Inside the Numbers
with Lou Smyrlis

Editorial Director,
Transportation Media

IN DEPTH ANALYSIS OF THE FACTORS AFFECTING YOUR PROFITABILITY

VOLUME 4, ISSUE 1

The year we finally get out of neutral?

Both carrier and shipper volume projections for freight volumes are on the rise. But not everyone will benefit the same.

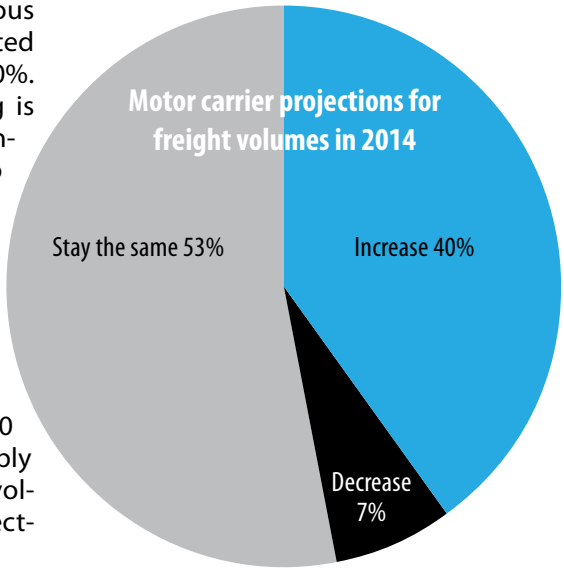
Canadian for-hire motor carrier executives are growing more optimistic about freight volume growth, the results from our latest Transportation Buying Trends Survey indicate.

The national survey, completed in January, found that 40% of responding motor carrier executives expect shipment volumes to be higher in 2014, a 3% increase from the number who thought likewise at this point the previous year. Similar to last year, the majority of carrier executives (53%) expect freight volumes to be about the same with 2013 but there is more good news in that there is a drop in the number who expect a decrease in volumes. Only 7% forecast a drop in freight volumes in 2014, compared to 11% in 2013.

The annual survey is conducted by our research division in partnership with the Freight Management Association of Canada, Cormark Securities and CITT.

Are Canadian fleet executives justified in their optimism for increased freight volumes in 2014? Our research also tracks Canadian shipper projections for freight volume growth, employing a separate survey which was conducted in late fall 2013. As noted in our previous Inside the Numbers report, Canadian shippers are also more optimistic about freight volume growth in 2014 than they were a year ago. Sixty percent projected growth in their freight volumes, compared to 53% who said likewise the previous year. The vast majority expected increases in the range of 5-10%. Further good news for trucking is that 40% of our shipper respondents said they expected to increase their use of LTL services in 2014 and 30% expected to increase their use of TL services. In comparison, only 14% expect to boost their use of rail in 2014 although 27% expect an increased use of intermodal.

Large carriers (those with 100 or more trucks) were considerably more optimistic about freight volume gains in 2014 with 67% expecting increases, 33% expecting volumes to remain neutral and none expecting decreases. That was a large contrast with smaller carriers (fewer than 10 trucks). Only 29% of small carrier executives expected a rise in freight volumes with 64% expecting volumes to remain the same. The freight volume outlook from medium-sized carriers (10-99 vehicles) was the closest to the survey average with 39% expecting

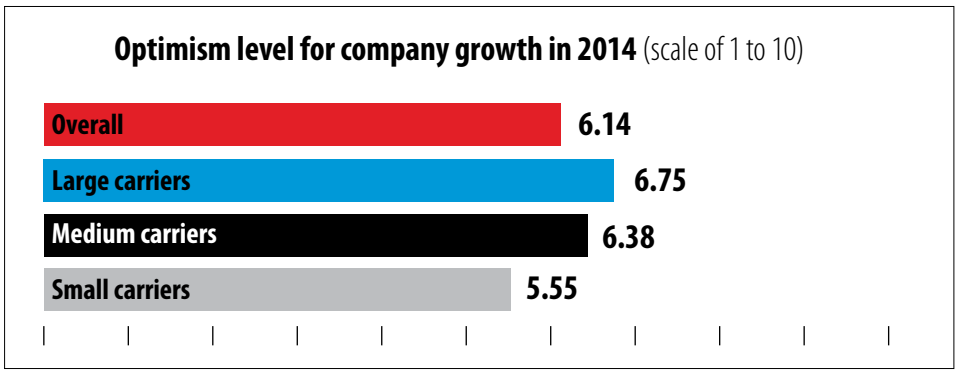


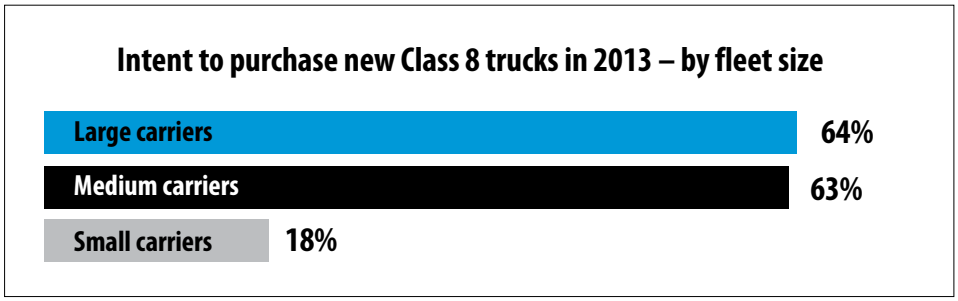
growth and 51% expecting business to remain about the same.

Looking at the survey results from a regional perspective, Western Canada fleet executives remain the most optimistic with 48% of them expecting growth in freight volumes, compared to 40% of Eastern Canada fleet executives and 33% of Central Canada fleet executives. The greater optimism from Western Canada fleet executives is compatible with the outlook of Western Canada shippers. Western Canada shippers were also considerably more optimistic than the survey average about freight volumes in 2014 with 76% expecting higher volumes.

Overall, 48% of carriers expect to be purchasing heavy duty trucks in 2014 but once again the survey reveals distinct differences when region and size of carrier are taken into consideration.

Western Canada carriers are more aggressive in their projections with 56% expecting to add new trucks to their fleets compared to 47% of responding executives from Central Canada and just 33% from Eastern Canada. The differences are more stark when size of carrier is taken into consideration. While almost two thirds of medium and large fleets expect to add new trucks in 2014, only 18% of small carriers expect to do likewise. Small carriers shying away from new truck purchases is a trend our research has identified for a few years now and it appears it will continue into 2014.





Given the differences stated above, it comes as no surprise to find similar differences in how fleet executives rated their level of optimism for the growth of their companies in 2014. Overall, the average "optimism level" was 6.14 on a scale of 1 to 10. Western Canada executives were the most optimistic and their average optimism level of 6.41, surpassed the survey average. Central Canada executives' optimism level averaged 6.19 while carrier executives from Eastern Canada were the least optimistic at 5.93. Large carriers were the most optimistic group. Their optimism level averaged 6.75, compared to 6.38 for medium sized carriers and just 5.55 for small carriers.

Our annual Transportation Buying Trends surveys, now in their 10th year, probe motor carrier and shipper executives on a number of key issues, including rates, surcharges, capacity additions and overall business confidence. Watch for more results on www.trucknews.com and in the next issues of Inside the Numbers. The research is also presented to interested industry and educational groups across the country.

Ontario truckers most optimistic in years

Ontario motor carriers are finally convinced the glass is more than half full as it pertains to trucking on both sides of the border and they don't anticipate any economic spillage anytime soon, according to the Ontario Trucking Association (OTA).

In the OTA's first quarter 2014 survey of business conditions for the bellwether sector, carriers indicated across-the-board improvements – unprecedented, in some cases – in all four sectors monitored by OTA (Intra-Ontario, inter-provincial, southbound US, northbound US). The results demonstrate that improving economic conditions, especially in the US, are being reflected by sustained freight volume increases. Freight rates, meanwhile, appear to be bucking the recent trend of not keeping pace with volume expectations.

FREIGHT VOLUMES

Despite this traditionally being the slow season for trucking, 42% of carriers said freight volumes within Ontario improved in the last three months – the highest level since early 2011. Not coincidentally, 1Q14 also saw the lowest number of carriers (6%) in the last three years reporting volume decreases.

At the same time, nearly half (48%) also reported improved volumes in southbound US lanes, which is about triple of what's been expressed in the last several quarters and the highest level ever recorded for this sector since the OTA survey was launched in 2008. At no other point since early 2011 have more than 35% of respondents indicated improved southbound volumes.

Reports of improved northbound volumes also rebounded to 44% of carriers, after some up and down responses over the last few quarters. Inter-provincially, reports of improved volumes are virtually unchanged from last quarter (38%) and for the most part remain within 5 percentage points of levels throughout the last 12 months.

Looking ahead, more carriers expect volumes to climb over the next six months – a clear break in the trend from the last few surveys where carriers reported experiencing improved volumes but expressed less faith they would hold up over the next six months.

Within Ontario, 48% expect continued improvements – again matching a high not seen since 1Q11. The increase is reflected by a drop of those carriers who expect things to stay the same, which fell below half (48%) for the first time since Q2 2011.

Remarkably, 54% of carriers expect US volumes to keep growing, which is once again the highest level the OTA survey has ever recorded and a whopping 14 points higher than the second highest expression of optimism back in 3Q10. Pessimism in projected volumes dropped to match the all-time low of 7% in 1Q11. Those who say volumes will remain unchanged also dropped to much lower (39%), clearly signaling that carriers are for the first time in years feeling real freight economy shifting beneath their feet.

Inter-provincially, 44% of carriers expressed continued optimism in volumes over these next six months, the highest in nearly two years, while there was a rebound in northbound expectations (44%) after back-to-back declines.

RATES

Arguably even more impressive than freight volumes are carriers' observations about rates. The 1Q14 survey reverses the trend of carriers reporting stagnant rates regardless of volume growth – a possible signal that pricing trajectory in certain sectors might concurrently be moving in the same direction as volumes.

Nearly a third (29%) of carriers said southbound US rates are increasing – far from a majority, but nearly triple the rate of carriers who said the same thing a year ago. The 18% who reported declining rates is simultaneously the lowest level ever recorded – half of 1Q13 and a whopping 60% less carriers who said the same thing in late 2009, which shows just how much southbound pricing has firmed up since the height of the recession.

Within Ontario, 23% of carriers reported higher rates, the most since Q311. However, the 28% who indicated rates are falling is up significantly from the last few quarters. Fifty-five percent said rates remain unchanged – a majority, but also the lowest level in three years. All this may reflect a certain level of pricing volatility in the province, with pricing making solid headway in some sectors and possible erosion in others.

The number of carriers who reported stronger rates for inter-provincial lanes (28%) is more than double that of last quarter and four times more than this time last year; while an all-time low of 8% said rates were shrinking.

CAPACITY

After several quarters of unyielding, yet consistent capacity, the plates underlying the supply market also appear to be shifting. With freight volumes improving across the board, it's no surprise capacity is reflexively tightening. While 52% of carriers still say capacity is unchanged, now over a quarter of carriers (27%) report supply constraints, which is at least 10 points higher than three out of the four quarters in 2013. Furthermore, 36% expect capacity to get squeezed further over the next six months – the highest since the start of 2010.

Just under half of fleets plan to add tractors, trailers, drivers or owner-operators.

RISING COSTS & EFFECT of CND

After some relief last year from extremely high diesel prices, there's no question fuel costs are back on the upswing. Since this survey was conducted during much of February's cold snap, it's not surprising that 88% of carriers report higher fuel costs (up significantly from 58% last quarter). Of those, 61% said fuel prices climbed by 10-15% – the highest reported hike since OTA began querying carriers in 2011 on cost issues.

Relatedly, the number of carriers who indicated fuel prices is their top business concern shot up to 29% from 18%. The driver shortage and capacity also remain high on carriers' list of concerns (29% and 42%, respectively). Meanwhile, supporting the theme throughout the rest of the survey, the number of carriers who said the economy was their number one worry fell from 30% to 19%.

On the bright side, the lower Canadian dollar is a benefit to some carriers. However, it's noteworthy that few carriers want it to slip too far down. Only 15% of carriers said they're comfortable with a CND as low as 80 cents, while 30% said 85-cents is a good spot for the loonie to settle and 42% preferred a 90-cent landing.

Mike McCarron of Wheels Group on the wave of M&A activity sure to change the face of our industry

Q: There is a change brewing in the demographics of transportation business ownership. Mike you believe we are in for considerable upheaval in transportation company ownership. Why do you think so?

McCarron: I think it's just pure demographics. You have a couple of unique situations. You have a lot of third- and fourth-generation family owners and the kids don't want the business anymore. It's no longer perceived as the family business. You have an aging ownership group dealing with a very volatile market. It's a very tough business and people are tired of it. But a lot of these owners are fairly wealthy, have a lot of land holdings and a lot are trying to get out of the business right now. The question is who is going to buy them? And for the first time you have the emergence of larger Canadian trucking conglomerates. There is no question you are going to see massive ownership changes.

The third party side is interesting too. If you look at the freight brokerage business in Canada, which is a $13B business but very fragmented with a lot of small players, prior to deregulation freight brokering wasn't even allowed. So you have a situation where you have a lot of entrepreneurs who started their businesses around 1990 in their mid 30s and are in or approaching their 60s now. So for the first time you have this wave of freight brokers who are going to be up for sale. Freight brokering and 3PL are really about two things: scale and technology. Smaller brokers are finding it increasingly difficult to compete. By the time you are in your 60s you are several generations removed from the people making the traffic decisions. Once again there is a lot of uncertainty and it's just pure probability that a lot of people will be looking to get out.

Q: What will emerge as the new face of transportation? Do you expect a great deal of industry consolidation? That is something we've been predicting for a few years now but it has not yet materialized.

McCarron: I think Canada as a whole is a mid-market country. It's hard to predict. There are plenty of dollars sitting on the sidelines. I think the balance sheets of trucking companies and freight forwarders are relatively healthy. I'm surprised there hasn't been more activity. I think the transactional nature of our business is scaring a lot of investors. If you talk to a private equity firm, our industry actually scares them because there are low margins, a lot of unpredictability, and things outside our control and they are nervous over the transactional nature of our business. You have large trucking companies with 60-70 million in business and no contracts with customers. When I sold MSM we did 90,000 LTL transactions a year and we didn't have contracts. It's odd and I blame the weak kneed approach to this by our industry. I think you will find that activity will come less from investment bankers and more from what I call synergy players and you are starting to see that already frankly.

Q: How should carrier executives be preparing for this?

McCarron: My philosophy is that great companies don't get sold, they get bought. I really believe that the day you put your company up for sale it sends a bad message to stakeholders – your employees, your customers – that you are waving the white flag. It's very hard to keep this confidential and it's dangerous to your business. My focus was always on building a strong brand, building a business that produces cash and creating EBITDA. The challenge a lot of people are having is that they have to sell and when you have to sell, you've backed yourself into a corner and it's very hard to get the numbers that you want. The reality on the M&A side is that 95% of people don't even think about selling till they are affected by one of the four dreaded D's – disease, death, divorce or a disturbed business partner – and they are not ready to sell. The biggest advice I can give is to be ready when they come knocking on your door. If you are not ready when they knock on your door, you can lose the deal. Be prepared to walk out that door if the right person comes knocking.

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Omni-Channel Retailing:
Implications for freight carriers and logistics service providers

Omni-Channel Retailing, which offers buyers a range of shopping and delivery options, will have a profound effect on the retail and freight industries.

The catalyst for the changes to shipping processes and pricing has been Amazon Prime. Back in 2005, the online retailer announced free two-day shipping on qualified items. Designed to enhance loyalty and fuel top line sales growth, the Amazon Prime program has had a huge impact on Amazon's success in recent years.

The impact has rippled through the retail and transportation industries. Brick-and-mortar retailers, in particular, have scrambled to devise strategies to counter free shipping. In response, retailers are deploying a variety of solutions that leverage one of their best assets—their stores. This coupled with the growth of mobile commerce and social shopping, has seen the emergence of a new approach that represents a kind of boundaryless retail, where the silos between brick-and-mortar, catalog, and Internet retailers have disappeared—at least as far as the consumer is concerned. This is what many are calling omni-channel retailing.

The transportation and logistics companies that wish to be effective in the Omni-Channel arena must align their service portfolios and infrastructure to meet the needs of the retailers and consumers who will be increasingly operating in this environment. To gain a better understanding of where omni-channel retailing is going, UPS commissioned a research study of 3000 consumers. ComScore, a leading digital analytics firm, performed the study. The result is the 2013 UPS Pulse of the Online Shopper: A Customer Experience Study. Here is what they learned from a carrier perspective.

One of the first questions they asked consumers was which factors compel them to shop with an online retailer. Many respondents said they expect a streamlined process across multiple channels:

- 62% want the ability to purchase online and make returns in-store;
- 47% want a coupon or promotion sent to their smartphone when they are in-store or nearby; and
- 44% want the ability to buy online and pick up at the store.

Online shoppers said they want the ability to choose their preferred delivery date, time of day for delivery and they want options to reroute their inbund packages. They also value a hassle-free returns policy, especially repeat customers: 82% of consumers said they would complete the purchase if they could return the item to the store or have free return shipping.

Another trend retailers are considering is same-day delivery. Like free shipping, this is a proactive supply chain innovation being driven by Amazon, eBay, and even Google. Other retailers, such as Walmart, Best Buy and Indigo Books have announced they are running same-day delivery trials. The omni-channel consumer is driving the desire for a seamless customer experience across all customer touch points for retailers. They want to buy from anywhere—in a store, on a laptop or PC, or from their phones and tablets; they want to pick it up from anywhere—in a store, at their place of work, at their home, or sent to a friend; and they want to return it anywhere—to a store or back to a distribution point.

Moreover, in an omni-channel world, retailers want to be able to satisfy demand from anywhere—a retail store, a distribution center, a third-party distributor, or drop-shipped from a manufacturer; and they want the ability to have an order returned to where it can generate the most value on the next sale.

Serving an omni-channel customer requires a Network Approach

As the name implies, an omni-channel retailer is using a network of retail distribution channels. To play in the space requires a network approach. Carriers must adapt to the procurement arrangements established by the retailer. This may involve several options.

- Buy Online—Ship from a Store
- Buy at a Store—Ship from a Distribution Centre
- Buy at a Store—Ship from a (Different) Store

Carriers may need to adjust to changes in outbound shipping processes to leverage the retailer's existing store replenishment network. Retailers must pick the stores closest to the consumer to meet delivery expectations. Often, the online fulfillment and distribution centers are in different locations. In other words, there is a great deal of business intelligence as the underpinning to omni-channel retailing. Carriers and LSPs must gain a complete understanding of the retailer's business rules. As retailers consider the added volume that will move to their stores from distribution centres or suppliers, and from stores to consumers, they often discover a need to re-evaluate their distribution network.

Another challenge is establishing the logic for routing orders to the stores for shipment. There are two primary strategies deployed:

- Reduce delivery time and/or costs for online orders by shipping from the nearest store to the consumer enabling next-day or second-day delivery.
- Optimize revenue by shipping merchandise sitting in stores and out-of-season to fulfill online demand. This will help reduce markdowns.

The deployment of either, or both, of these strategies can be a challenge as the business models need to be coordinated between store operations, merchandising, and supply chain operations to make sure all groups' priorities are considered.

Carriers must provide tight but flexible Last Mile Delivery Options

With broad visibility into inventory and consumer profiles, retailers can begin to offer more advanced delivery options.

- Buy Online—Get Delivered Next Day: This service caters to consumers who shop online between 6 p.m. and 9 p.m. or "sit-back shoppers."
- Same Day Delivery: For this service to be practical the merchandise needs to be near the customer.

Filling the increased volume of individual orders in omni-channel retailing is labour intensive and less efficient than conventional distribution models. This is especially true as retailers fulfill demand from retail stores.

Carriers and LSPs must have visibility into the various components of the network. In other words, they need a robust information system to track where the orders are coming from, where the customer is going to pick up his goods or where he expects them to be delivered and possibly where he expects to return them. This is a very different environment as compared to traditional point to point shipping.

A retailer's network optimization determines the right number of hubs and stores for the network, where those should be located, and how inventory should be positioned to meet both cost and customer service expectations. Carriers and LSPs will need to optimize their networks to complement the requirements of their retail customers.

Carriers and LSPs must develop new Freight Rate Pricing for Omni-Channel Retailers and Consumers

Consumers have become big fans of Amazon's "free shipping' or their annual dues approach to shipping. Of course, somebody has to pay for freight. Under an omni-channel model, the costs don't go away. They are different and in many ways more complex to calculate. Carriers and LSPs will need sophisticated costing models to define the various increments and volumes of work so they can cost and price their services correctly. Welcome to the brave new world of Omni-Channel Retailing.

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. Goodwill is currently a consultant to manufacturers and distributors, helping them improve their transportation processes and save millions of dollars in freight spend. He has held several executive level positions in the industry. He can be reached at dan@dantranscon.com.

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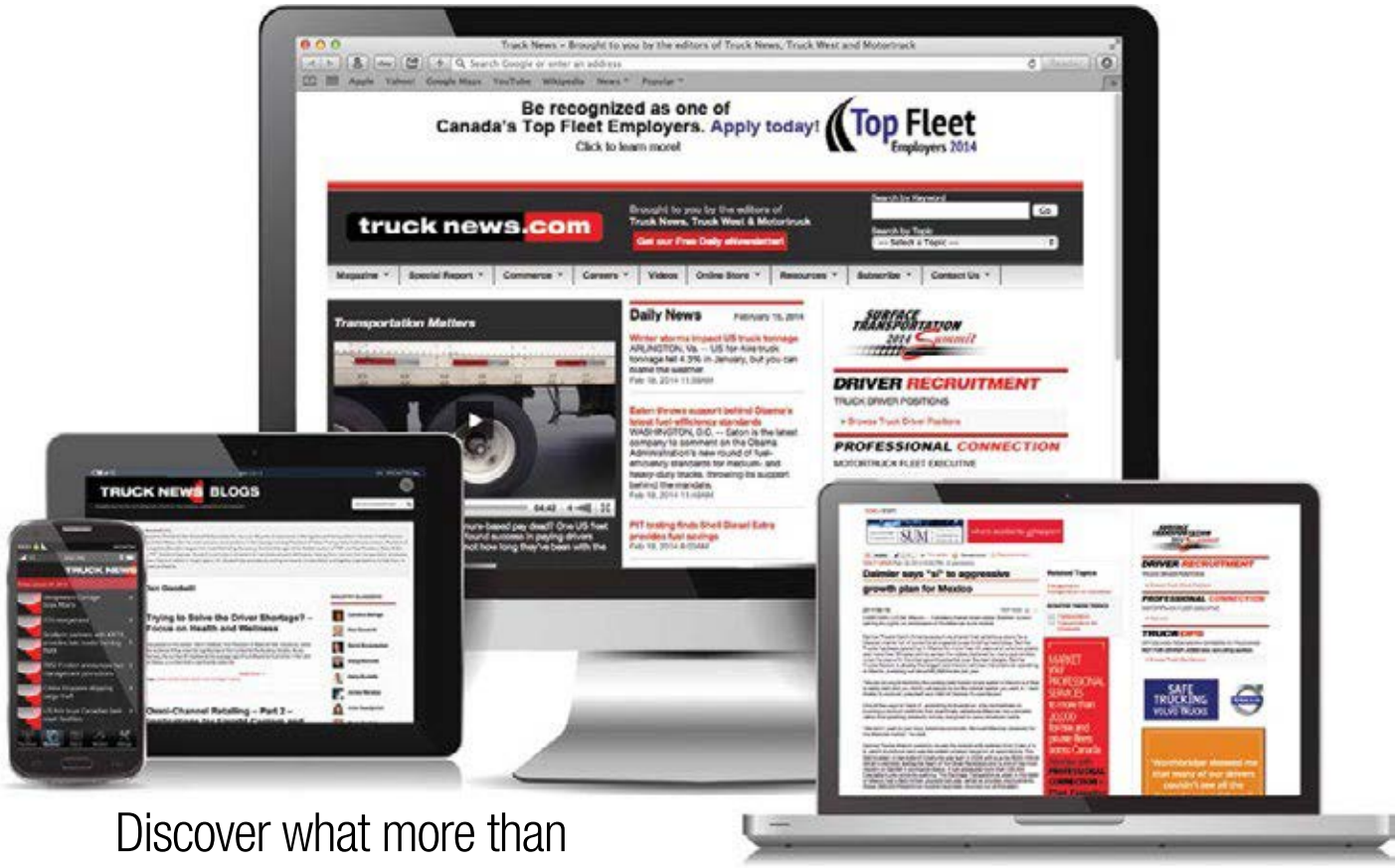

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Winter storms impact US truck tonnage

US for-hire truck tonnage fell 4.3% in January, but you can blame the weather.

The American Trucking Associations said its tonnage index was still up 1.2% year-over-year. The softening from December was attributed to winter storms, and not a weakening of the economy or of freight demand. The index finished 2013 up 6.3% compared to 2012.

"Like most economic indicators, truck tonnage was negatively impacted by bad winter weather in January," said ATA chief economist Bob Costello. "The thing about truck freight is that it's difficult to catch up. Drivers are governed by hours-of-service regulations and trucks are limited to trailer lengths and total weights, thus it is nearly impossible to recoup the days lost due to bad storms."

As such, Costello said it's tough to gauge January's demand.

"January wasn't just one storm, it was several across a large part of the country. Therefore, I wouldn't panic from the largest monthly drop in two years," Costello said. "I've heard from many fleets that freight was good, in-between storms. The fundamentals for truck freight still look good."

Growth in US freight buoys rail tonnage

The Canadian railway industry carried 26.0 million tonnes of freight in December, an amount virtually unchanged from the same month last year. The industry benefited from a strong growth in shipments received from the United States, which helped to offset a decline in domestic shipments, according to Transport Canada.

Rail freight originating in Canada and destined within Canada and other parts of the world decreased 1.6% to 22.8 million tonnes. These shipments are comprised 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).

Non-intermodal freight loadings fell 2.1% to 253,000 carloads in December. The amount of freight loaded into these cars totalled 20.5 million tonnes, itself a decrease of 2.0%. The tonnage decline in shipments was brought on by a drop in the majority of the 64 commodities loaded by Canadian railways.

Partially offsetting the decline, however, were gains in fuel oils and crude petroleum (up 324,000 tonnes); other chemical products and preparations (up 177,000 tonnes); and fresh, chilled or dried vegetables (up 138,000 tonnes).

Intermodal freight loadings rose in December to 153,000 units, a gain of 3.7%. The increase was spurred by increased containerized cargo shipments and trailers loaded onto flat cars. From a tonnage perspective, intermodal traffic rose 2.9% to 2.3 million tonnes.

Rail freight traffic received from the United States advanced 12.7% to reach a high of 3.2 million tonnes for the month of December. Both non-intermodal and intermodal shipments increased during the month.

Canadian Freight Index for spot market registers more records

The Canadian Freight Index for spot market freight registered a number of records in January.

According to TransCore Link Logistics, the company that compiles the index, 2014 opened with "never seen before highs in load volumes."

Even though volumes hit a record high in December 2013, January numbers surpassed them, increasing 43% from the previous month. And in comparison to January 2013, this year's figures were 47% higher.

TransCore also reports that cross-border postings averaged 72% of total load volumes, and that they were 48% higher in January 2014 than they were in January 2013. Cross border loads originating in Canada and heading to the US were up the most with a 65% year-over-year increase in volumes, while US loads destined for Canada were up 42% year-over year. More loads came out of Illinois than any other state. Ohio, Texas, Wisconsin and Michigan rounded out the top five states of origin. TransCore notes that the inclusion of Wisconsin in this ranking is unusual.

Intra-Canada load volumes made up 23% of the total volume of January shipments. This movement represents a significant change from the same time last year as January 2014 numbers came in 40% higher than January 2013 figures.

The only negative registered was a slight one, and it came in equipment postings, which were down 1% from December 2013. The January results are the lowest in 13 months.

The equipment-to-load ratio declined from 1.97 in December to 1.36 in January. TransCore says, "This radical drop represented a 71 percent improvement month-over-month." The company also reported the "combined Canadian and United States equipment-to-load ratio for cross-border and inter-Canadian postings had a notable drop from 1.27 to 0.88 which represented a 76 percent improvement. The combined data for Canadian and United States loads for January increased by 50 percent year-over-year."

RBC PMI signals solid output growth in February

February data signalled that the Canadian manufacturing sector remained in expansion mode, with output, new orders and employment all rising during the month. That said, the latest increase in new work was the slowest since August 2013, according to the RBC Canadian Manufacturing Purchasing Managers' Index.

Adjusted for seasonal influences, the headline RBC PMI registered 52.9 during February, up slightly from a nine-month low of 51.7 in January. The index has now posted above the neutral 50.0 value for eleven successive months and the latest reading pointed to a solid improvement in overall business conditions.

"Canada's manufacturing sector grew at a notably stronger pace in February relative to January," said Craig Wright, senior vice-president and chief economist, RBC. "As we move through 2014, we'll see a strengthening in exports relative to imports, with trade contributing more than it has to Canada's growth over the past decade. This should encourage a rebound in investment activity, particularly amongst manufacturers."

Key findings from the February survey include:

- **Production levels increased for the tenth successive month;**
- **Weaker new business growth partly reflected softer export order expansion;**
- **Input cost inflation was at its strongest level since May 2011**

A stronger overall performance by the Canadian manufacturing sector in February partly reflected an acceleration of output growth from the five-month low during January. Although new business volumes increased for the eleventh successive month, the latest rise was the slowest since last August. New orders from abroad increased only marginally, with February data highlighting the weakest trend in export sales since March 2013.

February data indicated that manufacturers remained cautious about their stock levels, largely due to weaker new business growth. As a result, post-production inventories increased at the slowest pace in the current four-month period of expansion while stocks of inputs dropped for the third month running.

The RBC PMI is conducted in association with Markit, a leading global financial information services company, and the Supply Chain Management Association.

Ground transportation rates rose in December, CGFI indicates

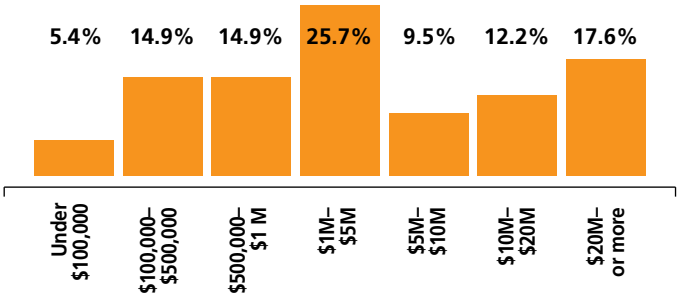
Canadian ground transportation rates climbed 1.6% in December, compared to November, according to the latest data from the Canadian General Freight Index (CGFI).

The base rate jumped 0.27% compared to November. Fuel represented 20.84% of the base rate in December, compared to 20.54% in November.

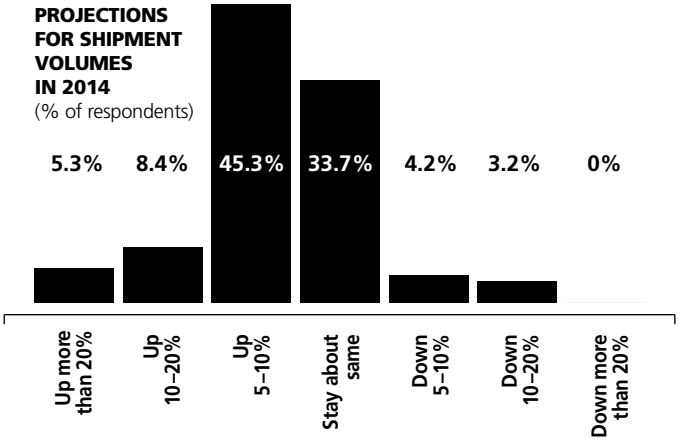
"Total freight costs continued to climb in December for the fifth straight month. Both base and rates and fuel increased in December," said Doug Payne, president & COO of Nulogx. "With December's increase, total transportation costs finished 1% above a year ago."

For full details on the CGFI visit www.cgfi.ca

ANNUAL TRANSPORTATION SPEND (% of respondents)



SHIPPER PROJECTIONS FOR SHIPMENT VOLUMES IN 2014 (% of respondents)

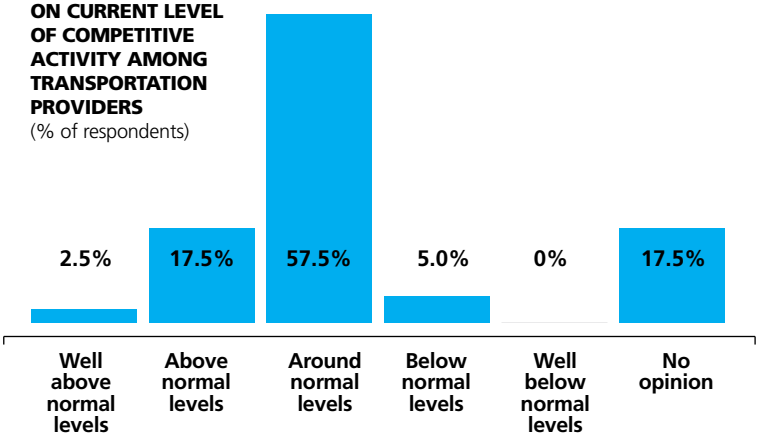


FREIGHT FORWARD

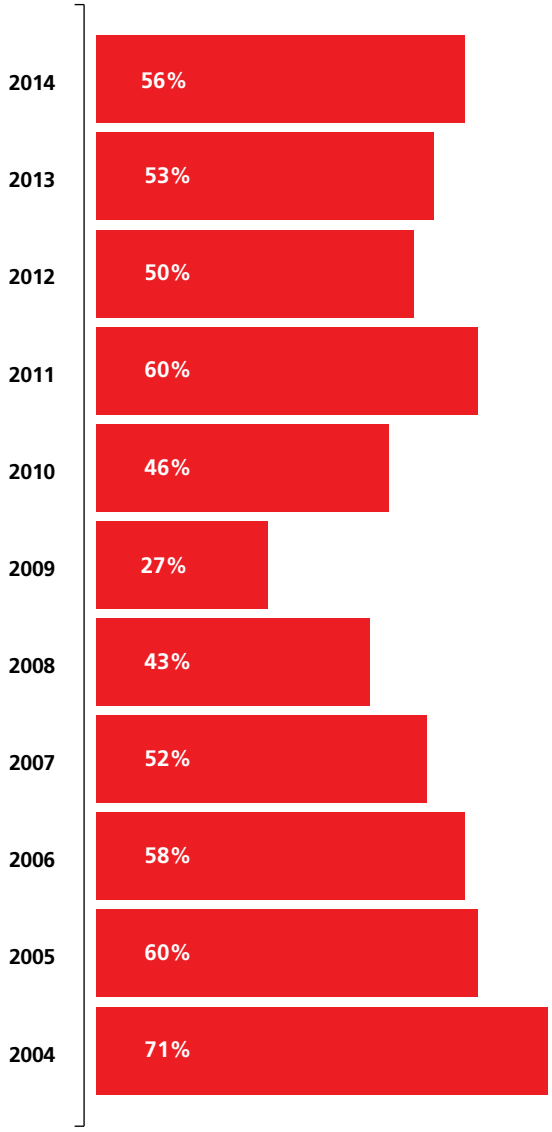
The freight forecast looks fairly positive.

With the Canadian economy expected to grow at less than 3% GDP again in 2014, forecasting freight volume growth is a challenging task. Yet it appears shippers are relatively optimistic about freight volume growth this year, according to the results from our annual **Transportation Buying Trends Survey**, conducted nationally in co-ordination with CITA and CITT. Almost 6 in 10 shippers surveyed expect their freight volumes to increase, mainly in the range of 5–10%. How will that affect pricing? Most shippers see competition levels among transportation suppliers at normal levels, with a significant number reporting above normal competition.

SHIPPER VIEWS ON CURRENT LEVEL OF COMPETITIVE ACTIVITY AMONG TRANSPORTATION PROVIDERS (% of respondents)



ANNUAL COMPARISON OF SHIPPERS EXPECTING SHIPMENT LEVEL INCREASES COMPARED TO PREVIOUS YEAR (% of shippers)

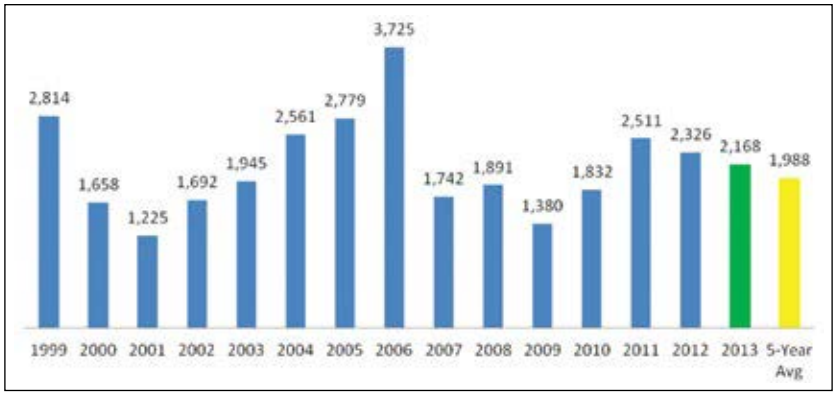


CLASS 8
Truck Sales Trends

Monthly Class 8 Sales – Dec 13

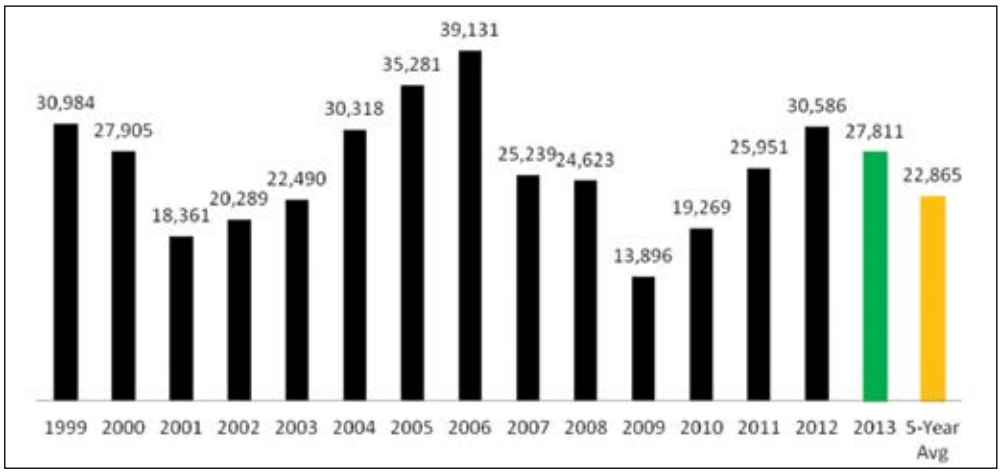
OEM	This Month	Last Year
Freightliner	503	575
International	235	224
Kenworth	309	276
Mack	209	314
Peterbilt	365	317
Volvo	312	357
Western Star	235	263
TOTALS	2168	2326

Historical Comparison – Dec 13 Sales



The year closed with Class 8 truck sales of 2,168, reflecting the trend Class 8 sales have experienced for most of 2013, coming in slightly behind last year's totals. It made for the seventh best December going back to 1999. Only International, Kenworth and Peterbilt posted slightly higher figures than the previous year. The sales total for the month is also less than 200 above the five-year average.

Historical Comparison – YTD Dec 13



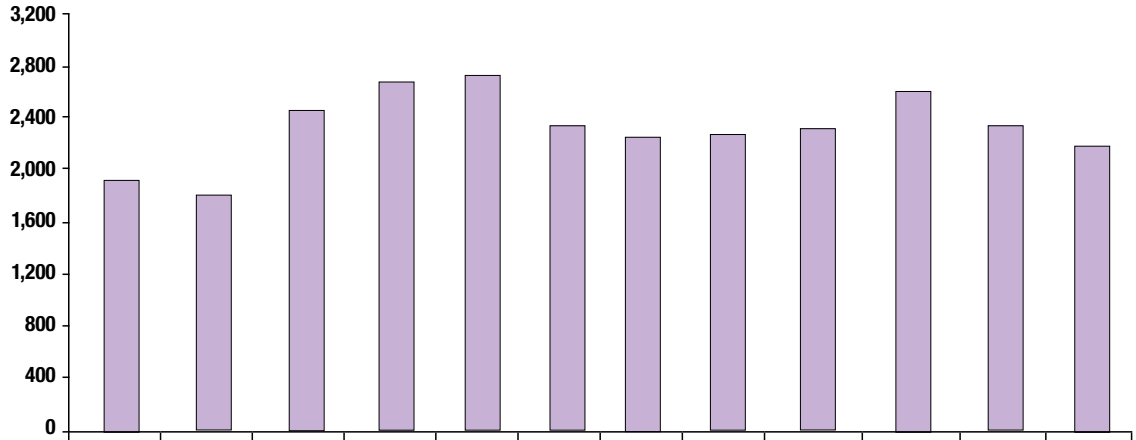
Class 8 Sales (YTD Dec 13) by Province and OEM

OEM	BC	ALTA	SASK	MAN	ONT	QUE	NB	NS	PEI	NF	CDA
Freightliner	571	832	215	378	2,987	1,235	407	124	25	51	6,825
Kenworth	744	1,790	503	104	801	834	110	0	0	0	4,886
Mack	157	360	200	62	817	378	92	75	0	14	2,155
International	151	718	79	204	1,842	759	133	48	35	34	4,003
Peterbilt	564	1,286	321	251	685	504	173	60	0	0	3,844
Volvo	368	310	127	222	1,604	800	138	70	0	13	3,652
Western Star	358	809	78	79	476	446	63	95	5	37	2,446
TOTALS	2,913	6,105	1,523	1,300	9,212	4,956	1,116	472	65	149	27,811

With the numbers from the final month of 2013 in, the year closed as the 7th best year for Class 8 sales since 1999, which is pretty much where it has tracked for most of the past 12 months. The slippage expected for the final quarter did not really surface till the final month, whose numbers were slightly disappointing although still above 2,000. As a result total Class 8 truck sales came in about 700 short of our revised estimate of around 28,500 vehicles for 2013. The year was also almost 5,000 trucks above the five-year average.

CLASS 8
Truck Sales Trends

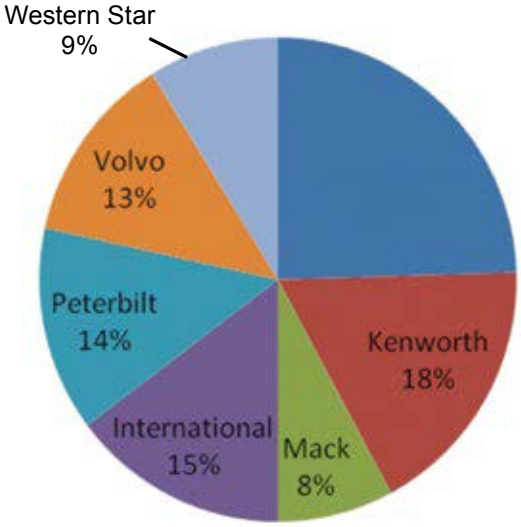
12-Month Sales Trends



	January	February	March	April	May	June	July	August	September	October	November	December
SALES	1,916	1,808	2,442	2,669	2,721	2,346	2.239	2,252	2,347	2,618	2,361	2,168

Class 8 sales in 2013 may not be as strong as last year's but they have come in above 2,000, reminiscent of the industry's capacity boom years of 2005 to 2007, for 10 straight months now. The big question was whether sales would hold up over the summer months and they did. The next question was how they would hold up for the final quarter of 2013 and October and November both showed positive results. December was a bit disappointing but still came in above 2,000.

Market Share Class 8 – Dec 13 YTD



There has been little change in market share over the past year. Freightliner, last year's Canadian market leader, was solidly in control of the market share lead all year long, and wrapped up 2013 with about a quarter of Canadian Class 8 truck sales. Kenworth finished 2012 in the number two spot with an 18% market share and has repeated its performance in 2013. Navistar International finished the year with 15% market share followed by Peterbilt which has a 14% share of the Canadian Class 8 market.

Source: Canadian Motor Vehicle Manufacturers Association