SUPPLY CHAIN SURVEYS INC.

Looking Ahead At Freight Costs

Dr. Alan L. Saipe

September 27, 2011

Topics

- About CGFI
- Where we are in the business cycle
- How costs and prices have behaved
- What will the future hold?

The Canadian General Freight Index

The CGFI

- Published by Nulogx since September of 2009 – data starts in January 2008
- Tracks changes in over-the-road freight costs month by month
- Derived from a large database of freight transactions
- Costs include base freight charges, fuel surcharges and other accessorial charges
- Includes domestic and cross border truckload and LTL transactions

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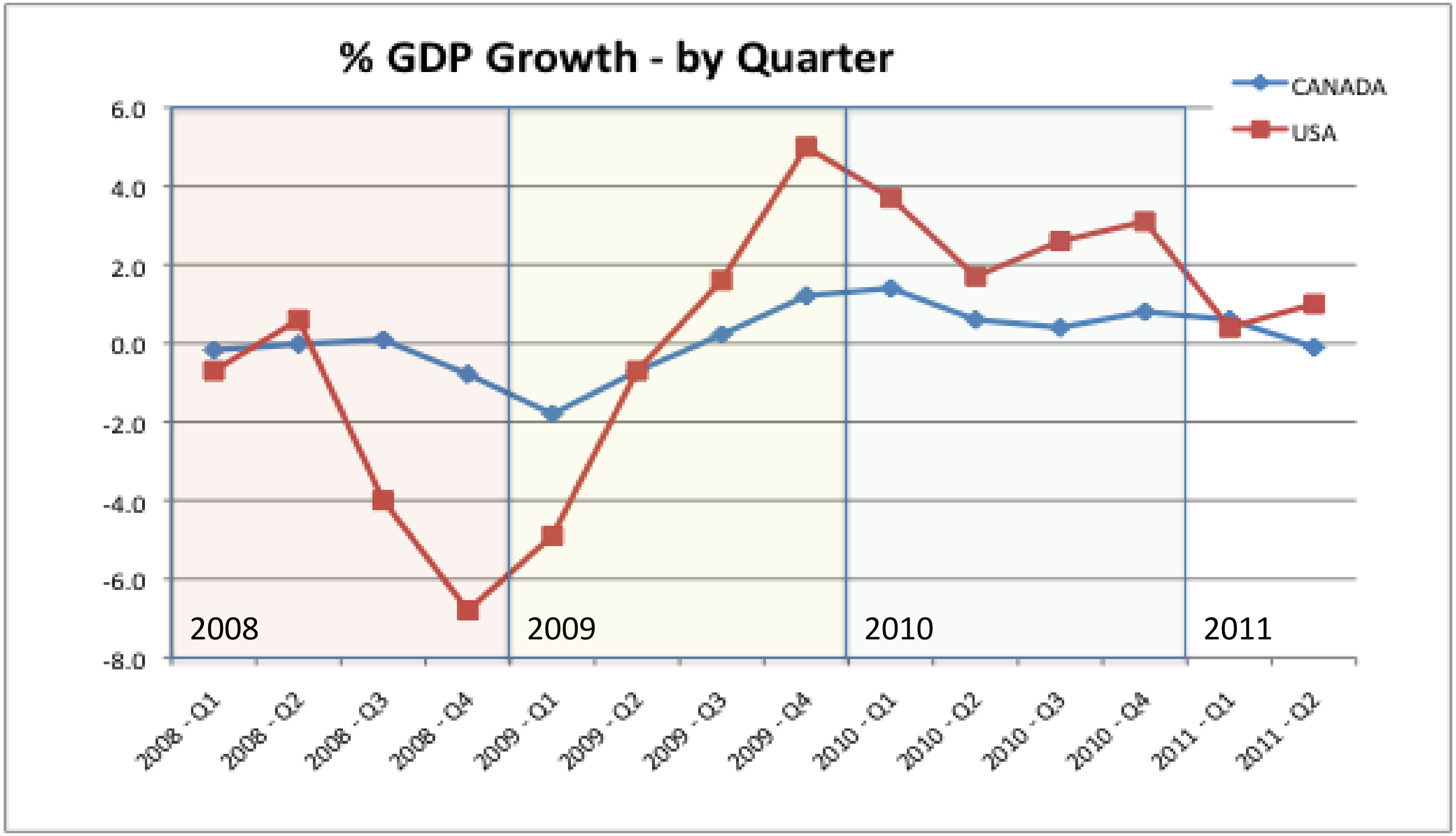
Limitations

- Restricted to general over-the-road freight
- Does not include liquid bulk, dry bulk, forest products or other specialized freight
- Cannot separate contract vs. spot market
- CGFI is representative of Nulogx customers and may not be the same as the market
- Trends are more important that any single month's results

The Business Cycle



Source: Tradingeconomics.com

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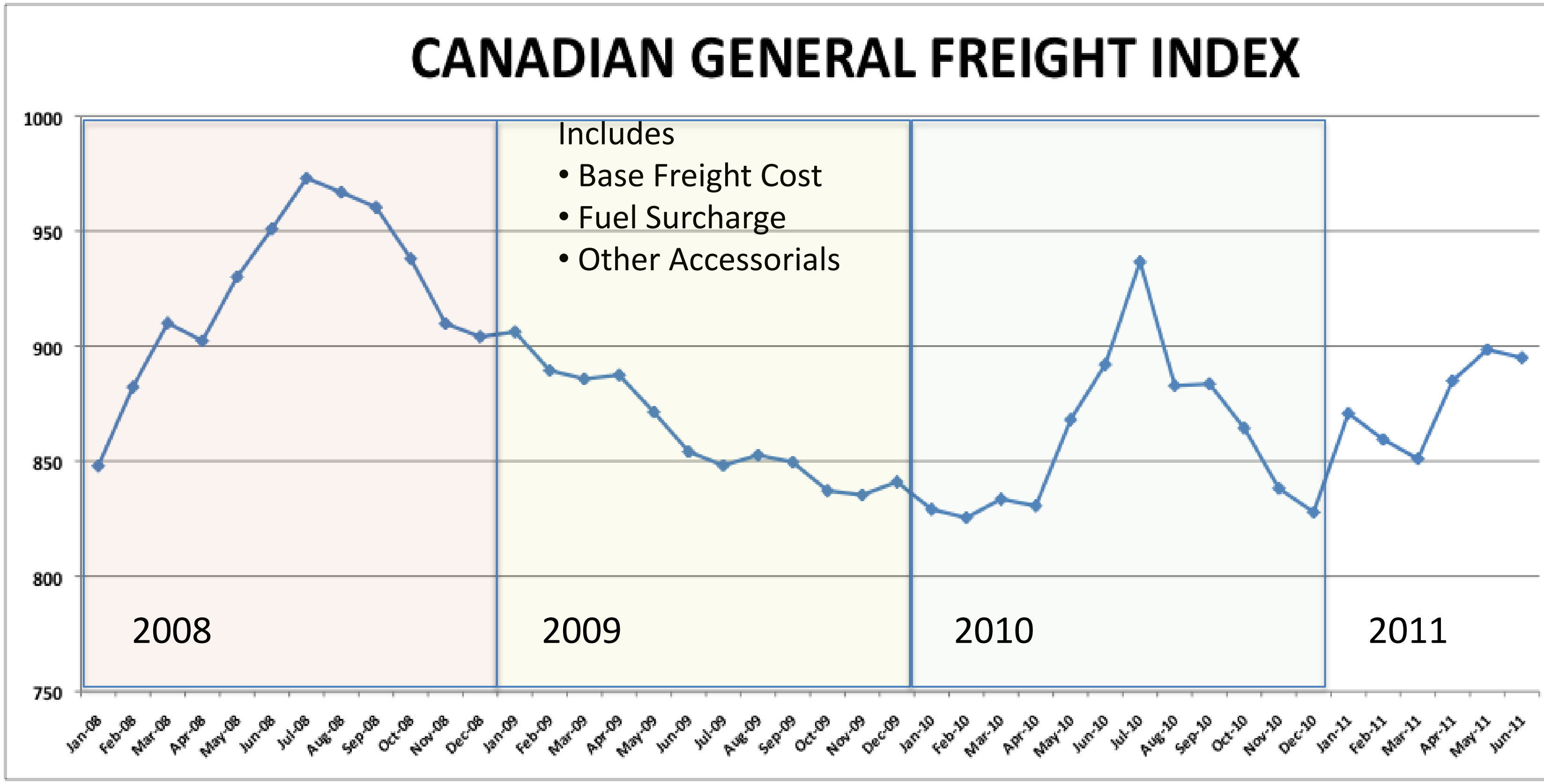
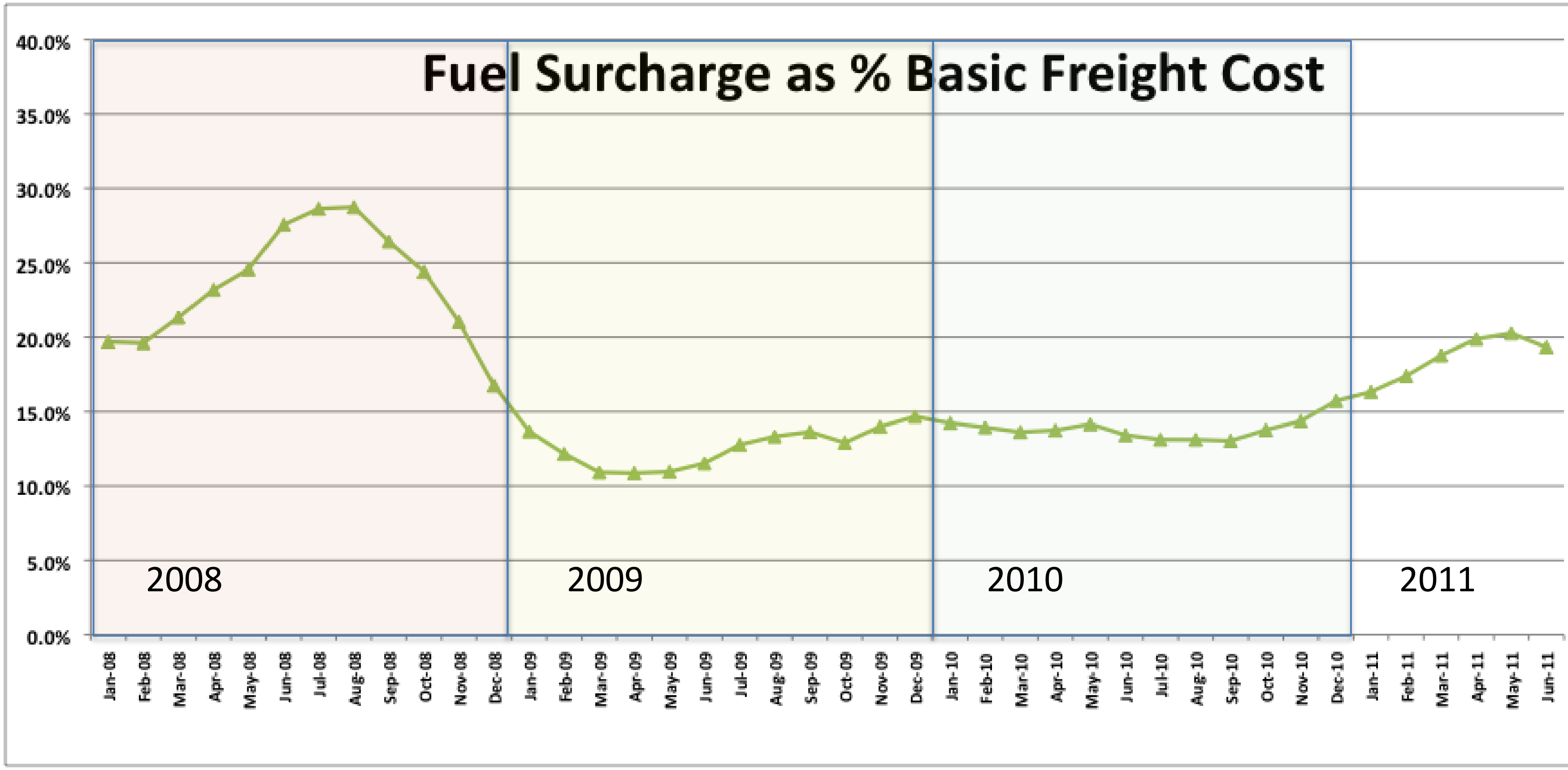
Cost Behavior



Source: Nulogx

Fuel Surcharges



Source: Nulogx

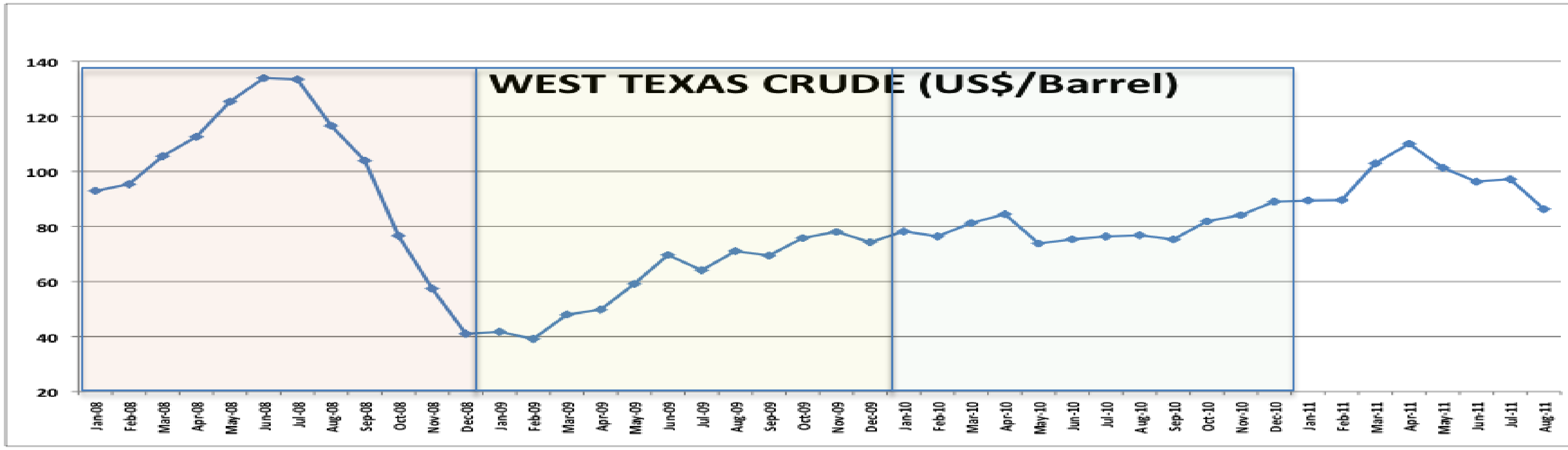
Fuel Surcharges in the Four Segments

Average Fuel Surcharge

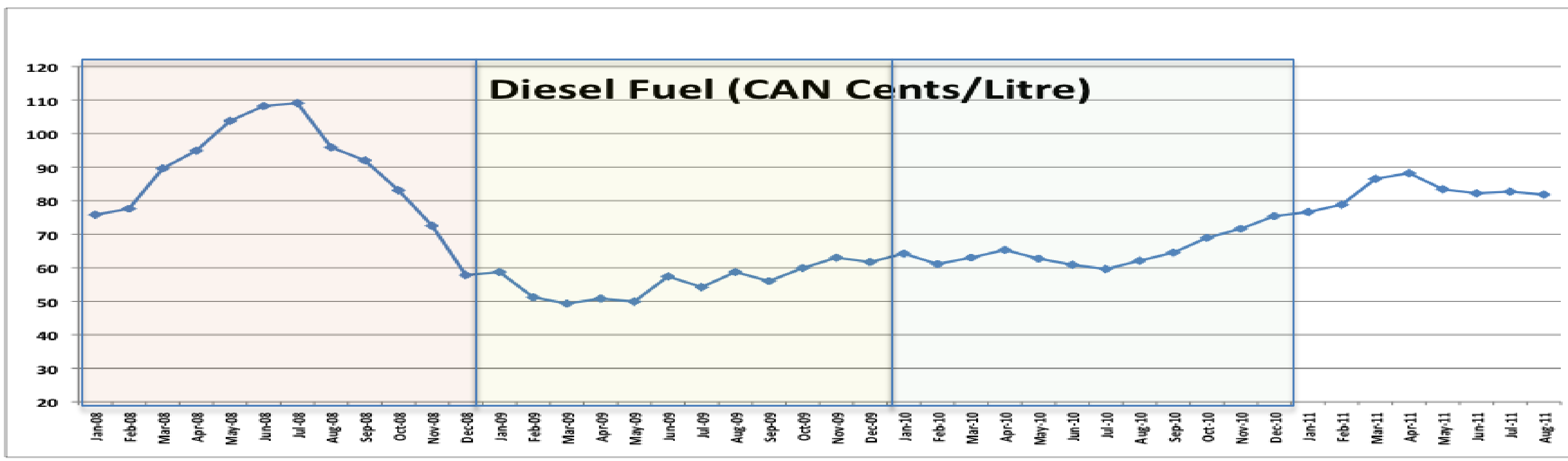
	2008	2009	2010	2011 (to June)
Domestic LTL	20.5%	11.2%	12.2%	16.5%
Domestic TL	25.7%	14.1%	17.2%	23.2%
Cross Border LTL	24.2%	13.4%	14.1%	19.6%
Cross Border TL	25.1%	12.8%	13.9%	18.3%
Overall	23.5%	12.6%	13.9%	18.7%

Source: Nulogx

The Cost of Fuel



Source: economagic.com



Source: M. J. Ervin & Associates

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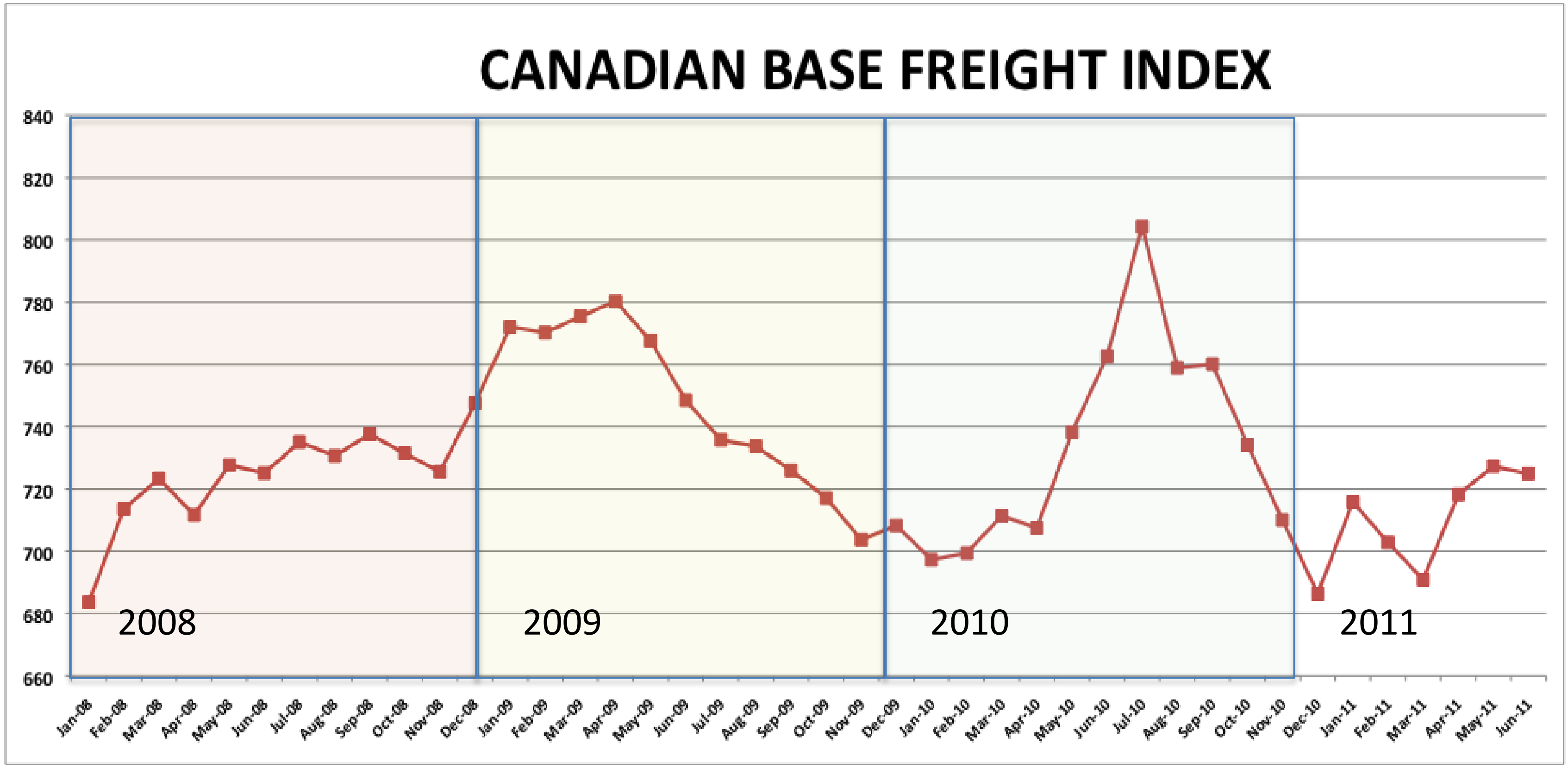
Price Behavior



Source: Nulogx

Average Rate Changes in the Four Segments

Year over Year Average Rate Increases

	2008	2009	2010	2011 (to June)
Domestic LTL		0.0%	0.8%	0.3%
Domestic TL		1.4%	5.7%	-3.4%
Cross Border LTL		0.7%	-19.5%	-1.3%
Cross Border TL		5.6%	-7.9%	-1.7%
Overall		2.8%	-1.9%	-2.4%
		2009 vs. 2008	2010 vs. 2009	2011 (6 mo.) vs. 2010

Source: Nulogx

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Looking Ahead

The main uncertainties…

- A second recession is still possible, and slow GDP growth is expected for the next two years in the US, Europe and Canada.
- European sovereign debt problems have not been fully resolved and continue to threaten the global recovery.
- Freight rates will eventually need to increase – particularly cross border rates.
- Supply side problems could impact the cost of fuel.

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The main uncertainties…

- A second recession is still possible – slow GDP growth is expected for the next two years in the US, Europe and Canada.
- European sovereign debt problems have not been fully resolved and continue to threaten the slow global recovery.
- Freight rates will eventually need to increase – particularly cross border rates.
- Supply problems can always impact the cost of fuel.

What lies ahead…

Assuming no recession...

- General truck freight rates should grow at an average annual rate of 1% - 2% through 2012. If the economy weakens materially, look to the low side.
- Fuel surcharge should stay in the 15% - 18% range, unless crude cost rises sharply because of supply issues.

Dr. Alan Saipe

Dr. Alan Saipe is the President of Supply Chain Surveys, Inc. He has been part of the transportation and logistics industry for many years as a manager, a consultant and an educator. He held academic appointments at the Faculty of Administrative Studies, York University, and the Faculty of Management, University of Toronto. He led the Supply Chain Logistics consulting practice at KPMG Consulting. Supply Chain Surveys consulting services include Management Surveys & Benchmarking, Improving Operating Results, Senior Advisory Services and Mediation & Conflict Resolution.