



VICS Empty Miles Service

...enabling supply chain optimization

Reducing Empty Miles for Retailers and Suppliers

WWW.EMPTYMILES.ORG



Empty Miles

Why Should You Care?



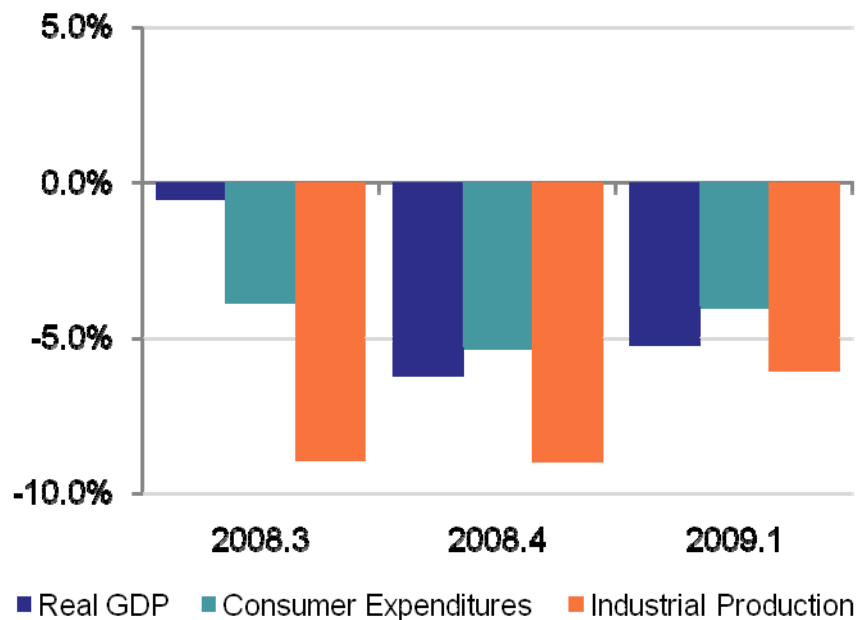
- **Economy**
- **Trucking Capacity**
- **Driver Supply**
- **Government Action**
- **Fuel Costs**
- **Sustainability**
- **Cost of an Empty Mile**



Currently – In the Worst Recession Since '82



Current Economics - Annualized



- Housing is the culprit – down 75% - much more than in the last deep recession of '82.
- Resale of sub-prime mortgages has spread credit woes to other sectors of the economy.
- Inflation is troubling – reduces spending and restricts the ability of the government to react.
- Auto sales are a growing worry – current run rate is 9.1 million.
- Export growth has stopped.

Sources: FTR Associates

➤➤➤➤ **Consumption has typically driven the economy.**



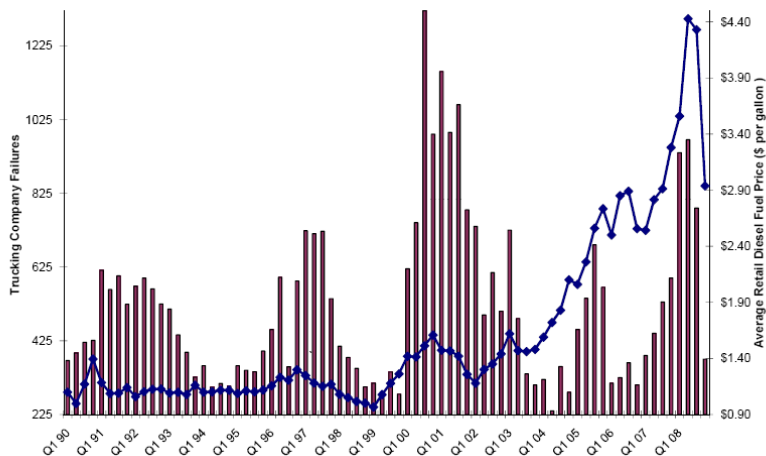
Capacity - Plentiful Today

Look for Industry Conservatism To Reappear



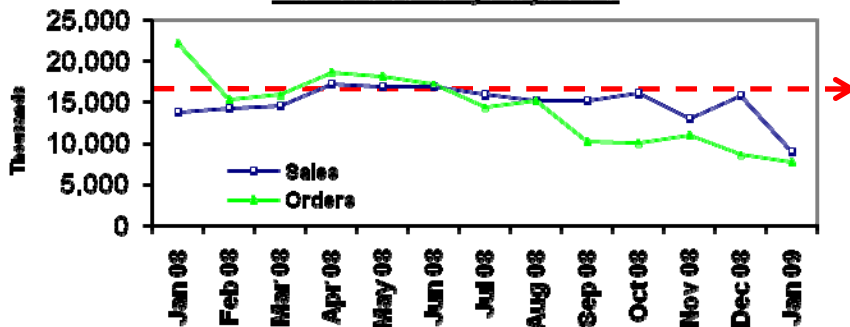
North America

**Total Trucking Failures (on a quarterly basis)
vs. Average Retail Diesel Fuel price (including taxes)**



Sources: Avondale Partners

NA CL8 Truck Orders & Sales
Not Seasonally Adjusted



Sources: ACT Research

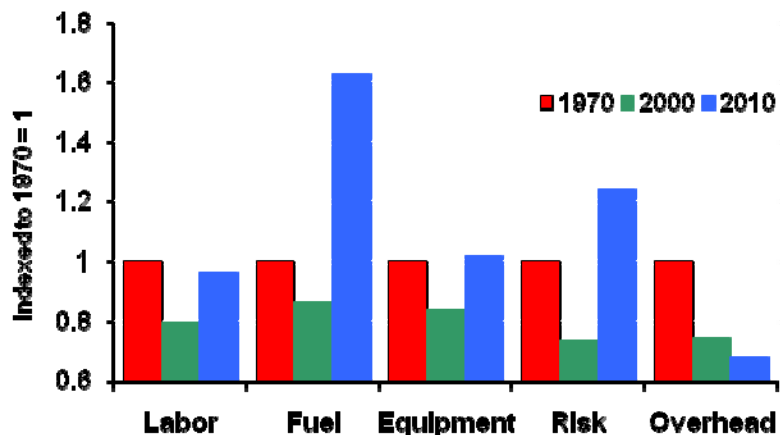
- 2006 over-buy added 125,000 trucks to the market prior to the need.
- Failures of existing carriers have dramatically accelerated resulting in the withdrawal of more than 137,650 tractors from the market in 2008.
- Sales of heavy trucks have been well below replacement levels since this time last year reducing the fleet by at least 25,000 units.
- Analysts forecast continued high levels of capacity reductions through 2009. A rapid recovery will result in a significant capacity shortage.



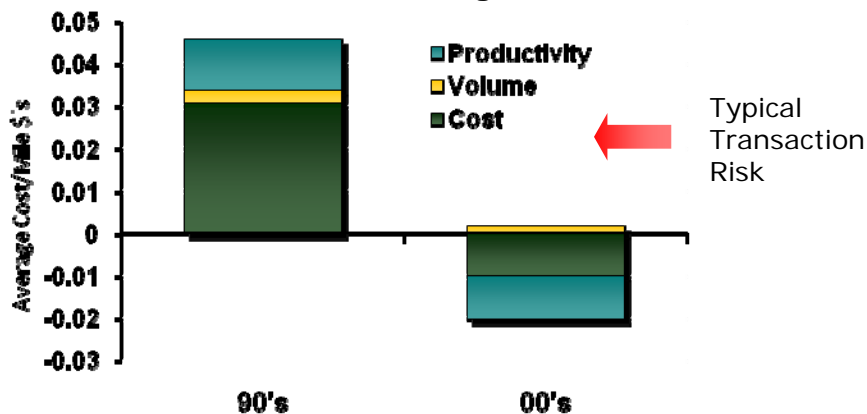
Conservative industry behavior ...



Real Change in Linehaul Cost Inputs



Annual Benefit to Margins of Market Trends

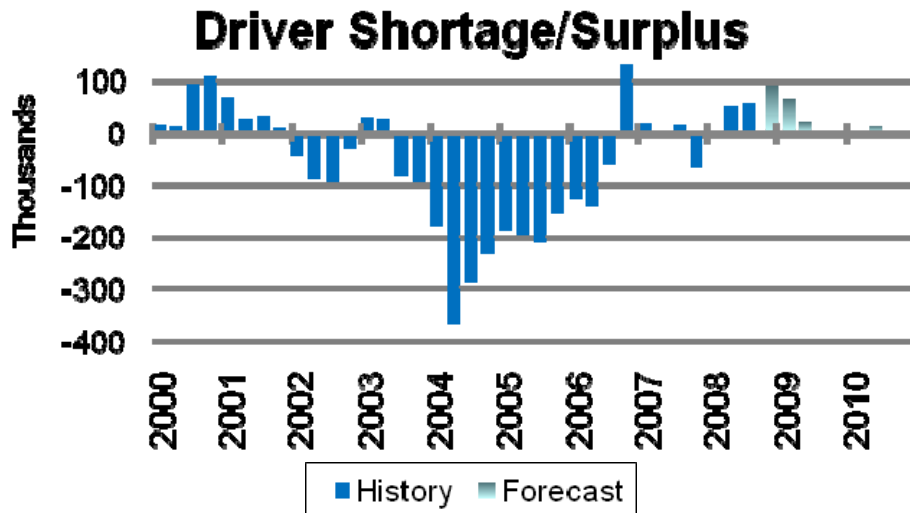


- ... reflects contemporary truckload economics.
- Until the late nineties, steadily falling costs made betting on growth easy.
- The annual cost reduction performance was greater than the typical transaction risk.
- Now annual cost increases add to transaction risk.
- After a short lull in cost increases, trucking inflation is expected to reaccelerate in the next recovery cycle.
- Trend forecasts for fuel, labor and equipment are all up.

Sources: Transport Fundamentals LLC



When economic recovery begins, capacity utilization will tighten quickly.

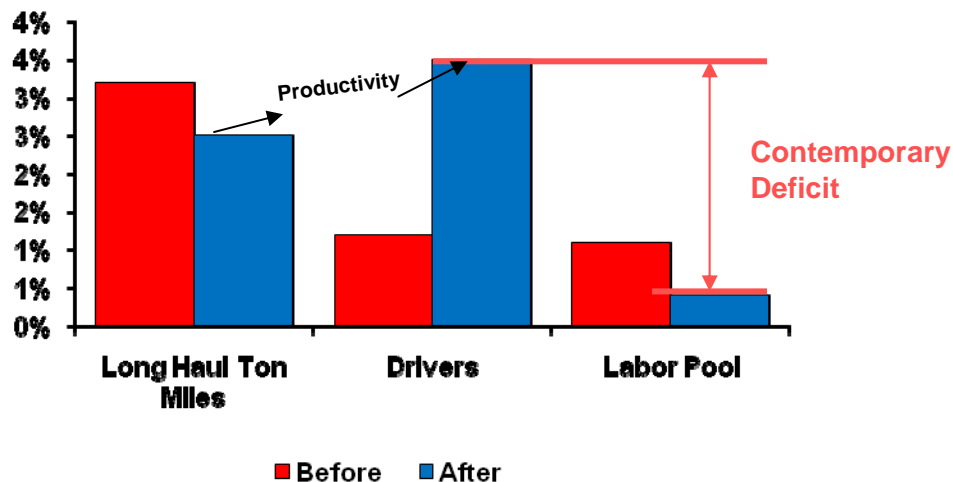


- Capacity reduction will be near the 2004 peak.
- Lead time
 - For adding tractors - stretches to 9 months in an upturn
 - For adding drivers - stretches to over two years.
- Last time - driver shortage near 300,000.
- Driver shortage – puts pressure on promotional and other “random route” freight.
 - Freight that has the worst contemporary margins.

Sources: FTR Associates, Transport Fundamentals LLC

Driver supply problems will get worse due to the combination of falling productivity and demographics

U.S. Driver Demand & Supply Before & After 1995



Sources: Transport Fundamentals LLC

- Historically, productivity improvements would offset the difference between freight growth and the slowly growing labor force.
- Now, falling productivity makes the gap worse at the same time that labor demographics are worsening
- Barring massive immigration, the only solutions require higher pay and more home time – both adding cost to the shipment.
- It is also certain that the ethnicity and gender of the driver force is changing.

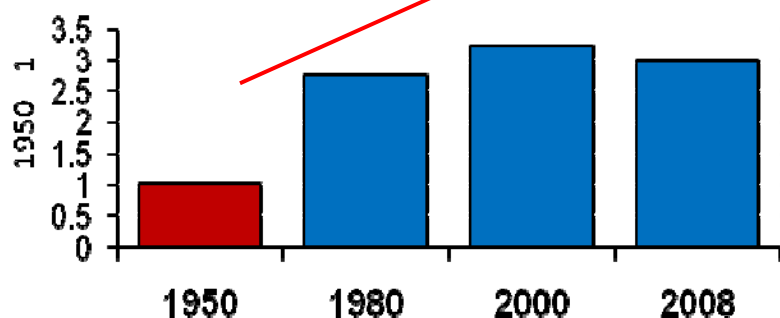


Ten years of historic change in trucking productivity, and...



North America

Change In Truck Productivity Due To Government Policy



Government policy no longer creates productivity for the industry.

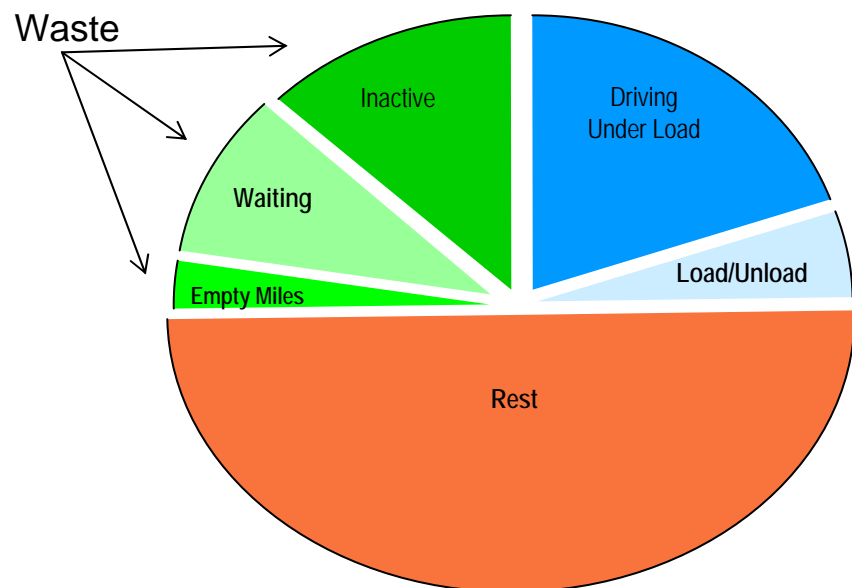
- For most of our lives improvements in highways, truck size and load matching steadily improved truck productivity.
- There have been no size & weight changes since 1990.
- Emission regulations increase cost and fuel consumption.
- The decision not to add highway capacity means more congestion each year and decreased truck miles per day.



... we still are not maximizing the current driver's productivity.



Long Haul Truck Driver's Week



- Waiting time is the last productivity frontier.
- Trucks wait to load or unload.
- Truckers must arrive early to ensure meeting of appointment times.
- Truckers wait for the next load to appear.
- Actual driving and loading time accounts for only about a quarter of the total time.

➤➤➤➤ **Truck pricing increasingly reflects these economics.**

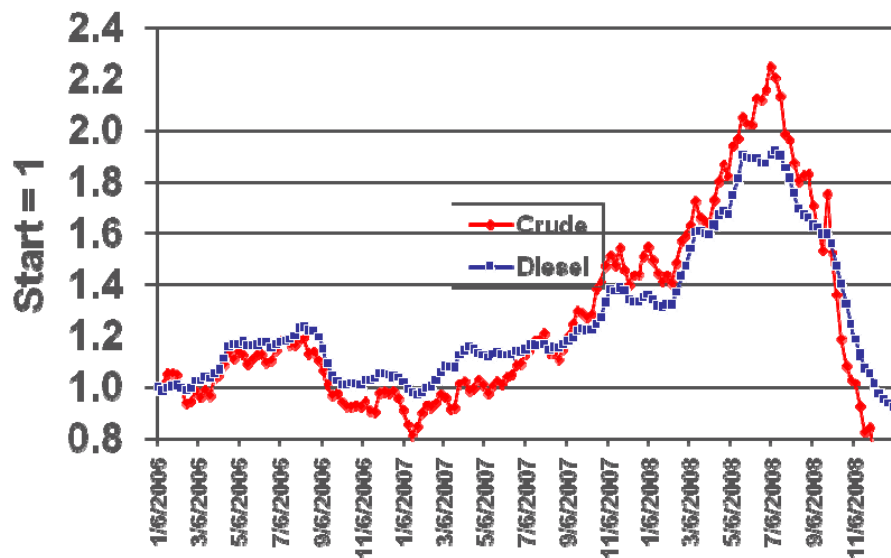
Sources: Transport Fundamentals LLC



Fuel Price Volatility



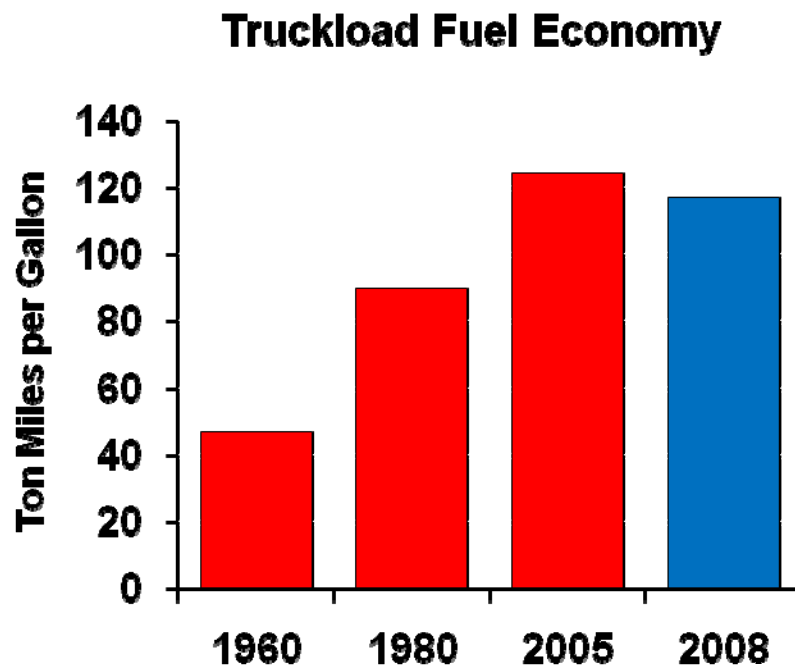
Index OF U.S. Spot Prices - Crude & Diesel



Source: DOE

- Favorable fuel prices today.
- Long term, prices will go up.
- Historically, U.S. diesel prices have lagged the increase in crude prices – *not anymore*.
- U.S. refining capacity is currently operating at near optimal performance.
- Any disruption in refining capacity will cause an acceleration in diesel prices as it did post Katrina.
- Although demand is soft right now, developing world demand will inevitably drive prices back up.

Sustainability focus is really about saving money, but the environment is not far behind.



- At 25% of current costs fuel gets the constant attention of management.
- Fleets are reducing top speeds to save fuel – without government regulation.
- This increase in efficiency has been achieved at the same time as a 90% reduction in emissions.

Sources: Transport Fundamentals,



Truckload has been steadily getting “greener”. The real “carbon” advantage of trucking is supply chain efficiency.



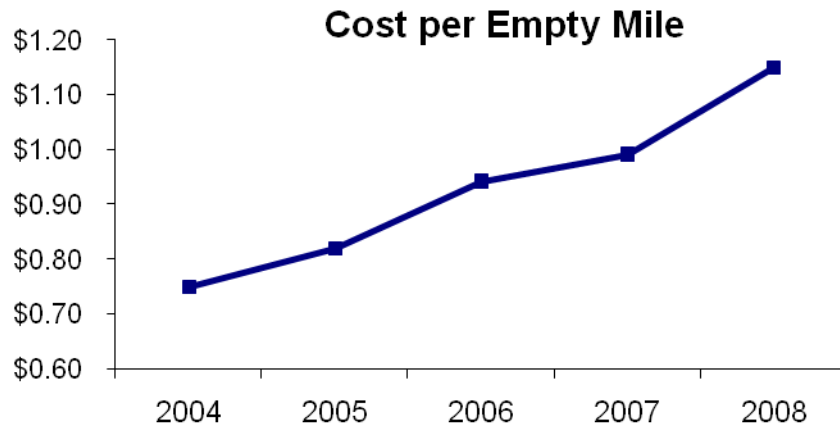
Considering these market dynamics,



Cost per Empty Mile

<u>General Costs</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Driver Pay	\$ 0.36	\$ 0.38	\$ 0.40	\$ 0.42	\$ 0.42
Fuel*	\$ 0.25	\$ 0.30	\$ 0.40	\$ 0.42	\$ 0.58
Safety	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
Maintenance	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.07	\$ 0.07
Total	\$ 0.75	\$ 0.82	\$ 0.94	\$ 0.99	\$ 1.15
Annual Increase		9%	15%	5%	16%
Cumulative Increase		9%	25%	32%	53%

*Fuel = \$3.75 in 2008



what's the true cost of an empty mile?

- At \$3.00 a gallon fuel surpasses labor as the number one cost for many carriers.
- Using publicly available information for driver pay, fuel, safety costs and maintenance, the cost of an empty mile is estimated to be \$1.15 a mile.
- Although the cost of fuel has moderated, an empty mile has increased by 53% over last five years.



In summary....



- We are in the midst of some tough economic times.
- Truck shortages are highly likely in the recovery and will remain cyclical.
- Driver supply remains a long-term problem.
- Government action has not produced any measurable productivity in years.
- Fuel costs have rationalized, but long-term they are going up.
- Sustainability permeates corporate strategies.
- Cost of transportation will go up during recovery.
- Empty miles are getting very expensive.



***The sensible approach is to
maximize the capacity you have....***



The Empty Miles Problem



- Empty trucks consume time and fuel on return legs of dedicated freight lanes (*primarily private fleets*).
- Companies are paying a premium on outbound freight to cover returning empty trucks.
- Cost of fuel and truck operations are escalating and contributing to increased supply chain cost and inefficiency.
- Limited existing technology to identify opportunities for Back Hauling coupled with the absence of collaborative business processes to match the shipper companies and the potential carrier companies.
- Increasing focus on the environment - reduce emissions.



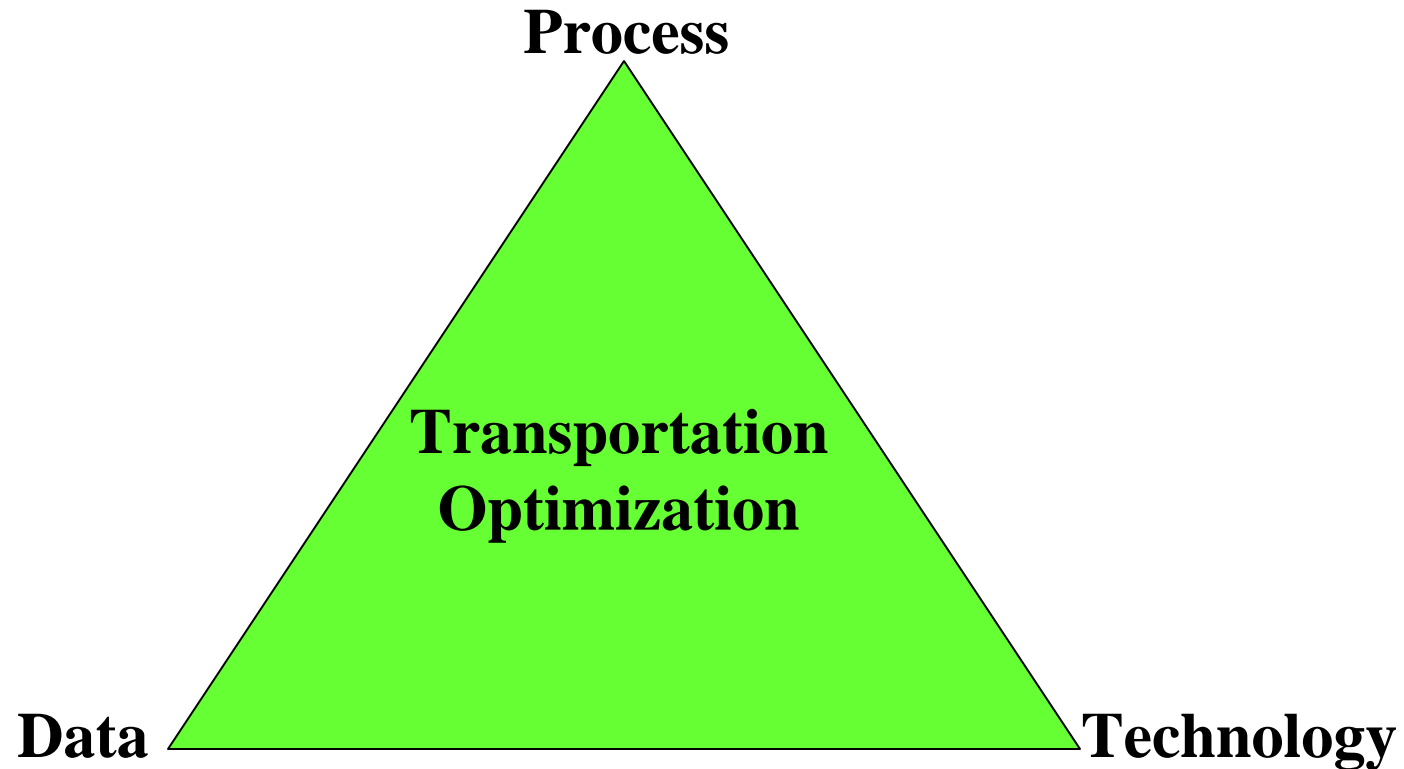
The Solution...



- Low cost **collaborative solution** to provide visibility to Shippers and Carriers by identifying potential opportunities to reduce empty backhaul capacity.
- A web based **service** to match carrier availability (empty miles) with transportation demand (loads) delivered through a **members only** internet portal.
- A **toolset** comprised of collaborative processes
 - Benefits calculator
 - Emissions impact calculator
 - Negotiating checklists
 - Standard data definitions
- An **information exchange** capability for VICS members delivered through the VICS Collaboration Zone powered by GS1 NA



Comprehensive Solution



Three dimensions balanced to enable optimum results



The Benefits



- Creates a marketplace for members to easily identify transportation opportunities to further reduce costs for both parties.
- Reduces transportation costs through higher truck utilization (carrier) and lower than posted tariffs (shipper).
- Reduce road congestion.
- Creates opportunities to reduce a company's carbon footprint.



Target Subscribers



- VICS members or VICS member trading partners
- Private or dedicated fleets focused on empty backhauls
- Companies looking for overlapping power lanes where multi-shipper freight opportunities can be engineered into a durable solution.
- Large enterprises across North America.

Empty Miles is not a broker's board or based on transactional relationships



Empty Miles...*more details*



- How it's delivered – VICS Collaboration Zone
- Process driven
- Key data needed – standards based



VICS Collaboration Zone



- Community based, web portal for Vendor / Retailer collaboration
- Hosted and managed by GS1 North America offered on an ASP model
 - Message services
 - Product services
 - Identity Management services
- Customized Skins to Create Vendor / Retailer Portals
- Links to VICS “value-added” services for ‘many-to-many’ network interoperability – “single entry point”

“many-to-many” collaboration solution



Empty Miles Processes



- **Registration**
 - Company profile
 - Transportation characteristics
- **Listing**
 - Specific lane and equipment information
 - Basis for searching
- **Searching**
 - Structured searches to identify opportunities
- **Negotiation**
 - Reaching agreement using Empty Mile tools
- **Update**
 - Closing the loop to assure service data is fresh and accurate
- **Metrics & Reporting**
 - Assessing performance and evaluating future capabilities



Registration



- Authenticates the registrant as a VICS member
- Authorizes access and use of the Collaboration Zone
 - View only
 - Administer listings
 - Modify Master data
- Self registration and credit card payment
- Collects company level information needed by the Empty Miles service
 - EDI Capable
 - Liability
 - Minority owned
 - Smartway compliant



Listing



- Follow the form's guidance
 - Available capacity
 - Driver profile
 - Origination/destination
 - Equipment characteristics
 - Frequency and duration
 - Insurance
- Required and optional data



Searching



- Search on any/all criteria listed
- Filter to reflect your interest
- Ad hoc or add to your personal watch list



Negotiation



- Conducted off line using tools provided by Empty Miles
 - Backhaul Checklist
 - Benefits Calculator
 - Carbon Footprint Calculator
- Based on search results - contact potential partner to explore the opportunity
- Develop the rules of engagement using tools contained within Empty Miles service
- Agree on metrics to track operational execution
- Finalize the agreement



Back Haul Agreement Template



- Rates
- Warehouse operations
- Equipment specifications
- Driver requirements
- Drop trailer procedures
- Shipping platform information
- Carrier performance requirements
- Overage, shortage and damage procedures
- Conflict resolution procedures
- Contract duration
- Performance Metrics



Update



- Advise the Empty Miles Service that the capacity is:
 - Under negotiation
 - Consummated
 - Partially filled
 - No longer available
- Provide details on the terms of the agreement
- Establish metrics that you want tracked



Metrics and Reporting



- Periodic reporting on key metrics for empty miles subscribers
 - On time pickup
 - On time delivery
 - Loading/unloading performance
 - Equipment compliance
 -*other metrics as agreed by subscribers*



Empty Miles Service Status



- Service was launched in US in January 2009
 - Canadian launch will be Q2 2009
- Marketing campaign is in process
- Roll out will continue through June
 - Critical mass will be realized in May-June timeframe
- 10 VICS member companies have subscribed
- Posting of capacity is underway
- Additional companies have committed to subscribing



Empty Miles Cost



- VICS Members - \$1,600
- VICS Trading Partner Affiliates - \$1,850

100% ROI will likely be realized after the first empty miles agreement



To Get Started



- Sign on to www.emptymiles.org
- Review the FAQs and video orientation tools on the home page
- Subscribe using the online registration tool
- Begin listing your available capacity
- Begin searching for available capacity



Don't wait to be great – Collaborate.