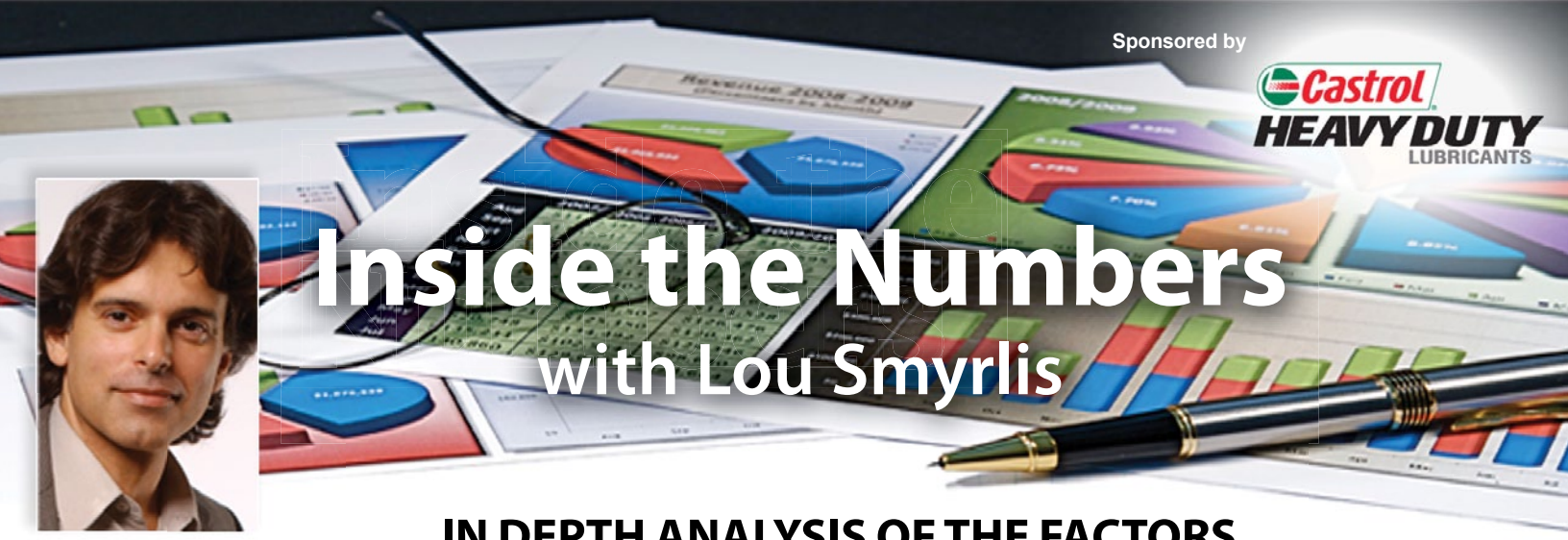


Inside the Numbers
with Lou Smyrlis

Editorial Director,
Transportation Media

IN DEPTH ANALYSIS OF THE FACTORS AFFECTING YOUR PROFITABILITY

VOLUME 2, ISSUE 3

An industry ripe for consolidation

The first half of 2012 shows robust growth in M&A activity. What's driving it?

Since the close of last year we have been predicting that the transportation sector, and trucking in particular, is ripe for consolidation. This is a trend, we believe, being fuelled by changing demographics among fleet owners, a post-recession appetite to grow into new specialties and/or new clients while at the same time consolidating the market, and also by a supply of cash looking for investment.

Can such a prediction withstand the unease created by the European debt crisis, domestic fiscal issues here and south of the border and, of course, the uncertainty being created by the circus that has become the US presidential elections? Or will it fizzle out under the strain of uncertainty, as it has before?

Earlier this year I had the pleasure of hosting a session on mergers & acquisitions at the Driving for Profit seminar series. M & A experts Doug Nix, vice chairman of Corporate Finance Associates, and Doug Davis, independent director with Pro-Trans Ventures, certainly believed the pace of M&A would pick up significantly this year.

Consider what Nix told me: "I don't think it will be a feeding frenzy like it was in 2006-2007, but it will be astronomical compared to the last few years."

Before speaking on industry trends at Transcore's 14th Annual User Conference last month, I also had the chance to listen to Jay Lefton, from Borden Ladner Gervais, share his insights on M & A activity. He referenced a US study which found that 30% of motor carriers earning less than $25M annually are interested in selling over the next 18 months.

"To survive, small carriers must often acquire new technologies, expand geographically and enter new product markets. You can't simply stay local because the larger companies are (entering those markets) and providing economies of scale," Lefton said in explaining some of the reasons smaller carriers are eager to sell.

Perhaps more importantly, 50% of surveyed companies indicated they are interested in buying a company, with large carriers being twice as likely to be interested in doing so. Lefton called 2012 the year of "surgically strategic" growth for the transportation sector.

Halfway into the year, does it look like the transportation sector is consolidating at the pace predicted? BMO Capital Markets' M&A update on the first 6 months of 2012 confirms that it is. BMO reports "robust" transportation and logistics M&A activity with 50 transportation M&A transactions, representing an increase of 19% over the 1st half of 2011. The report notes that of the 50 deals, financial terms were disclosed in 17 deals for a total transaction value of $2.5 billion, excluding the acquisition of TNT Express by UPS. On a disclosed transaction value basis, M&A activity was up 80% from $1.4 billion in the 1st half of 2011.

While small M&A trades were prevalent in the trucking space, there were a few notable transactions. The most sizable transaction was the acquisition of TNT Express by UPS for $6.8 billion representing a multiple of trailing EBITDA of nearly twelve times excluding synergies, according to the BMO report. There was also Genesee & Wyoming, the largest short line railroad operator in North America, acquiring RailAmerica, the second largest short line railroad operator on the continent. Valued

at $2.0 billion, this marks the largest acquisition in the rail sector since Berkshire Hathaway purchased Burlington Northern Sante Fe for $43.8 billion three years ago.

Lefton said larger companies are going for multiples of 4x to 7x EBITDA while smaller operators are commanding sale prices of 3x to 5x EBITDA. And non-asset based companies tend to be sold for higher multiples than asset-based.

BMO's analysis found that strategic acquirers drove activity in the M&A market, with 78% of the total deal count, up from 69% in the 1st half of 2011. Logistics and truckload transactions dominated activity, accounting for 72% of total transactions. Also, 83% of logistics transactions and 78% of truckload transactions had strategic acquirers.

Contrans, one of the most active acquirers in 2012 and in recent years, says its acquisition-driven growth strategy is paying off and more opportunities exist to expand and diversify.

"The prospects for continued growth are good," said Contrans CEO and chairman, Stan Dunford while announcing the company's quarterly results. "We have been receiving more interest from trucking entities interested in selling their businesses for a variety of reasons. In many cases, successful owner-managers have reached the age at which they wish to retire and their only practical succession plan is to sell to a third party."

Dunford said his acquisitions "added to our top line and have further added to the diversity of Contrans' customer mix."

Canadian M & A Transactions

TRIMAC purchased Ontario-based LIQUID CARGO LINES for $1.98M. The assets of the LCL include 42 trailers, 22 company-owned power units, in addition to 8 owner/operator units, and a lease of a 13-acre property in Mississauga. TRIMAC also entered into a letter of intent to acquire a majority interest in the parent company of FORTRESS TRANSPORT. The Guelph, Ont. based carrier provides dedicated bulk transportation deliveries throughout central Canada and the United States with a focus in hazardous and non-hazardous transportation of liquid chemicals, petroleum products, and dry chemicals. The assets of Fortress include 54 tractors and 130 trailers.

MANITOULIN GLOBAL FORWARDING acquired Regina-based freight-forwarder BELER INTERNATIONAL. Exporting predominantly from the Prairie provinces, it serves clients around the world in the agricultural machinery marketplace. It also acquired CAN-TRAN INTL., an international freight-forwarding enterprise based in Leduc, Alta. Can-Tran provides a suite of solutions to Alberta clientele, including freight forwarding, Customs brokerage, ground transportation, and distribution and warehousing.

MANITOULIN GROUP OF COMPANIES acquired EXPEDITE PLUS, a specialized service provider for the movement of highly time-critical shipments across the globe via air and ground. Expedite Plus will be a new division of Manitoulin Global Forwarding which now comprises global time-critical, international freight forwarding, warehousing and distribution.

TRANSFORCE, through its subsidiary I.E. Miller Services, acquired certain assets of PEAK USA ENERGY SERVICES, an oilfield service company specializing in rig moving, custom heavy hauling, crane and rigging services, and oilfield transportation. The transaction is valued at more than $10 million. TRANSFORCE also finalized its acquisition of QUIK X. Quik X and its network of 17 centres across Canada and the US boasts annual revenues of about $200 million. Included in the deal are about 325 independent contractors and more than 600 employees.

CONTRANS acquired bulk trucking firm PETER HODGE TRANSPORT. The deal is expected to generate annual revenues of about $20 million. Peter Hodge runs 92 highway tractors and 140 trailers in Ontario and provides bulk hauling using open-top dump trailers and liquid tankers. CONTRANS GROUP also acquired the van division of MACKINNON TRANSPORT. The division was combined with Contrans' LAIDLAW CARRIERS VAN LP operations. The purchase includes the contracts of about 80 drivers and owner/operators as well as the sublease of equipment. Finally, the company acquired dry-bulk trucking business WILBURN ARCHER TRUCKING of Norwood, Ont. The company provides specialized transportation services using pneumatic tanks and hopper trailers. The acquisition represents annual revenues of about $14 million.

It may be the right time to sell when.....

Jay Lefton, from Borden Ladner Gervais, says the following realities should cause fleet owners to consider whether it's time to sell.

- ✓ **You need to retire soon;**
- ✓ **You're burned out;**
- ✓ **You don't have the capital to accomplish company goals;**
- ✓ **You don't have the management or personnel to grow;**
- ✓ **Your competition will push you out of the market if you wait;**
- ✓ **You need to increase liquidity;**
- ✓ **You need to reduce risk.**

On October 17th 2012, please plan on joining the country's top Transportation Executives for a day of education and networking.

The 2012 Surface Transportation Summit is shaping up to be the best ever!
After extensive research we developed an agenda that targets the issues that matter to you!
These include....

- **2013 Economic Outlook**
- **Social Media in Transportation**
- **Shipper Perspectives in 2013**
- **Top CEO Perspectives on Major Transportation Trends**
- **Managing a win-win**
- **Shipper-Carrier rate Negotiation**
- **Successful Transformational Shipper Strategies (Shipper Track 1)**
- **HR Issues in Transportation Companies (Carrier Track 1)**
- **Using Business Intelligence to improve Transportation Operations (Shipper Track 2)**
- **Best Practices in Safety Management (Carrier Track 2)**

Check out the top-notch team of presenters including...

Jack T. Ampuja
President, Supply Chain Optimizers

Dan Einwechter
Chairman & CEO, Challenger Motor Freight

Steve Morandi
Analytics Solutions Leader, Deloitte Analytics

Ron Mosey
Principal Consultant, RM2 Associates Inc.

Mr. Wesley Armour
President & CEO, Armour Transportation Systems

Carlos M. Gomes
Senior Economist, Scotiabank

Lee Palmer
President, Palmer Marketing

Mark Murrell
President, CarriersEdge

Mark J. Gallant
Director of Transportation, The Home Depot Canada

Douglas J. Harrison,
President, Day and Ross General Freight

Mark Seymour
President, Kriska Holdings Ltd.

Rob Penner
Executive Vice President and Chief Operating Officer, Bison Transport

Dan Goodwill
President, Dan Goodwill & Associates Inc.

Marvin Joel Huberman
Senior litigation lawyer

Brian Springer
V.P. Transportation Eastern Canada, Loblaw Companies

Lou Smyrlis
Editorial Director, Transportation Media

Greg Hewitt
CEO, DHL Express

Jim McKay
Director Transportation, Walmart Canada Corp.

Rick Tucker
S.V.P., Global Technologies, Lean Logistics

Michael Tan
Div. V.P. Supply Chain & Transportation, Hudson's Bay Company

Jim Angel
Safety Security and Compliance Product Manager, PeopleNet

Date: October 17, 2012 | Registration - 7:30 am | Presentations start at 8:30 am sharp

Venue: Capital Banquet Centre, 6435 Dixie Rd., Mississauga, ON L5T 2P4

For more information and to register, please visit www.SurfaceTransportationSummit.com

What's driving the buying and selling spree?

Demographics are playing a major role in the current spate of mergers and acquisitions, with the older contingent of the Baby Boomer generation contemplating retirement prospects or at least lifestyle changes.

"Time moves on, and if a guy was 52 three years ago he's 55 now and time frames have been compressed," Doug Nix, vice chairman of Corporate Finance Associates, told me during our discussion in front of a packed audience at the recent Driving for Profit Seminar.

"You have a lot of people in this demographic range who have an 'exit timetable'," agreed Doug Davis, independent director with Pro Trans Ventures, who shared the stage with Nix at Driving for Profit. "What we're seeing is that there are more buyers than sellers. But there are people who are coming out of the doldrums, who are saying 'I'm not going to be at this forever'. I think a number of people are moving to that point. I've had a few conversations where they've said they wanted their business to get back to a certain level, but the last time they were at that level they were working 60-hour plus weeks with their cell phones going off constantly. Now they may have gotten comfortable and may lack the energy and interest to put the dog days back in again."

There also appears to be the money necessary to fund such purchases.

"If I was just looking at financial statements I wouldn't know there was a downturn in the economy," Nix said. "The moving parts are starting to fall into place. Lenders see that they can back some of these industries, especially in Canada."

The investment banking sector, meanwhile, will remain conservative in its approach, said Davis, "but their outlook the next few years is a lot rosier. They may be both more cautious and aggressive in terms of putting their deals together," he said.

For those who intend on being buyers or sellers over the next few years, now is the time to determine what you need to fix in your own business.

Surface Transportation Summit 2012

Don't miss the educational event of the year

Lou Smyrlis, MCILT, Editor
lou@transportationmedia.ca

While I've been enjoying the sunny summer weather at my home in the beautiful Kawarthas, I must admit to thinking ahead to the fall and the 2012 Surface Transportation Summit.

Why? To put it simply, because this is the most ambitious conference we have ever put together for transportation professionals and we can't wait to share it with you Oct. 17 at the Capitol Banquet Centre in Mississauga. As with past years, we have joined forces with Dan Goodwill and Associates and our sister publication Canadian Transportation & Logistics to pull the event together. What's different this year is that we will be bringing both sides of the transportation equation together under the same roof.

Carlos Gomes, senior economist at Scotiabank, will again kick off the conference with his insights on where the economy in general and transportation in particular are headed. We will also be exclusively unveiling the results from our latest national annual Transportation Buying Trends and Equipment Buying Trends research at the event.

Great speakers make for a great conference and I believe this is the strongest lineup of speakers we have ever put together.

This year's Summit will feature a new track that will provide CEO perspectives on some of the major modes of surface transportation. Douglas J. Harrison, CEO of Day and Ross General Freight, will address the LTL freight market; Greg Hewitt, president of DHL (Canada), will focus on where the courier business is going; and Mark Seymour, CEO of Kriska, will provide his perspective on the truckload market.

This will be followed by a panel discussion on perhaps the most crucial issue for shippers and carriers: freight rate negotiations. Representatives from two of Canada's largest shippers, Brian Springer, vice-president of transportation with Loblaw Companies, and Michael Tan, divisional vice-president of supply chain and transportation at Hudson's Bay Company, will engage in a dialogue with representatives of two of Canada's largest motor carriers: Dan Einwechter, CEO of Challenger Motor Freight, and Wes Armour, president and CEO of Armour Transportation Systems.

The afternoon will feature parallel tracks focused on shipper and carrier issues. One track will address how major corporate transformations have been driven by changes in transportation strategy. Mark Gallant, director of supply chain transportation for Home Depot; Jack Ampuja, president and CEO of Supply Chain Optimizers; and Jim McKay, director of transportation at Wal-Mart Canada, will each address a major transportation initiative that they undertook to transform their companies or client operations.

Business intelligence in transportation has become a new buzz word over the past couple of years. Steve Morandi, analytics solutions leader at Deloitte Managed Services, and Rick Tucker, senior vice-president of global technologies for Lean Logistics, will speak to how business intelligence in transportation is helping improve the performance of transportation operations.

Human resources are one of the key assets of any organization. Ron Mosey, principal at RM2 Associates, and Marvin J. Huberman, a certified civil litigator, barrister, mediator and arbitrator, will lead a discussion on a broad range of important HR issues. Earlier in the day, Lee Palmer, president of Palmer Marketing, and Dan Goodwill will also discuss social media and its effective use for brand building, customer retention and recruiting.

The final afternoon session focuses on safety. Rob Penner, vice-president of operations for Bison Transport, the winner of a prestigious TCA safety award, will speak to best practices in safety management. Mark Murrell, president of Carriers Edge, will discuss the best practices in safety management employed by the Best Fleets to Drive For. Jim Angel, product manager of safety and compliance apps at PeopleNet, will talk about next steps in CSA compliance.

In addition to the excellent educational content, there will be opportunities throughout the day and at the end of the day to meet new carriers and shippers and to expand your personal network.

To find out more and to register, go to www.surfacetransportationsummit.com. And also check the #Tsptnsummit hashtag on Twitter for important updates.

TransCore Canadian Spot Market Freight Index 2007-2012								
	2007	2008	2009	2010	2011	2012	% Change Y-O-Y	% Change M-O-M
JAN	173	214	140	171	222	220	-1%	1%
FEB	174	217	117	182	248	222	-10%	1%
MAR	228	264	131	249	337	276	-18%	24%
APR	212	296	142	261	300	266	-11%	-3%
MAY	280	316	164	283	307	301	-2%	13%
JUN	288	307	185	294	315	295	-6%	-2%
JUL	219	264	156	238	245			
AUG	235	219	160	240	270			
SEP	206	203	180	234	263			
OCT	238	186	168	211	251			
NOV	227	143	157	215	252			
DEC	214	139	168	225	217			

TransCore Canadian Spot Market Freight Index 2007-2012

TransCore's Canadian Freight Index June volume posts second best month in 2012

TransCore's Canadian spot market freight index had the second highest freight volume this year although it was 2% lower than May and 6% lower than in June 2011.

The second quarter saw substantial gains of 20% over the first quarter of 2012 but finished 6% below the highs of second quarter 2011.

Cross-border postings increased slightly, accounting for 75% of overall load postings, up 2% from the previous month. Intra-Canada postings contributed 22% of the total load volumes and differed only 1% from May.

Equipment postings dropped 7% month-over-month, and were up 5% year-over- year. While load volumes saw a significant quarter-over-quarter gain, equipment availability only increased by a modest 4%, resulting in a much lower equipment-to-loads ratio than the previous quarter. The equipment-to-loads ratio dropped in June reaching the lowest levels in 2012 – and the lowest level since June 2011.

The top destinations for loads imported into Canada were: Ontario (54%); Quebec(23%); Western (20%); Atlantic (3%); Quebec increased 1% from May; the remaining regions remained unchanged.

The regions for import equipment into Canada were: Ontario (53%); Western (24%); Quebec (20%); Atlantic (3%). Ontario increased 2% from the previous month. Western Canada and Quebec had slight decreases.

The regions of origins for loads within Canada were:• Western (44%); Ontario (26%); Quebec (22%); Atlantic (8%). Western Canada had a slight decrease month over month; with Quebec and Atlantic Canada increasing 1%.

The top states of origin for loads destined to Canada in order of most loads were Pennsylvania, Ohio, Illinois, California and Texas. The top US destinations for freight originating in Canada were New York, Pennsylvania, Texas, California and Washington.

TransCore's Canadian-based Loadlink freight matching database constitutes the largest Canadian network of carriers, owner operators, freight brokers and intermediaries. Over 13 million full loads, less than truckload (LTL) shipments and trucks are posted to the Loadlink network annually.

The first six columns include monthly index values for years 2007 through 2012. The seventh column indicates the percentage change from 2011 to 2012. 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.

Ground transportation costs drop in May, CGFI indicates

The cost of ground transportation for Canadian shippers decreased 0.29% in May when compared with April results, according to the latest results from the Canadian General Freight Index (CGFI).

The Base Rate Index, which excludes the impact of accessorial charges assessed by carriers, decreased by 0.3% when compared to April.

Average fuel surcharges assessed by carriers have seen a decrease from 22.4% of base rates in April to 22.1% in May.

"We are experiencing a marginal decrease in base rates and a slight increase in accessorials, while fuel remained relatively flat," said Doug Payne, president and COO of Nulogx, which facilitates the CGFI. "It appears that marginal base rate gains in the domestic LTL and truckload markets were offset by marginal decreases in the cross-border LTL and truckload markets."

For more information, visit www.cgfi.ca

Canada rail freight traffic drops slightly in May

Canadian railways carried 26.0 million tonnes of freight in May, down 0.9% from May 2011, according to a report from Statistics Canada. The drop was solely the result of decreases in domestic freight shipments, as international cargo loadings rose.

On the domestic front, freight loadings, composed of non-intermodal traffic (i.e., carried in bulk or loaded in box cars) and intermodal traffic (i.e., containers and trailers on flat cars), fell 3.5% to 22.5 million tonnes over the same 12-month period.

Non-intermodal cargo loadings declined 4.2% to 20.1 million tonnes. The decrease was the result of reduced traffic in more than half of the commodity classifications carried by the railways. The commodity groups with the largest declines in tonnage were wheat, coal and potash.

In contrast, several commodity groups registered increases. Loadings of fuel oils and crude petroleum increased the most, followed by sand, gravel and crushed stone, and iron ores and concentrates.

Intermodal freight loadings grew 2.3% to 2.4 million tonnes. The increase occurred solely on the strength of containerized

cargo shipments, as trailers loaded onto flat cars declined.

Internationally, total rail traffic received from the US advanced 20.3% to 3.5 million tonnes. The increase was driven by both non-intermodal and intermodal traffic.

Geographically, 57.3% of the freight traffic originating in Canada was in the Western Division of Canada, with the remainder loaded in the Eastern Division. For statistical purposes, cargo loadings from Thunder Bay, Ontario, to the Pacific Coast are classified to the Western Division while loadings from Armstrong, Ontario, to the Atlantic Coast are classified to the Eastern Division.

US for-hire truck tonnage bounces back in June

US for-hire truck tonnage increased 1.2% in June after falling 1.0% in May, according to a report from the American Trucking Associations. (May's loss was larger than the 0.7% drop ATA initially reported on June 19.)

June's increase was the largest month-to-month gain in 2012. However, the seasonally-adjusted index contracted a total of 2.1% in April and May. Compared with June 2011, the index was 3.2% higher, the smallest year-over-year increase since March. Year-to-date, compared with the same period last year, tonnage was up 3.7%.

The not seasonally adjusted index, which represents the change in tonnage actually hauled by the fleets before any seasonal adjustment, was 0.9% below the previous month.

For the second quarter, the seasonally-adjusted index was off 0.8% from the previous quarter, which was the first decrease in a year. Compared with the second quarter in 2011, the index was up 3.5%.

"June's increase was a pleasant surprise, but the lower year-over-year gain fits with an economy that has slowed," said ATA chief economist Bob Costello. "Manufacturing output was strong in June, which helped tonnage levels."

Costello said he's still concerned about businesses sitting on cash instead of hiring more workers or spending it on capital, both of which would give the economy and tonnage a shot in the arm, as they are worried about Europe and the so-called US "fiscal cliff" at the end of the year. Costello lowered his tonnage outlook for 2012 to the 3-3.5% range due to recent economic weakness.

RBC Purchasing Managers Index shows slower manufacturing growth rate in July

After registering strong growth in May and June, Canada's manufacturing sector slowed to a four-month low in July, according to the RBC Canadian Manufacturing Purchasing Managers Index, a monthly survey which provides early indication of trends in the Canadian manufacturing sector.

The headline RBC PMI – a composite indicator designed to provide a single-figure snapshot of the health of the manufacturing sector – signalled a solid improvement in Canadian manufacturing business conditions during July. However, at 53.1, down from 54.8 in June and below the series average of 54.2, the headline index indicated the weakest improvement since March.

The Index is conducted in association with Markit, a global financial information services company, and the Purchasing Management Association of Canada (PMAC).

The RBC PMI found that the volume of new orders received by Canadian manufacturers rose in July, with this generally linked to greater client demand. However, new orders, as well as output, grew at sharply reduced rates compared to June. Employment increased at the slowest pace since April, though the rate of job creation remained solid overall, while the average price paid for inputs fell for the first time since October 2010.

"Canada's manufacturing sector continued to grow in July, albeit at a slower pace, suggesting global growth worries are weighing on the economy. Employment improved for the sixth consecutive month in the sector, with 21% of firms hiring additional staff, largely driven by increased production," said Craig Wright, senior vice-president and chief economist, RBC. "As manufacturing conditions remain positive overall, we anticipate that further gains in employment and a pick-up in exports will support Canada's GDP growth in 2012."

Key findings from the July survey include:

The volume of new orders received by Canadian manufacturers increased in July, continuing the trend that has been recorded in each month since the inception of the survey. Approximately 32% of firms reported an increase in new work, with this generally linked to greater client demand. However, new export orders rose only marginally, partly reflecting weakness in the global economy. Subsequently, total new work intakes grew at a sharply reduced rate during the latest survey period.

Reflective of the rise in new orders, production increased further during July. Although moderate, output growth was the slowest in four months. Meanwhile, firms depleted their stocks of finished goods, with a number of companies using existing inventories to fulfil some new order requirements. Concurrently, backlogs of work fell for the second month running and to a greater extent than in June.

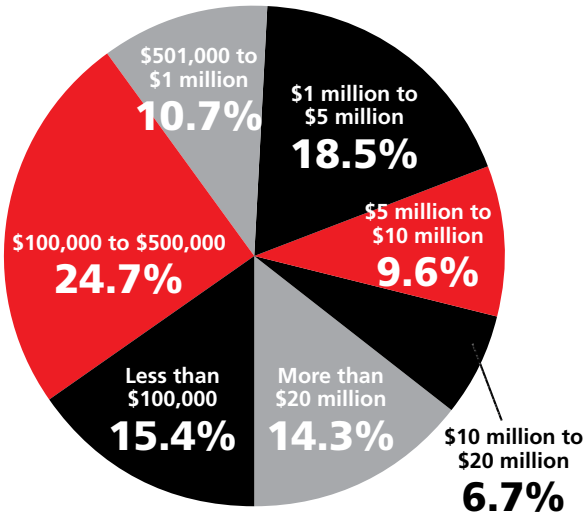
Manufacturers raised their purchases and increased their input inventories in July. Firms have accumulated stocks of purchases for four months running, but the latest increase was the weakest in this sequence. Suppliers' delivery times meanwhile lengthened further during July. Panellists suggested that vendors struggled with capacity issues. The latest increase in lead times was moderate, but to a lesser extent than in the previous survey period.

"Although the survey data pointed to a slower manufacturing expansion in July, with new export orders rising only marginally over the month, this can partly be attributed to weakness in the global economy," said Cheryl Paradowski, president and Chief Executive Officer, PMAC. "Average input prices, meanwhile, fell for the first time in the 22-month series history, as surveyed firms reported lower prices for raw materials such as steel, aluminum, resin and packaging."

INSIDE THE NUMBERS

8% That's how much of total sales that returned merchandise can account for, stressing the importance of a logistics plan to process returns.

Annual supply chain budget



Importance of performance criteria to shippers

	On-time performance	Quality of equipment & services	Information technology	Competitive pricing	Customer service	Leadership in problem solving	Ability to provide value-added services	Sustainable transportation practices
LTL	4.76	4.25	4.00	4.67	4.68	4.36	3.51	4.04
TL	4.84	4.45	4.09	4.71	4.64	4.38	3.80	4.17
Courier	4.87	4.32	4.55	4.73	4.67	4.37	3.77	4.13
Rail	4.49	4.31	4.19	4.68	4.49	4.22	3.69	4.07
Ocean	4.59	4.40	4.25	4.75	4.61	4.39	3.95	4.16
Air	4.90	4.46	4.54	4.63	4.70	4.49	3.97	4.16

Shipper satisfaction ratings by mode

	On-time performance	Quality of equipment & services	Information technology	Competitive pricing	Customer service	Leadership in problem solving	Ability to provide value-added services	Sustainable transportation practices	Combined scores
LTL	20.24	17.54	15.60	19.58	19.66	17.21	13.70	16.05	139.58
TL	21.33	19.10	15.97	20.03	20.08	17.85	14.93	17.00	146.28
Courier	20.64	17.92	18.60	18.94	18.19	15.99	13.56	15.87	139.71
Rail	18.67	17.70	16.55	19.07	18.19	15.98	13.40	15.56	135.11
Ocean	19.07	18.06	16.81	19.36	18.65	16.61	14.34	15.89	138.79
Air	20.84	18.70	18.01	18.65	19.04	17.37	15.19	15.98	143.78

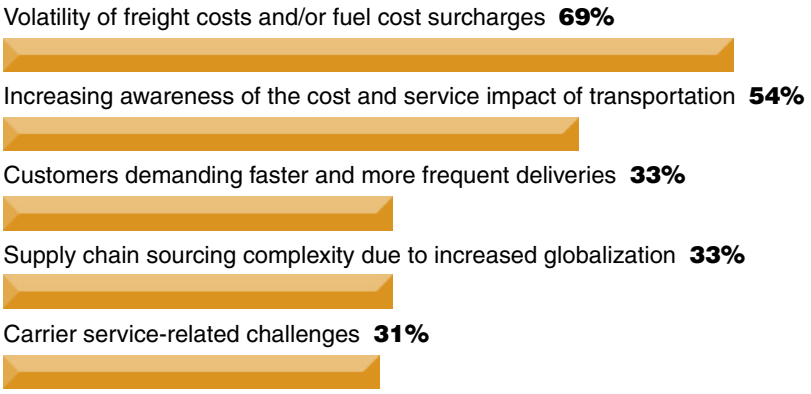
WHAT DO SHIPPERS REALLY VALUE IN THEIR TRANSPORTATION PROVIDERS?

Price remains a considerable concern for shippers purchasing trucking transportation services. Just how important competitive pricing remains for trucking is evident in our annual research, which asks close to 2,000 shippers across Canada to rate the importance of eight Key Performance Indicators when it comes to selecting one carrier over another. The chart shows the value shippers place on each of the eight KPIs on a scale of 1 to 5 and provides a comparison for all modes. On-time performance still remains the top priority when it comes to selecting both LTL and TL carriers. However, competitive pricing is the second highest consideration when shippers select a TL and LTL carrier, ahead of both customer service and quality of equipment and operations. Even when it comes to selecting a courier, competitive pricing is the second highest consideration, again ahead of customer service. This has been true for a couple of years now. Our research also delves into the value shippers place on sustainable practices when it comes to selecting their carriers. It's interesting to note that sustainable practices were once again ranked ahead of the ability to provide value-added services and information technology when it came to selecting both LTL and TL carriers.

It's also important to note that shippers give their truckload carriers the highest satisfaction score of any mode.

INSIDE THE NUMBERS

Top pressures for improving transportation spend management



Top Strategic Actions By Class

Action	Best-in-Class	Industry Average	Laggard
Automate data collection and analysis on freight spend and/or update to rate tables	47%	40%	40%
Collaborate and synchronize data with carriers, suppliers and trading partners	38%	36%	31%
Enforce adherence to our routing guide and/or to convert bid responses to rate tables	38%	28%	15%
Tie transportation, carrier selection, audit and payment together in a single process	32%	32%	29%

Best-In-Class Process Capabilities — Track and Bid

Action	Best-in-Class	Industry Average	Laggard
Practice multi-round bidding	75%	52%	45%
Tracking of total freight cost including accessories	74%	72%	38%
Practice incremental bidding as requirements change between bid contracts	62%	35%	34%
Expressive carrier bidding	59%	45%	44%
Electronically-assisted bid analysis	56%	47%	38%
Strategic bid allocation based on business performance	56%	47%	35%

Automated Process Capabilities – Select, Invoice Pay

Action	Best-in-Class	Industry Average	Laggard
Practice electronic invoice presentment and payment with carriers	66%	57%	35%
Automated carrier selections based on known data and rules	61%	42%	23%
Practice online bidding via a Web portal	51%	43%	38%
OCR for paper to electronic conversion of freight invoices	44%	41%	40%
Strategic bid allocation based on business performance	42%	30%	21%

KEEPING TRANSPORTATION COSTS IN CHECK: HOW THE BEST-IN-CLASS DO IT

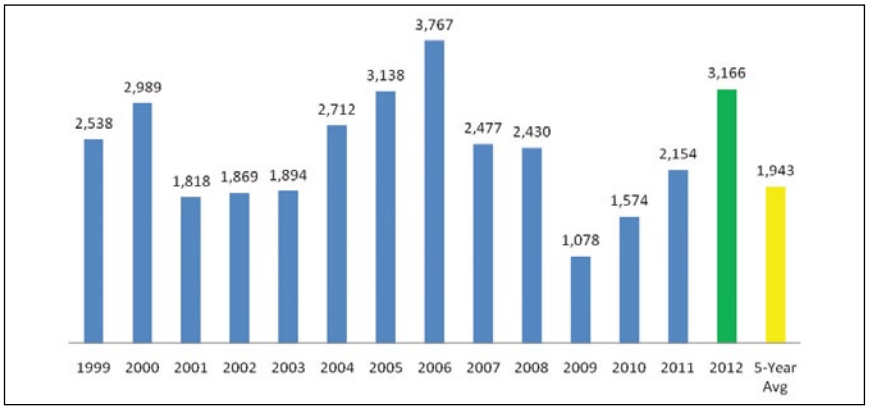
Optimizing transportation cost is a key focus for supply chain professionals. An Aberdeen Group survey found that volatility of freight costs and/or fuel cost surcharges is the top pressure for improving transportation spend management. As a result, many organizations have been scrambling over the past year to gain a better understanding of their transportation spending – where their money is being spent, how efficiently they are managing carrier relationships, and minimizing costs. The Aberdeen report details how Best-in-Class shippers have leveraged transportation management solutions together with process improvements to keep costs under control and maintain high levels of carrier and freight performance. For example, the Best-in-Class do a much better job than the Industry Average and companies considered Laggards in tracking total freight costs, including accessorials, fuel charges and invoice dispute cost. As Aberdeen points out, "Now, more than ever, Best-in-Class companies are embracing the people, processes and technologies that drive superior results which are needed to address global cost challenges and service requirements." When it comes to organizational capabilities, the Best-in-Class are much more likely to organize capability around a centralized transportation platform capable of handling global complexity. The report is entitled "2011 Transportation Contract, Tender and Spend Management."

CLASS 8
Truck Sales Trends

Monthly Class 8 Sales – May 12

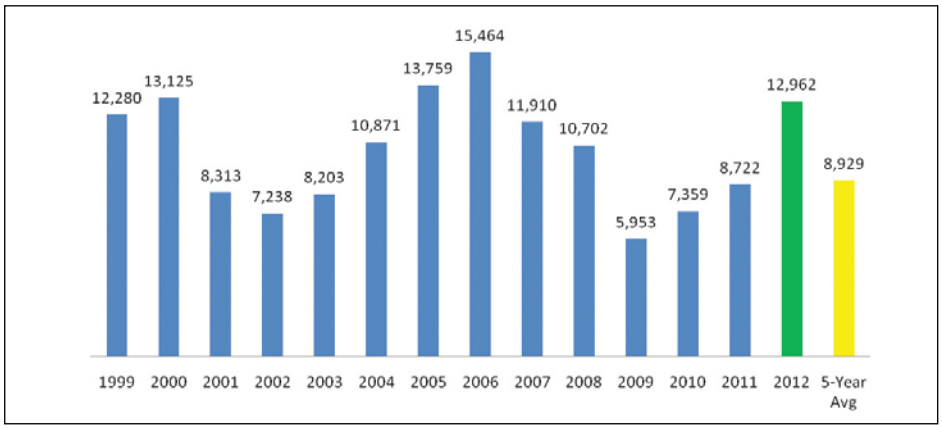
OEM	This Month	Last Year
Freightliner	717	468
International	432	444
Kenworth	740	448
Mack	249	174
Peterbilt	422	257
Volvo	360	186
Western Star	246	177
TOTALS	3166	2154

Historical Comparison – May 12 Sales



Class 8 truck manufacturers enjoyed an incredibly strong month in May. In fact, this May proved to be the second strongest in our recorded period, trailing only behind the record-setting year of 2006. This was the first time monthly sales surpassed the 3,000 mark in years. The monthly total was more than 1,100 units above the five-year average. Every manufacturer, with the exception of troubled Navistar, surpassed its monthly sales totals from the previous year by a healthy margin.

Historical Comparison – YTD May 12



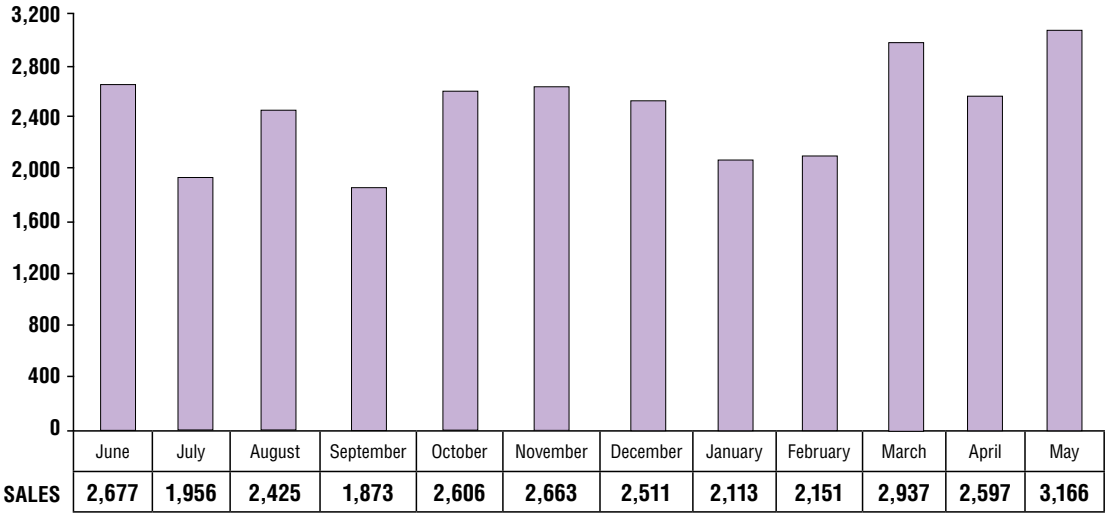
Class 8 Sales (YTD May 12) by Province and OEM

OEM	BC	ALTA	SASK	MAN	ONT	QUE	NB	NS	PEI	NF	CDA
Freightliner	213	298	96	275	1,588	576	136	74	13	6	3,275
Kenworth	289	1,161	164	108	466	505	67	0	0	0	2,760
Mack	39	166	89	55	357	163	28	15	0	6	918
International	76	284	42	132	840	423	86	40	9	31	1,963
Peterbilt	170	563	119	299	276	239	60	9	0	0	1,735
Volvo	99	127	48	122	671	261	54	14	0	2	1,398
Western Star	162	319	47	21	125	155	24	60	0	0	913
TOTALS	**1,048**	**2,918**	**605**	**1,012**	**4,323**	**2,322**	**455**	**212**	**22**	**45**	**12,962**

Class 8 truck sales may be slowing south of the border but so far the pace continues to be strong for sales in Canada. The 12,962 trucks sold after the first five months in theCanadian market in the midst of a slowing North American economy and economic uncertainty indicates the importance of not paying too much attention to the daily fears of the stock market. The YTD totals are more than 4,000 better than the five-year average and last year's totals. To date, 2012 is shaping up as the 4th best year since 1999.

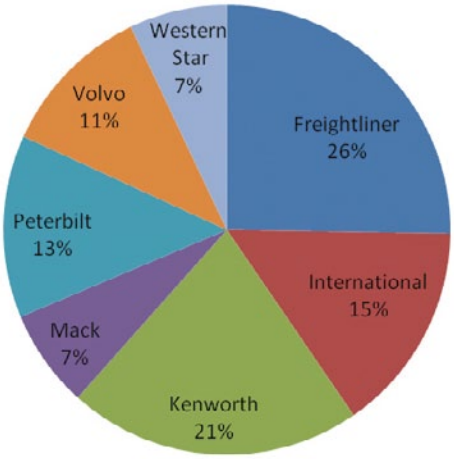
CLASS 8
Truck Sales Trends

12 – Month Sales Trend



For the eighth straight month sales climbed above the 2,000 mark, reminiscent of the industry's capacity boom years of 2005 to 2007. This was also the first month that sales climbed above the 3,000 mark. Our Transportation Buying Trends Survey found that 46% of Canadian carriers expect to purchase new Class 8 trucks in 2012. Question is if most carriers are looking to simply replace older equipment rather than add capacity, how long will the buying spree continue?

Market Share Class 8 – May 12 YTD



After five months of sales, Freightliner, last year's Canadian market leader, retains a commanding 26% share of Class 8 sales so far this year. Navistar International is now down to 15% of the market while hard charging Kenworth retains a 21% market share. Peterbilt and Volvo both enjoy more than 10% market share.

Source: Canadian Motor Vehicle Manufacturers Association