



Forward Air®

How **Important** are trucking company's to your **Airports** future "Air Cargo" growth?



A Truckers Perspective

- Start with an **“introduction”** or **“update”** on **Forward Air**
- Of **“How Airports can differentiate”** (utilizing Truckers)
- On **“Proposed Regulation”** which may affect trucking
- On **“Economic Pressures”** affecting trucking industry
- Throughout the course of this presentation you will note some possible **“cause and effect”** that drive:
 - **volume shifts (trends) between gateways and**
 - **how you may influence some of the same**



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An Introduction

- Embry Riddle Aeronautical University – Daytona Beach Campus with degree's in:
 - Aviation Business Administration and
 - Aeronautical Studies with a concentration in Management
- Evergreen International Airlines for 11 years where I was responsible for helping our Asian team develop North American Import and Export Service
- Last 11 years have been with Forward Air who incidentally helped me be successful in the aforementioned endeavor –
 - Serve as VP of Global Partnerships



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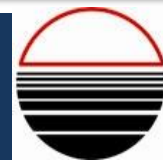


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An “introduction” or “update” on Forward Air



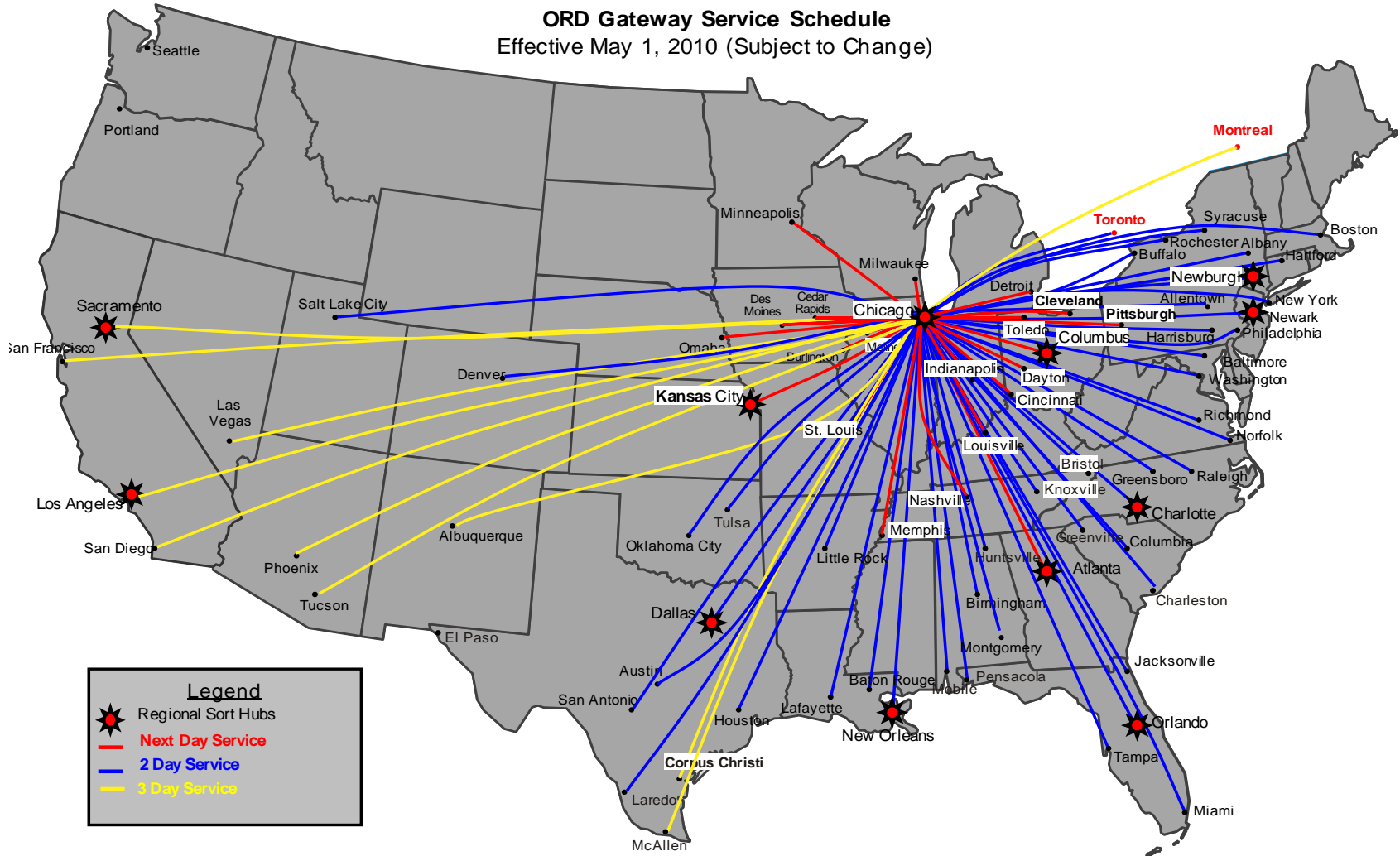
Airport-to-Airport Network (With Air Import Gateways)



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Chicago (ORD) Gateway Service Points

ORD Gateway Service Schedule
Effective May 1, 2010 (Subject to Change)



Legend

- ★ Regional Sort Hubs
- Next Day Service
- 2 Day Service
- 3 Day Service



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About Forward Air

- Publicly traded company – **“FWRD”** trading on NASDAQ
- Demonstrated 20 years of **financial stability**
- Voted one of **Forbes best 200 small businesses** 9 out of 10 years. 7 in a row.
- Generated **\$487 M** in 2010 – up **16% YOY**
- Maintain a strong market position in the **expedited** trucking market
- Operate with a **flexible, asset- light** business model
- Ability to expand network through **virtual stations** with no overhead
- Continue to reduce operating costs by **investing in leading technology**



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Menu Overview

➤ Customers have one carrier with multiple service options:

- Expedited Airport-to-Airport (LTL)  **Forward Air, Inc.**[®]
- Truckload Xpedited (TLX)  **TLX**
Forward Air
TRUCK LOAD XPEDITED
- Forward Air Complete Cartage (FAC)  **Forward Air**[™]
COMPLETE
CARTAGE
- Forward Air Solutions (FAS)  **Forward Air**[™]
SOLUTIONS
- Freight/Warehouse Management Services (WMS)  **Forward Air**[®]
Freight Management Services
- Forward Air Ocean Services (FOS)
- Customs Brokerage Services (CHB)
- Forward Air Technology (EDI)

➤ **BUT NOT ALL FREIGHT FITS OUR BUSINESS MODEL.**



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“How Airports can differentiate” (with Truckers)



How Does Most of the Freight Move?

➤ **Sea**

- Ships & now Mega Ships = Ocean Ports

➤ **Rail**

- Trains = Rail Yards

➤ **Air**

- Airplanes = **Airports**

➤ **Truck**

- It all **starts** and **ends** in a **truck!**
- Where do Airports and Truckers have in Common Interest?
 - **AIRFREIGHT!!!!**
- **How may we collaborate to grow?**



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Three Main Road Feeder Segments

- **The Integrated service provider**
 - Time definite & Guaranteed
 - Fits Express Carriers
 - Fed Ex, UPS, DHL, TNT, etc **(TLX Customers!!)**
- **The Common Carrier**
 - More Cost sensitive – Not guaranteed
 - More deferred – Fits Ocean & Rail
 - ABF, Conway, Schneider, YRCW
- **The Expedited Service Provider**
 - Time definite – Not guaranteed
 - Meets the **AIR FREIGHT, AIR FREIGHT, AIR FREIGHT** market!
 - **Forward Air**, Towne Airfreight



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How do Airports generate **cargo** revenue?

- Landing Fees
- Take off Fees
- Facilities
- Parking
- Various Port Fees
- Concessions... etc ... etc...
- What helps drives Most of that revenue?
- **AIR FREIGHT, AIR FREIGHT, AIR FREIGHT!**



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What drives Air Carriers to a Specific Airport?

- **Passenger demand**
 - Population (consumer) shifts – i.e. Migration N to S, W to E
- **Freight demand**
 - Freight shifts – i.e. Manufacturing to overseas, emerging markets,
- **Strategic Hubs**
 - Connectivity, Mx
- **Industry**
 - Manufacturing
- **Freight Forwarder Gateways**
- **Economic considerations**
 - Fuel price, The strength of the \$, Competitive pressure
- **Political Influence**
- **Bilateral traffic rights**



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How do you Differentiate? (create demand?)

- Attract people to live in your surrounding area
- Attract Industry
 - Manufacturing, Distributions centers, etc
- Could you be a strategic Hub?
- Freight Forwarders will Follow
- Use Economic considerations to your advantage
 - Fuel price, The strength of the \$, Competitive pressure
- Use Political Influence
- Use Bilateral traffic rights



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How should you differentiate for Truckers?

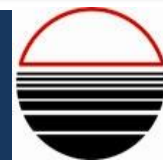
- Make your airport facilities more user friendly to truck DRIVERS!!!
 - Drivers do not like to wait at cargo facilities – they get paid by the mile!
- Have roadways with easy access and limited congestion
- Connectivity through road feeder networks to and from population centers
- Make your airport more cost effective for trucking companies to do business **ON** airport
- Make your airports “Gateway” or “Hub” friendly
- Study successful cargo models - HACTL
- Sell on the weakness of those that do not have the above



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Examples of creative differentiation

- ??? – Partnered with a Multi-National Forwarder and a Carrier – now serving as a European/Asian/Southamerica hub spot
- ??? – Marketing to key decision makers abroad using politicians to support their campaign – New Carriers Announce they will come to this airport
- ??? – Marketing to all cargo carriers who do not rely on Forwarders to fill their planes back out of that airport
 - Aircraft ferry back out to do Military missions
- ??? – Market to industry in the surrounding area to exert pressure on the Carriers and Forwarders to land in their airport
- Enough of my perspective on Airports



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“Regulation” which may affect trucking Companies

C.S.A



H.O.S.



Comprehensive Safety Analysis (CSA) 2010

- It is a Federal Motor Carrier Safety Administration (FMCSA) **initiative designed to improve safety on highways** by creating a rating system for carriers based on safety standards.
- The program is designed to push all carriers to improve compliance with safety rules and to **force unsafe carriers to improve or leave the industry.**
- With the implementation of CSA 2010, FMCSA will monitor every U.S. truck fleet using its Safety Measurement System (SMS) – an automated system that **quantifies the on-road safety performance** of motor carriers to **identify unsafe carriers, prioritize them for intervention,** and **monitor for improvement.**



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Behavior Analysis and Safety Improvement Categories

- **Unsafe Driving:** speeding, reckless driving, improper lane change, inattention
- **Fatigued Driving:** hours-of-service, logbook violations
- **Driver Fitness:** missing CDL, medical qualification
- **Controlled Substances and Alcohol:** impairment by alcohol, illegal drugs, prescription and over-the-counter medications
- **Vehicle Maintenance:** failure to make repairs: brakes, lights, other mechanical defects
- **Cargo Securement:** shifting, spilled, dropped cargo; size-weight violations; unsafe hazmat handling
- **Crash History:** frequency, severity of DOT defined crashes



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Hours of Service (H.O.S.)

- H.O.S. went into effect in 2004
- Number of fatal and injurious crashes involving large trucks has fallen to historic lows
- This despite increased miles driven
- The Obama administration has proposed changes which could further limit the number of Hours drivers can work



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Effects of C.S.A. and H.O.S.

- Some Pundits predict that CSA could lead to as much as 10% + reduction in drivers
- Safety enforcement could eliminate smaller truckers who cannot afford newer safer equipment or compliance
- Driver pay and truck pricing is expected to increase in 2H of 2011
- Since H.O.S. changes would limit the number of Hours drivers can work
 - HOS could force carriers to hire more drivers to do same work
 - HOS could cause company's to buy more Trucks
- This Amid an already looming driver shortage



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“Economic Pressures” affecting trucking



Economic Factors

- Truck prices have jumped up 25% the past 5 years
- Oil Prices Spiking – nearing \$100 per barrel of crude
- Weakening Dollar
- Inflation

As Necessities go up				There are less \$ for Discretionary spending				
Gas	Auto Parts	Health & Personal Care	Food & Bev	Furniture	Clothing	Sporting Goods	Electronics	Bldg Material

- Consumer spending is critical to Airfreight success
- Is the economic recovery heading into a soft patch?



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What am I doing different?

- Marketing our products and services overseas
- To Forwarders that don't have a presence in the US
- To Airlines that make decisions overseas
- To 3PL's
- Doing so with the support of Airports and their representative consultants overseas
- Next week I am off to Airfreight Asia and hope to see some of you out there
- For the mean time....



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If there is anything we can do to help market your airport with our services.... Don't hesitate to call me – (973)-277-7633





Thank you!

