

Transport Capital Partners, LLC

Business Expectations Survey Results

Third Quarter 2009



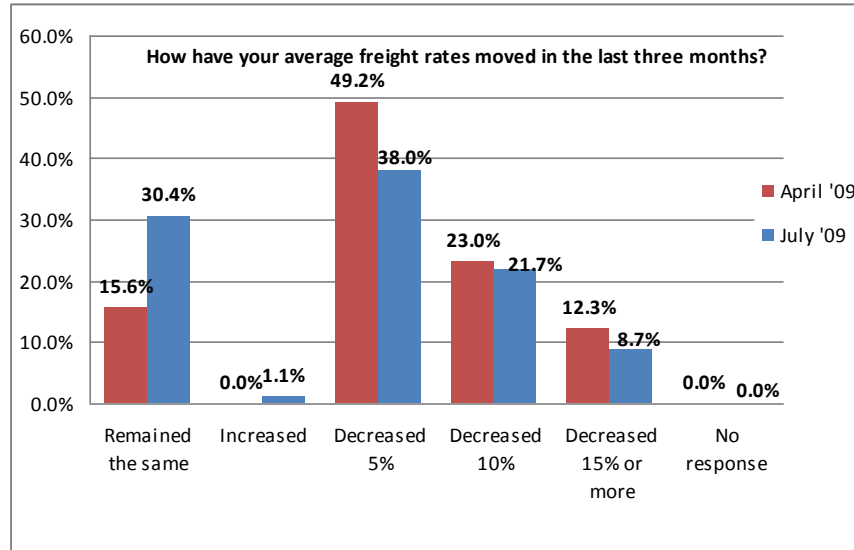
Transport Capital
Partners



Prepared by Richard Mikes, Ph.D and Lana Batts

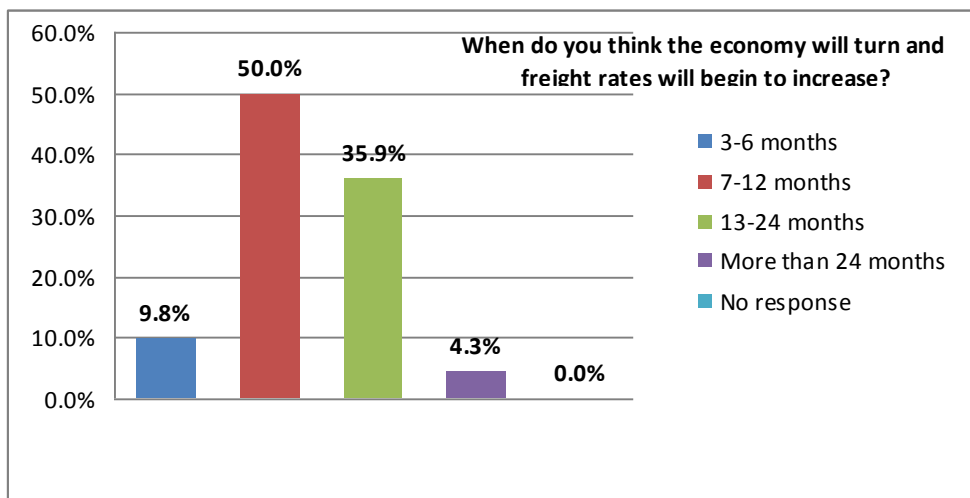
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Graph 1a



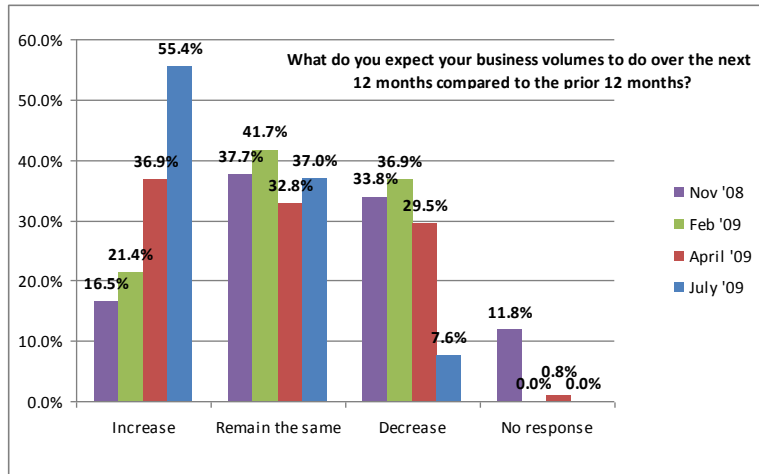
In April, when we first asked what had been happening to rates in the last three months, almost 85% had seen rates decrease. In July, the number had decreased to 70%, with a corresponding 30% seeing rates remain the same. Only 1% had seen rates increase.

Graph 1b



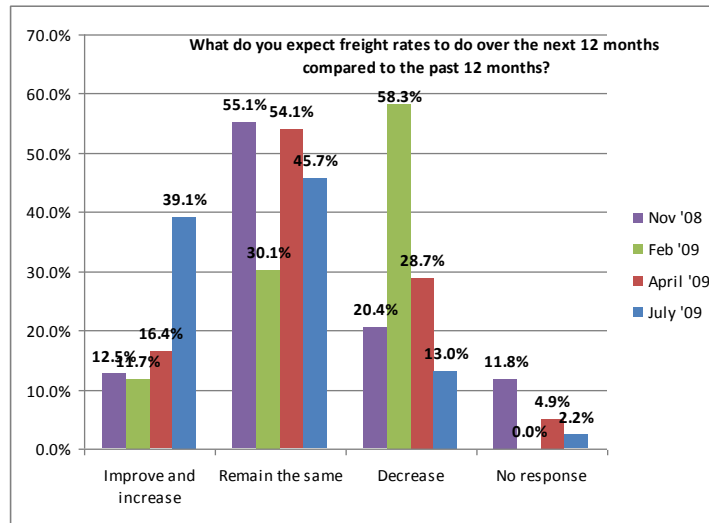
As most economists believe the recession has bottomed out, trucking companies are also becoming more positive about the future. Unfortunately, most in the trucking industry do not expect to see rates increase until the beginning of the second quarter of 2010.

Table 2a



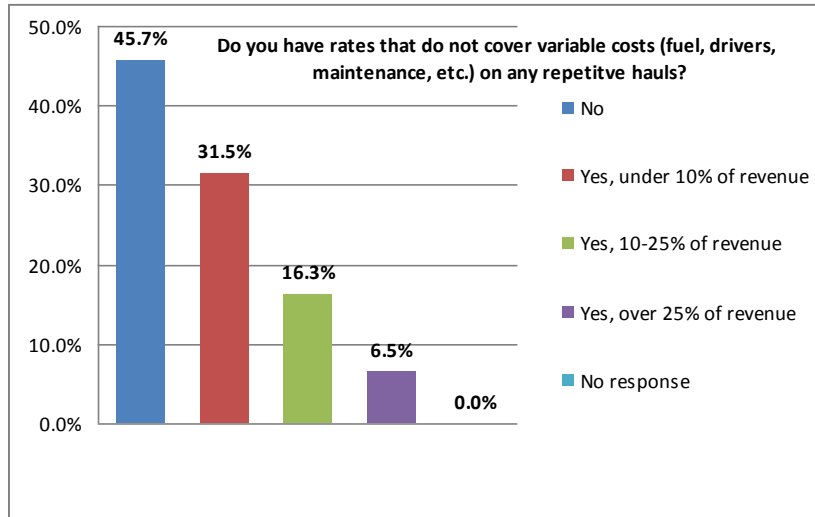
Over the last six months, carriers have become more optimistic that the economy will rebound and tonnage will return. In February only 21% expected to see volumes increase over the next 12 months. In July, the number had increased to 55.4%. Only 7.6% anticipate that tonnage will continue to fall.

Table 2b



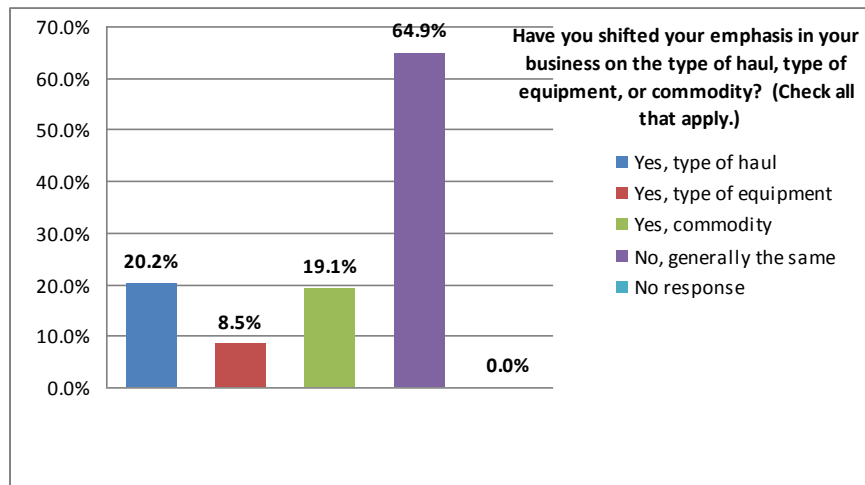
Increased rates usually follow increased volume by six months. As noted in Table 3, 55% of carriers expect volumes to increase but only 39% expect that rates will improve and increase in the next 12 months. However, over the last six months carriers have become much more optimistic that freight rates will increase over the next 12 months, increasing from only 11.7% in February to 39% in July. The number that believes rates will continue to fall over the next 12 months has dropped from 58% to only 13%.

Table 3a



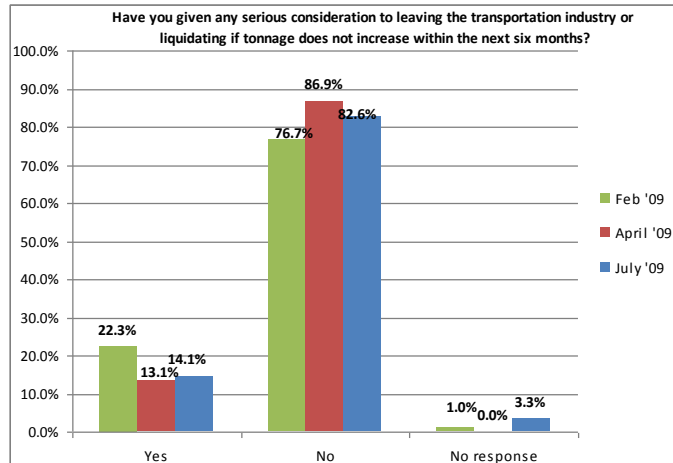
As noted in Table 1, 70% of the carriers have seen rates fall in the last three months. We asked if these rates have covered variable costs: Almost 50% said they have not, with 45.7% saying they have. Clearly these reduced rates are not sustainable for the long run.

Table 3b



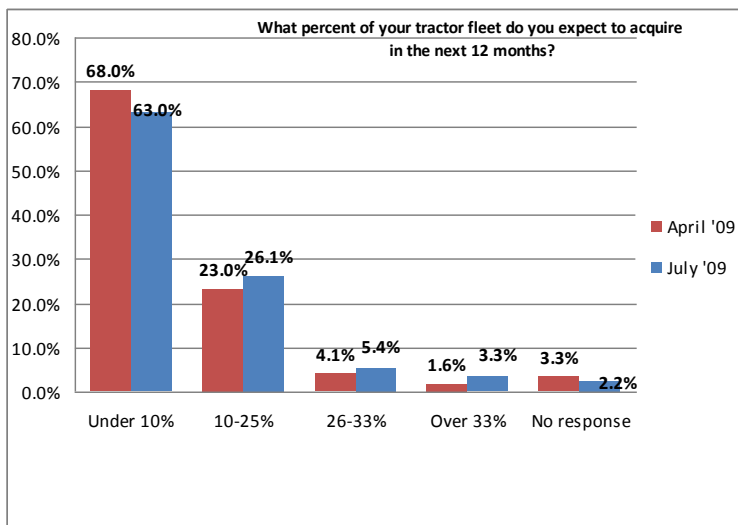
One way carriers have found to respond to reduced rates and rates that do not cover costs is to change their business model, including types of haul, types of equipment, and commodity types. We are surprised that 65% have not made any significant changes to their business models.

Table 4a



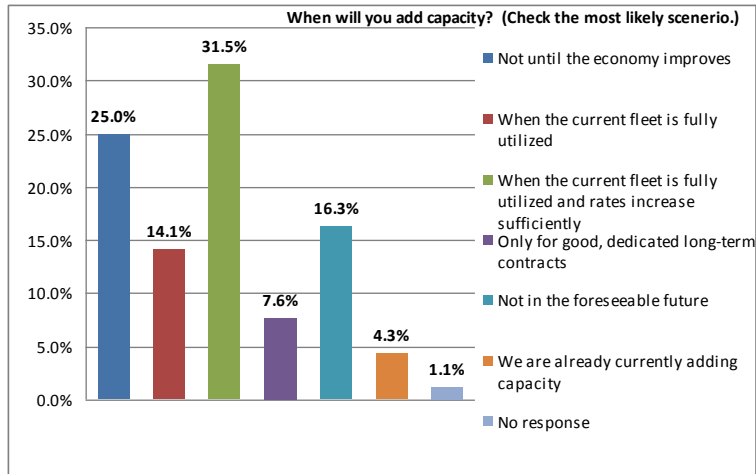
If rates that do not cover costs and they cannot change the business modes as noted in table 4a it will cause carriers to leave the industry. But as carriers expect an increase in volumes and rates, only 14% are considering leaving or liquidating, about the same number we saw in April. In essence, they believe the worst is behind the industry and that they can come out the other side still in business.

Table 4b



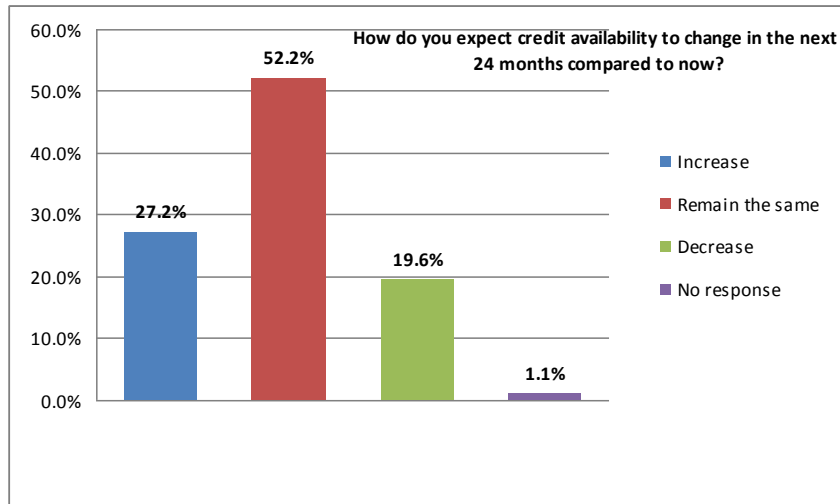
As carriers become more optimistic about the economy, we would expect that they would also be adding capacity. Yet, we found that the number of carriers expecting to acquire under 10% of their fleet actually increased to 68%, with only 3.3% expecting to add over 33%. Clearly the current fleet capacity is not sustainable at these rates.

Table 5a



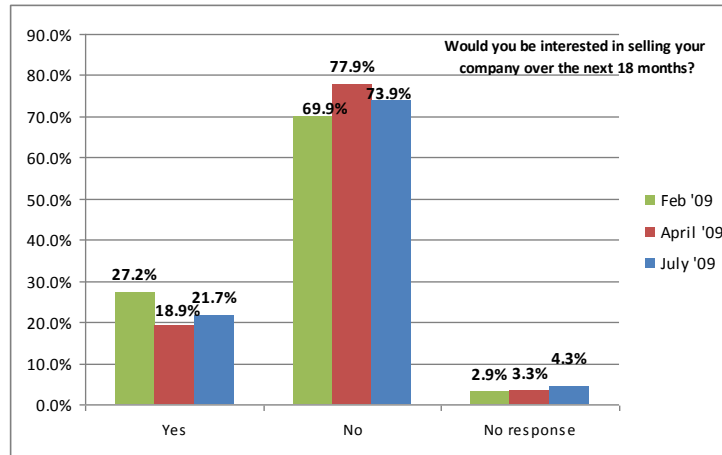
If a large percentage of carriers are not considering buying tractors, we wanted to know when they would add capacity. Almost 33% said they will only add capacity when all their fleet is utilized and *rates increased*. Clearly these carriers see that they will make more money raising rates than they would adding capacity. Another 25% said they would only add when the economy improves.

Table 5b



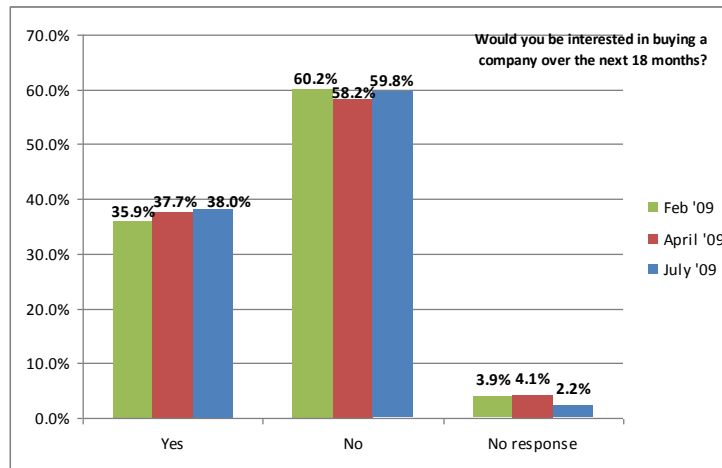
We wondered if credit availability was one reason carriers were not adding capacity. It appears that credit is not an issue for the industry, with almost 80% seeing credit availability either increasing or remaining the same.

Table 6a



With the optimistic view that tonnage and rates will increase in the future and that credit will be available, only 22% of the carriers are thinking about selling in the long run (18 months), slightly up from three months ago. We believe this is because carriers think the recession has bottomed out. They ask themselves, “Why sell now when maybe a better time would be in 18 months when there might be a capacity shortage and the company will sell for a higher price?”

Table 6b



If 20% of the fleets are considering selling in 18 months, the question then becomes to whom will they sell? The number of fleets interested in buying a company over the next 18 months has only increased slightly. Clearly deals will be made, but it will take some time to find the right carrier to buy.

Table 7a

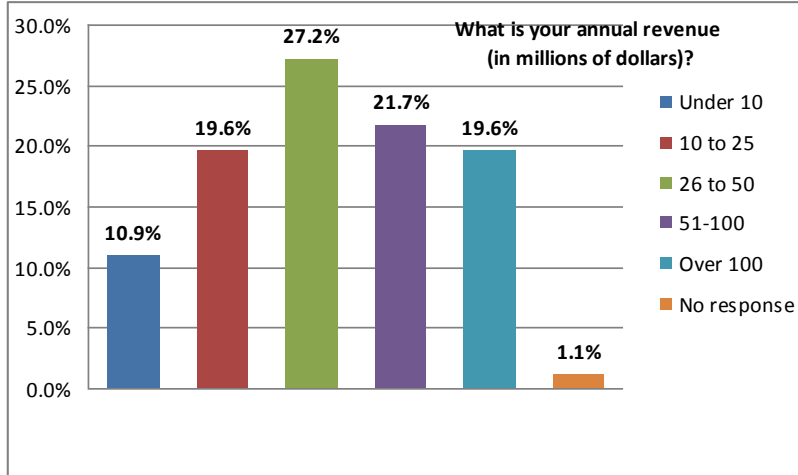


Table 7b

