.30	100%

Medium- & Heavy-Duty Truck Statistics – Western Canada

	Medium-Duty Vehicles (thousands)	Heavy-Duty Vehicles (thousands)	Medium-Duty Vehicle km (millions)	Heavy-Duty Vehicle km (millions)
Manitoba	11.2	17.3	160	1,529
Saskatchewan	38.9	30.9	529	1,224
Alberta	131.4	87.4	2,617	5,421
British Columbia	96.3	16.7	1,891	585
Canada	438	317.2	8,294	21,417

10 Largest Border Crossings for Trucks (volume in million movements)

1. Windsor-Ambassador Bridge, Ont. **2.57**
2. Sarnia-Blue Water Bridge, Ont. **1.56**
3. Fort Erie-Peace Bridge, Ont. **1.21**
4. Pacific Highway/Douglas, B.C. **0.74**
5. Niagara Falls-Queeston Bridge, Ont. **0.70**
6. Lacolle, Que. **0.60**
7. Emerson, Man. **0.36**
8. Lansdowne, Ont. **0.33**
9. Coutts, Alta. **0.31**
10. North Portal, Sask. **0.19**

ROAD TO PROSPERITY

IS WESTERN CANADA'S INFRASTRUCTURE KEEPING PACE WITH AN ECONOMY GROWING FASTER THAN THE NATIONAL AVERAGE?

Road congestion equals lost productivity in the supply chain. Yet, until recently, the unfortunate reality in Canada was that unless roads were degraded to the point where it made headlines, it was difficult to muster the political will to make infrastructure spending a priority. For a trading nation heavily reliant on efficient transportation, this is a reality that is particularly difficult to swallow. Addressing gaps in infrastructure spending is particularly important in Western Canada where the economy has been much stronger than the rest of the country and so requires an infrastructure that can keep pace. Is it?

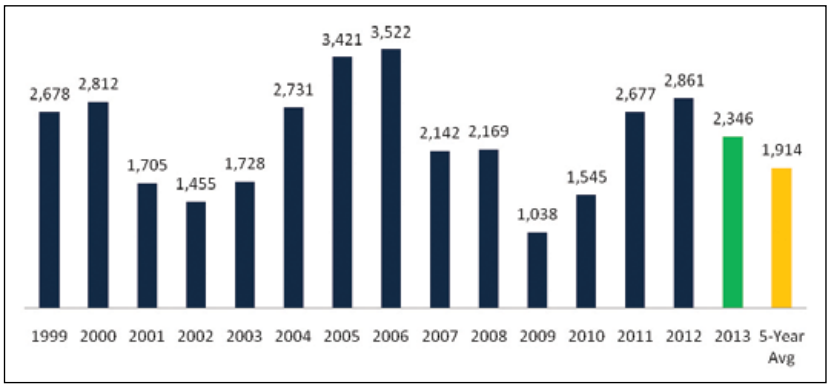
Western Canada accounts for 48% of the heavy-duty vehicles in the country, almost 60% of the nation's public road network (two-lane equivalents) and 43% of the national highway system, as shown above from Transport Canada data. Yet Western Canada also has harsher winters and hotter summers – which wreak havoc on roads – and allows heavier weights. There are also northern communities clamoring for increased infrastructure investments to keep pace with the demands of increased mining and development opportunities and increased population growth. In many cases however, provincial governments are struggling to keep up even with maintaining the status quo. Even in Manitoba, where the government has committed $4 billion over 10 years to infrastructure, it may not be enough to address the damage caused by years of neglect. As the Manitoba Trucking Association's Bob Dolyniuk points out, Manitoba has somewhere between 3,000 and 4,000 bridges with hundreds if not thousands of those bridges reaching the end of their life span. Yet some of them haven't been inspected in over a decade and the longer you allow something to deteriorate, the more it costs to repair it – or you may get to the point where you have to tear it down and start all over again.

CLASS 8
Truck Sales Trends

Monthly Class 8 Sales – June 13

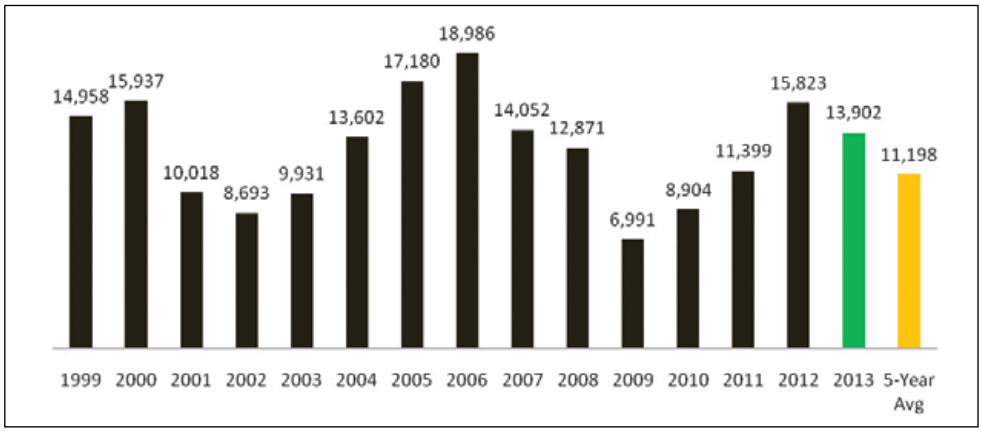
OEM	This Month	Last Year
Freightliner	588	591
International	300	441
Kenworth	368	581
Mack	234	246
Peterbilt	337	377
Volvo	277	419
Western Star	242	206
TOTALS	2346	2861

Historical Comparison – June 13 Sales



June's Class 8 sales results continued the trend shown for most of 2013 with sales falling behind the previous year's mark. The 2,346 trucks sold in June were more than 500 behind last year's pace and more than 300 behind the total for June 2011. Every OEM, with the exception of Western Star, posted lower figures than the previous year. Going back to 1999, there were 7 years with better sales results in June. The sales total for the month, however, was still more than 400 above the five-year average.

Historical Comparison – YTD June 13



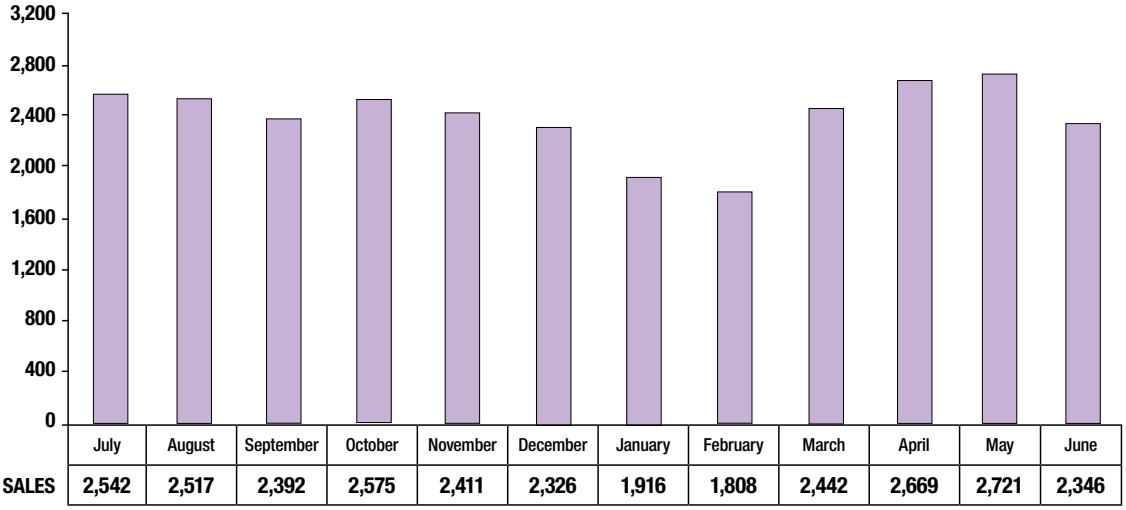
Class 8 Sales (YTD June 13) by Province and OEM

OEM	BC	ALTA	SASK	MAN	ONT	QUE	NB	NS	PEI	NF	CDA
Freightliner	292	471	103	193	1,641	620	185	60	5	13	3,583
Kenworth	458	903	232	52	381	459	67	0	0	0	2,552
Mack	86	187	85	41	398	183	42	42	0	6	1,070
International	76	364	32	75	827	433	66	27	16	21	1,937
Peterbilt	292	664	143	132	283	319	82	39	0	0	1,954
Volvo	177	109	84	110	658	367	73	37	0	3	1,618
Western Star	178	380	40	28	217	236	29	60	4	16	1,188
TOTALS	1,559	3,078	719	631	4,405	2,617	544	265	25	59	13,902

At the half way mark of the year, YTD Class 8 sales of 13,902 units places 2013 almost 2,000 trucks behind last year's pace but also about 2,700 above the five-year average. So far this is the 6th best year in sales going back to 1999. We don't expect a particularly strong second half of the year, however. Our revised estimate is for Class 8 sales to come in around 28,500 vehicles in 2013.

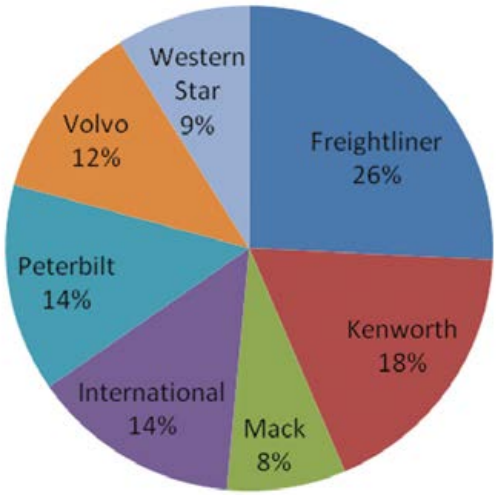
CLASS 8
Truck Sales Trends

12-Month Sales Trends



Class 8 sales have come in above 2,000, reminiscent of the industry's capacity boom years of 2005 to 2007, for four straight months now. However, the three-month trend towards increased sales figures month over month has come to an end. The big question now is how well sales will hold up over the summer months and the rest of 2013.

Market Share Class 8 – June 13 YTD



Six months into the year and Freightliner, last year's Canadian market leader, remains in firm command of the market share lead with more than a quarter of Canadian Class 8 truck sales. Kenworth finished 2012 in the number two spot for market share, its wide western network tapping into the stronger western economy. The company still sits in second place with 19% market share. Navistar International finished the year with 15% market share and is now in a dead heat with Peterbilt with a 14% share of the Canadian Class 8 market.

Source: Canadian Motor Vehicle Manufacturers Association