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TTX: Who We Are / Industry Outlook

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Today's Agenda

- » TTX Overview
- » Summary Economic Conditions
- » Intermodal, Automotive & Carload Outlook





TTX Overview

TTX functions as the industry's railcar cooperative, operating under pooling authority granted by the Surface Transportation Board

» \$1.2 billion company, serves/owned by North America's leading railroads

» The Company owns/maintains a national pool of over 200,000 railcars:

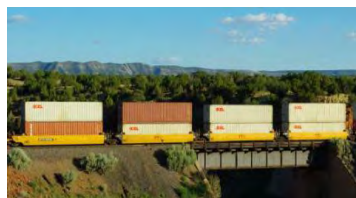
- Intermodal
- Automotive
- General Merchandise

» Owners enjoy financial/operational benefits matched to business needs:

- Empty mile reduction
- Capital outlay elimination
- Risk mitigation

» Rail customers benefit from a consistent fleet of free-running cars

» TTX is not a leasing company





In a pooled environment, fleet distribution is simplified and costs are minimized

- » TTX railcars are distributed by each railroad to shippers as if the cars were owned by the railroad
- » Pooled railcars flow from one railroad to another without requiring an empty back-haul to the originating railroad
- » Pooled assets allow triangulation to minimize network empty flows
- » Fungible assets make order fulfillment easier
- » TTX's pool reduces unproductive storage and empty repositioning
- » Efficiency is promoted at each railroad and across the network
- » TTX's members are free to pursue their own car supply strategies too – there is no obligation to use TTX equipment

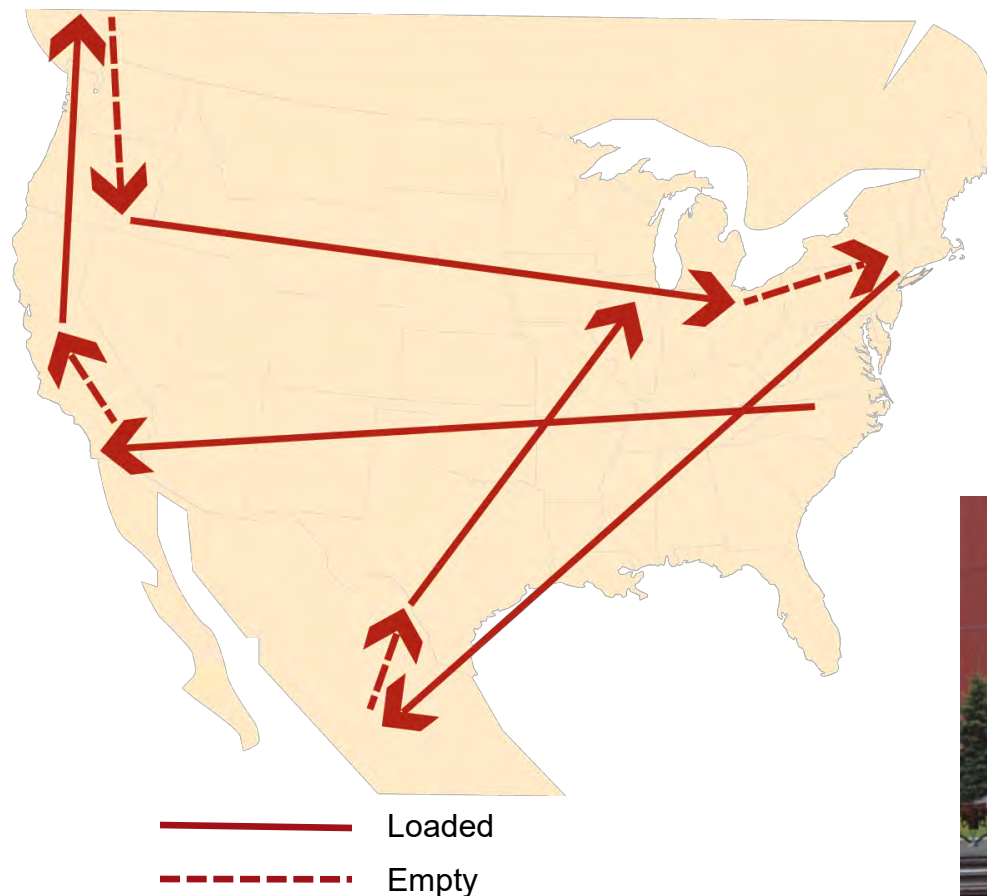




Pooled, multi-purpose railcars maximize utilization and reduce empty miles

» Potential TBOX flow

- Newsprint to Los Angeles
- Canned tomatoes to Vancouver
- Plywood to Ohio
- Scrap paper to Mexico
- Beer to Chicago





A shared pool provides three main benefits

» Capital avoidance

- TTX owns the railcars so the railroads do not have to - \$10 billion in assets
- TTX maintains the fleet– spending over \$500 million/yr. in maintenance

» Less cost

- Pooled cars handle more loads with fewer railcars
- The fleet saves railroads over \$250 million/yr. in operational costs

» Shared risk

- Pooled railcars will shift with shifting business needs across the network





TTX's pooling authority is governed by the Surface Transportation Board (STB)

- » The STB has authority to approve pooling
- » The STB, and its predecessor the ICC, repeatedly recognized TTX's important public benefits
 - ICC approved the pool in 1974
 - ICC reauthorized the pool in 1989 and again in 1994
 - STB reauthorized the pool in 2004 and approved an interim review in 2009
- » TTX is seeking renewal in 2014
- » TTX received overwhelming support from more than 85 parties who submitted letters of support





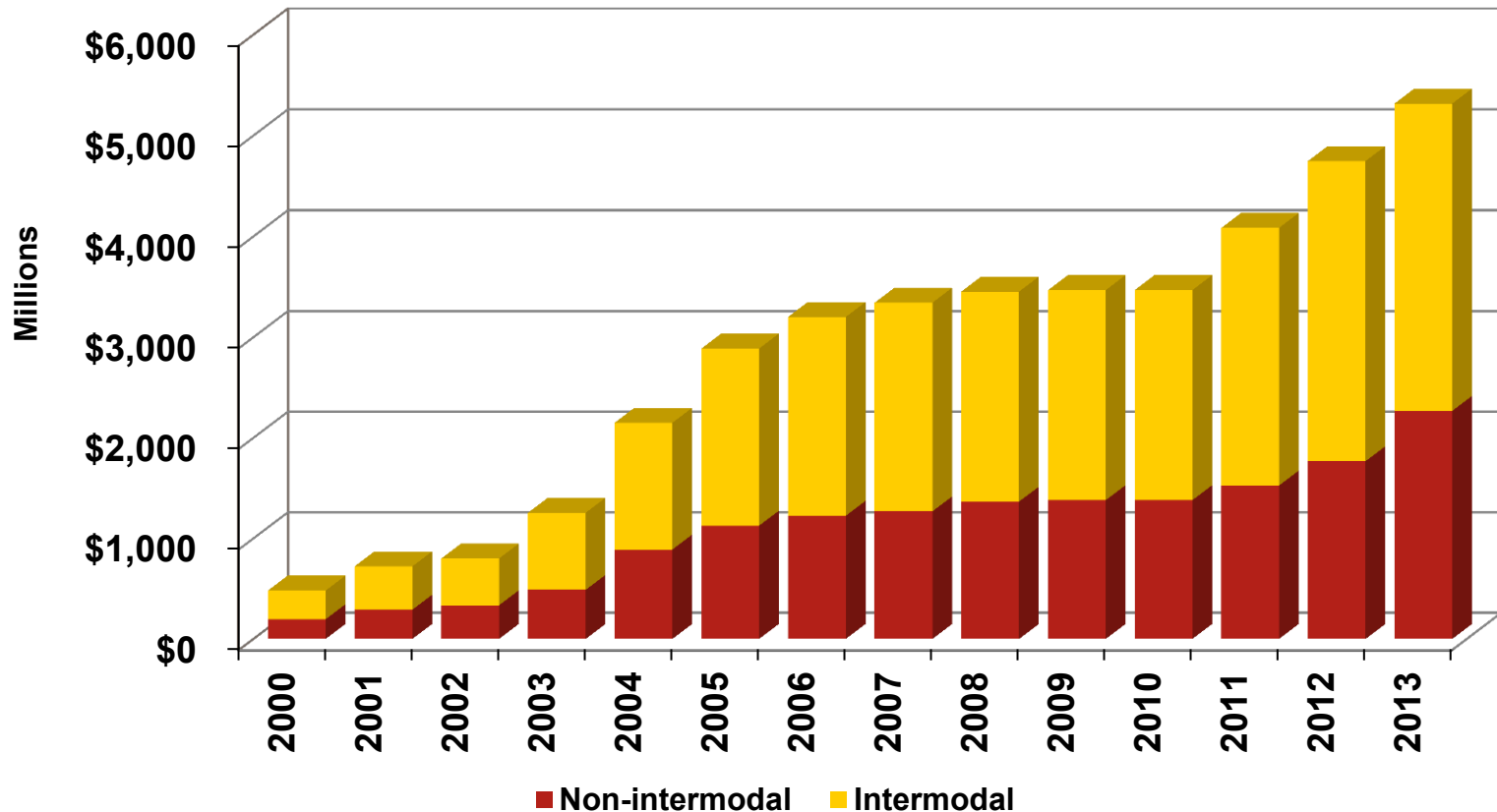
Asset-based with a \$10 billion railcar fleet, serving many markets and customers





Spending flexes, based on customer needs, with over \$5 billion spent since 2000

TTX Cumulative Capital Expenditures (New Railcars)



Source: TTX





TTX maintenance operations extend car life and lower operational costs

» Shop Maintenance Operations

- TTX-owned, repair shops: Florida, South Carolina, California & Michigan
- Heavy-light repairs, modifications/conversions, reconditioning & fabrication
- Contract repair network shops in every market
- TTX regional quality inspectors perform audits at all locations

» Field Maintenance Operations

- 48 Locations on 6 Class-1 railroads (handled over 700,000 cars in 2013)
- Services are provided by extensively trained TTX mechanics

» Mobile Repair Network

- Repair operations located on-site at shipper locations
- Labor & materials furnished by TTX





We track industry trends, gauge demand, and size TTX's fleet for the future

- » Frequent discussions with shippers, carriers and industry contacts
- » Trends are confirmed and demand forecasted
- » TTX's capital plan is set to solve for growing/changing markets
 - Existing fleet utilization is modeled and forecasted
 - Capital plans are executed for fleet additions and modifications
 - Proactive coordination with railroads to re-purpose idle assets
 - Long-term planning for railcar development/innovation for new markets
- » Coordinate industry standards across all railroads and markets



10-15 Year Assets

50 Year Assets





Economic Outlook





After Q1, is the economy back on track?

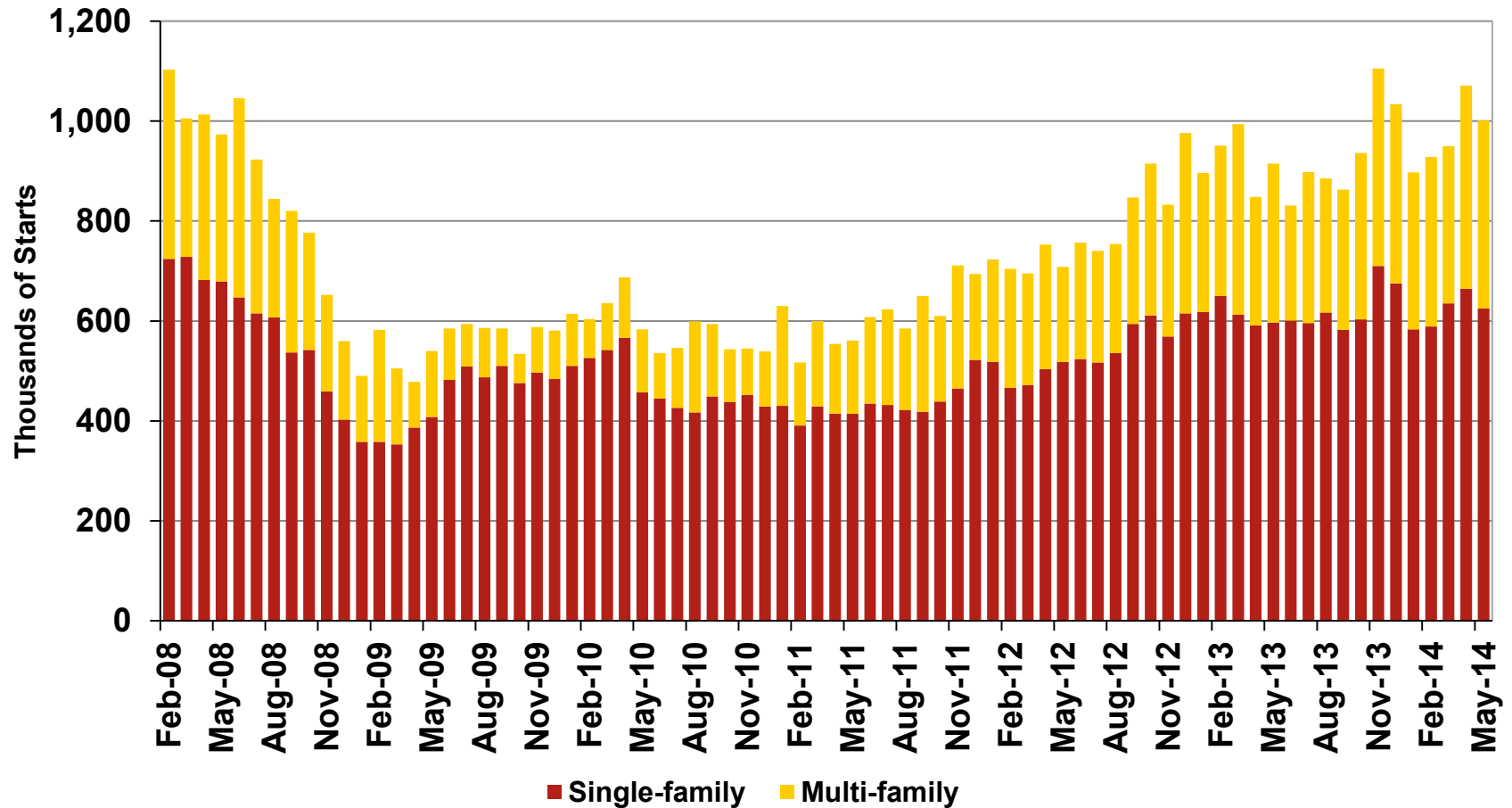
- **Some signs of recovery after Q1 decline:**
 - Housing Starts
 - Job Growth
 - Institute for Supply Management (ISM) Survey
 - Durable Goods Orders
- **But not at a pace that will drive accelerating GDP growth**
- **Dig deeper and some of the measures are not as promising**
 - Single-family vs. multi-family starts
 - Growth in wages and hours worked
 - Gap between orders and inventories from ISM
- **Other indicators are not so positive**
 - Retail Sales
 - Industrial Production
- **...and global growth is slowing**





Housing starts are gaining ground, but multi-family share is rising

Housing Starts, Seasonally Adjusted, Annualized Rate

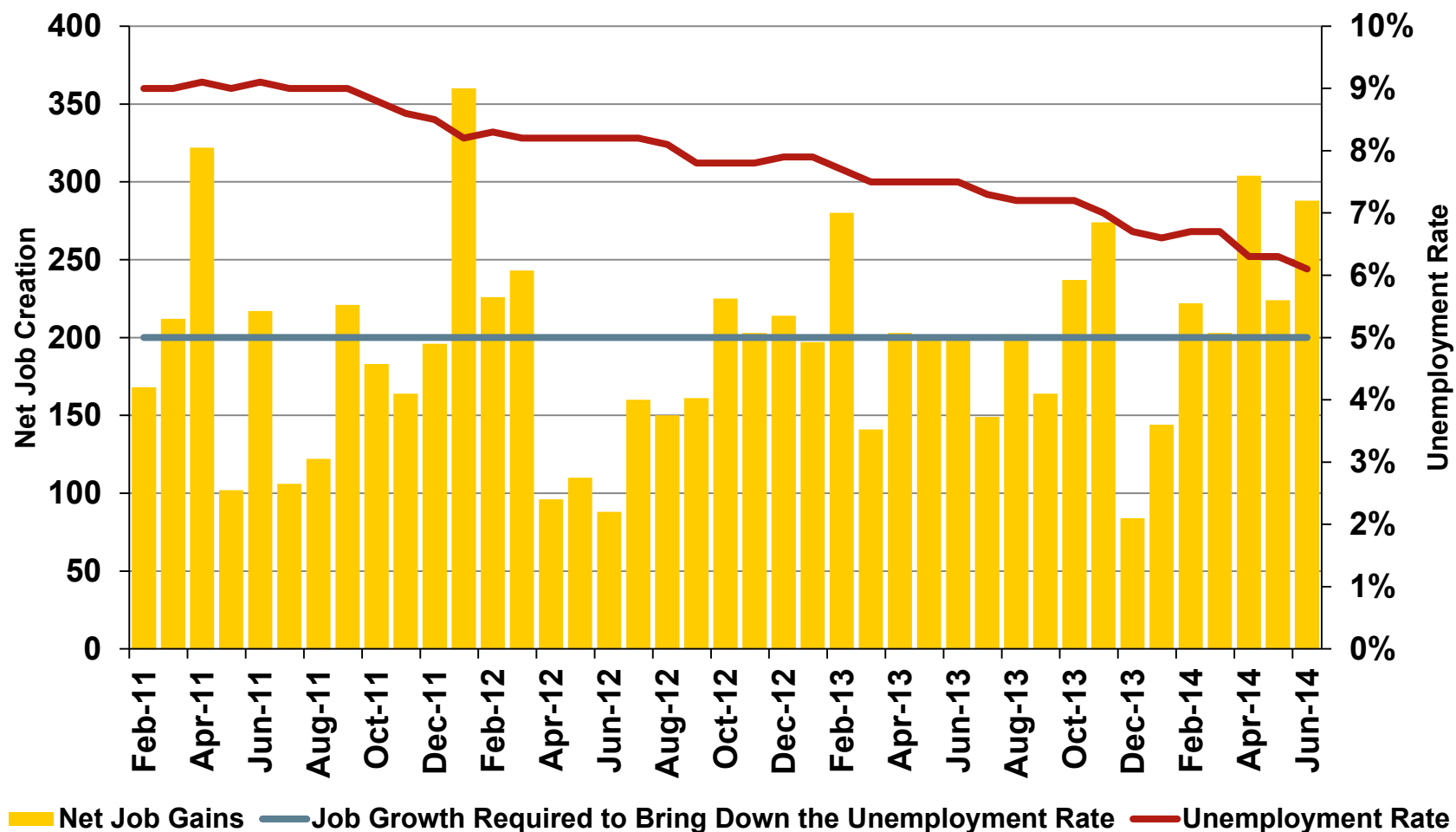


Source: U.S. Census Bureau





Employment growth needs to remain above 200,000 new jobs to lower unemployment



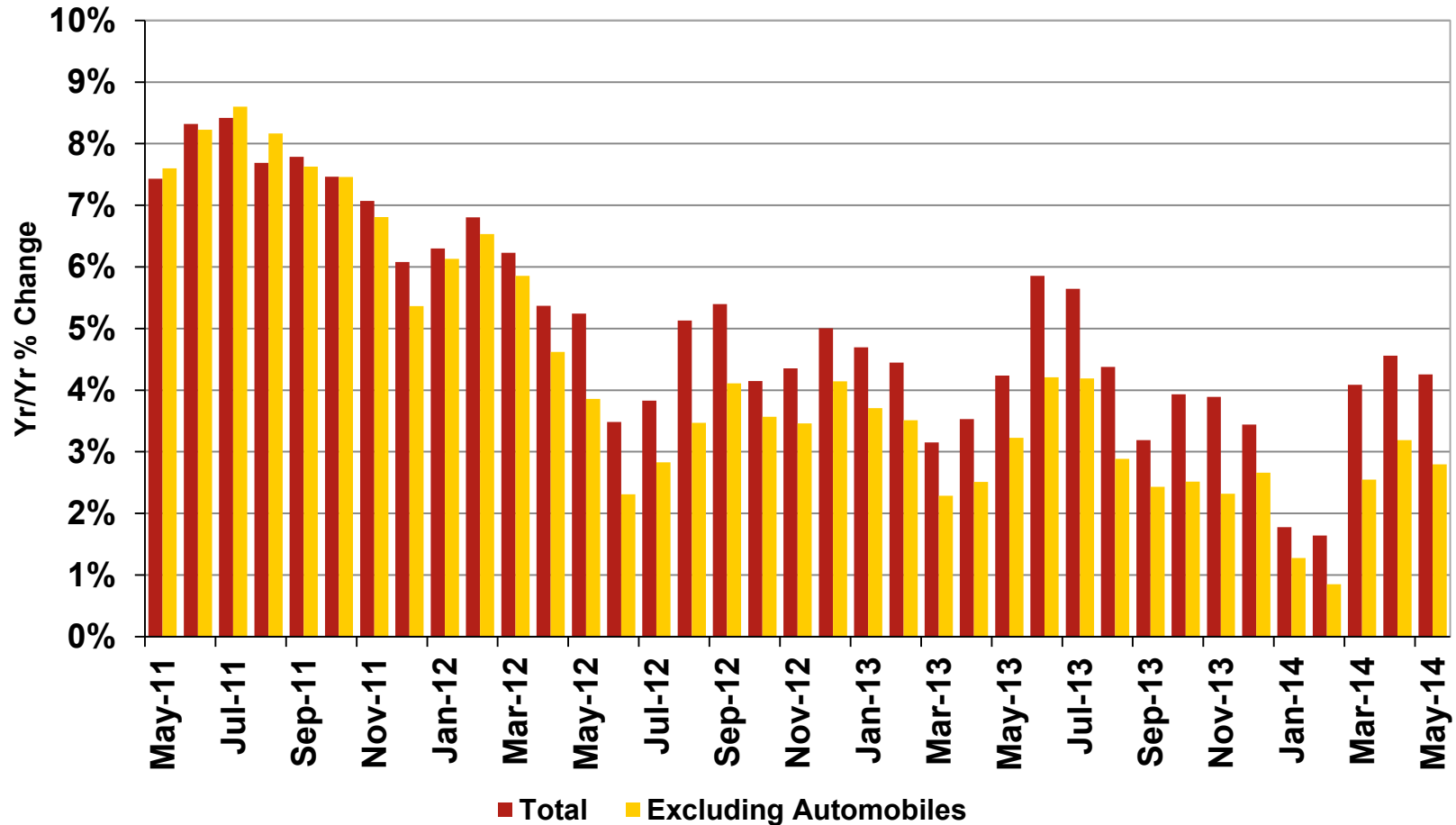
Sources: U.S. Bureau of Labor Statistics, Moody's Analytics





The uptick in employment has not translated to increased retail sales

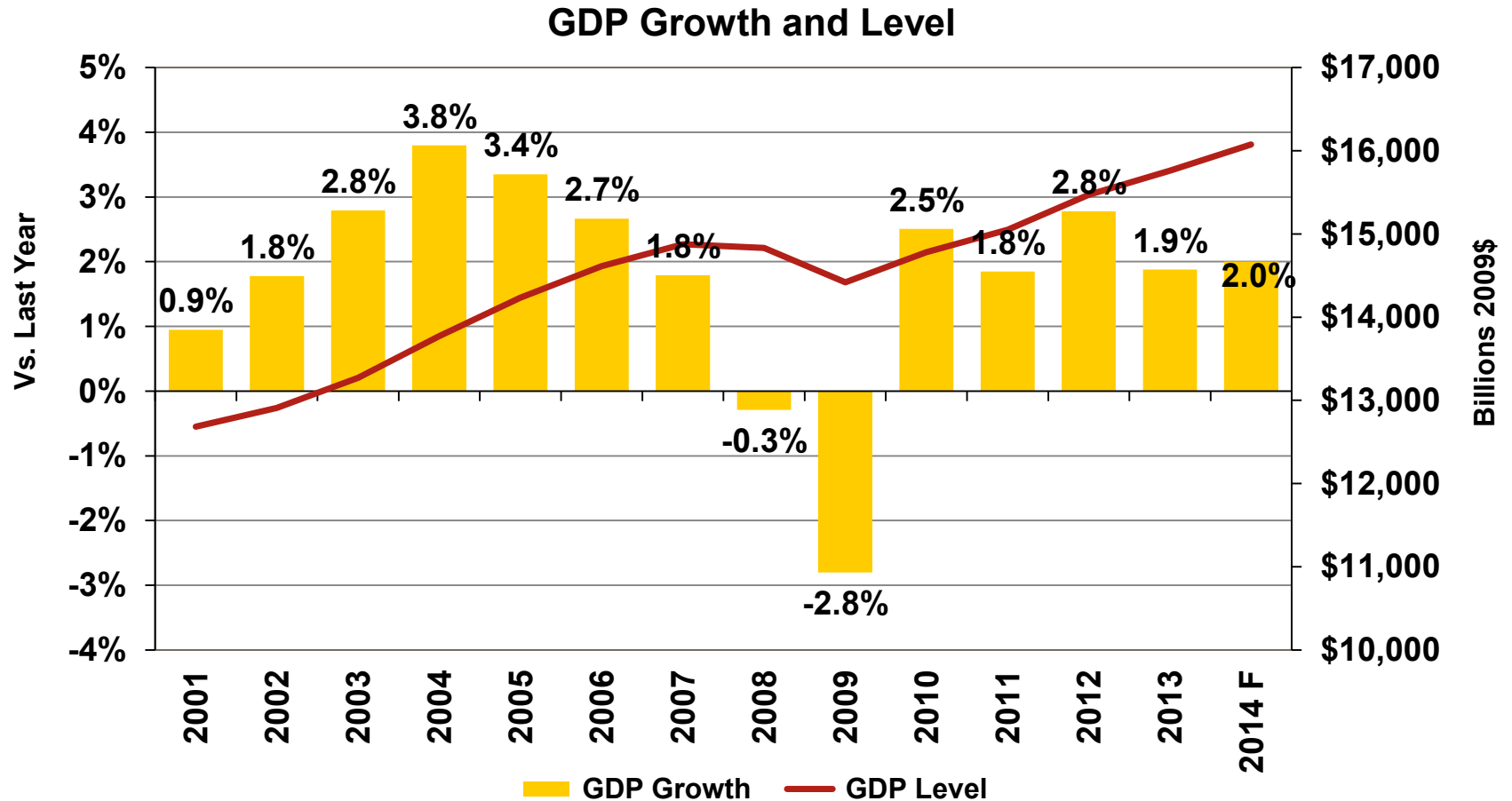
U.S. Retail Sales



Source: U.S. Census Bureau



GDP is expected to grow at a slow pace



Sources: Bureau of Economic Analysis, Moody's Analytics



TTX economic assumptions for 2014

Economic Indicator	Actual Full Year 2013	Plan Full Year 2014	Forecast Full Year 2014
GDP ¹	1.9%	1.7%	2.0%
Consumption ¹	2.0%	2.0%	2.7%
Investment ¹	5.4%	4.3%	2.8%
Retail Sales ²	4.2%	2.8%	3.2%
Housing Starts ³	0.93	1.11	1.09
US Vehicle Prod. ⁽⁰⁰⁰⁾	10,856	11,476	11,377
US Vehicle Sales ⁽⁰⁰⁰⁾	15,585	16,175	16,100
Industrial Prod. ²	2.9%	0.6%	3.0%
Mexico GDP ¹	1.3%	3.9%	3.1%
Canada GDP ¹	2.0%	2.5%	2.6%

Sources: Bureau of Economic Analysis, Moody's Analytics, Autocast

1: SAAR, real % change 2: Year-over-Year %Change 3: Millions, annualized rate





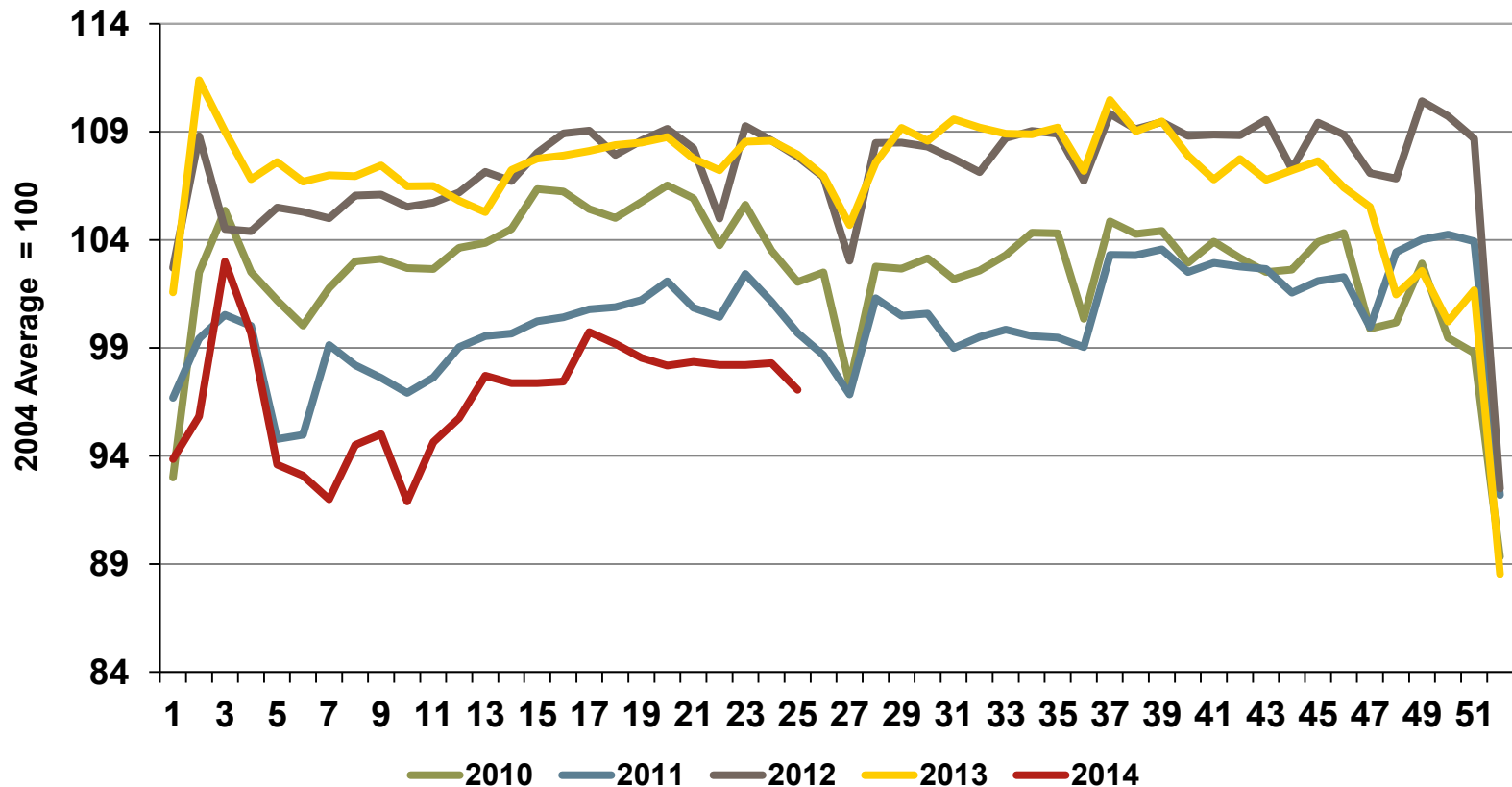
Intermodal Outlook





Velocity is improving gradually

AAR Industry Velocity Performance Index



Sources: Association of American Railroads, Licensed Material; TTX



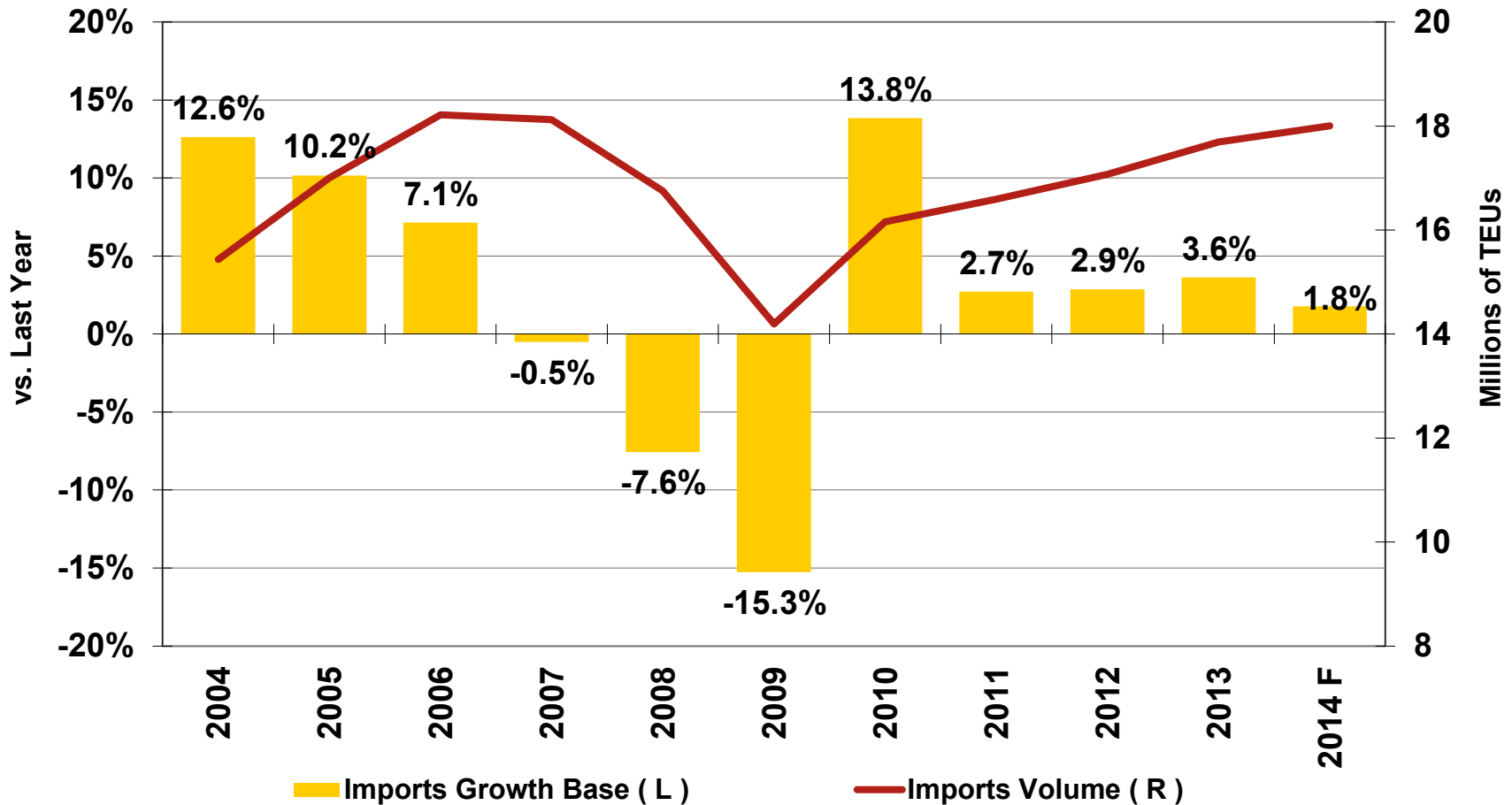
- » Imports (GDP and consumer spending)
- » Fuel prices and competition from trucking
- » Transloads
- » Port choices / Panama Canal expansion
- » Railroad initiatives / Service offerings
- » Origin region and “near-shoring” developments
- » Exports





U.S. container imports are on track to hit a new peak in 2015

U.S. Container Import Volumes and Growth



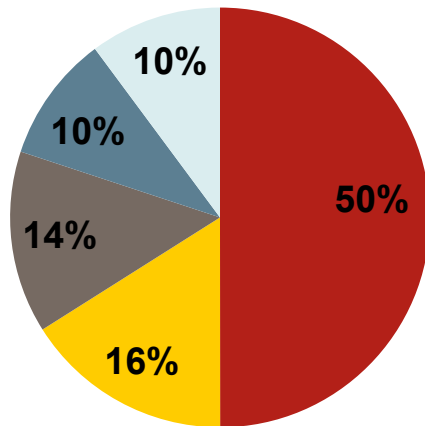
Sources: PIERS, TTX





China dominates for container imports, but how will it get to the U.S.?

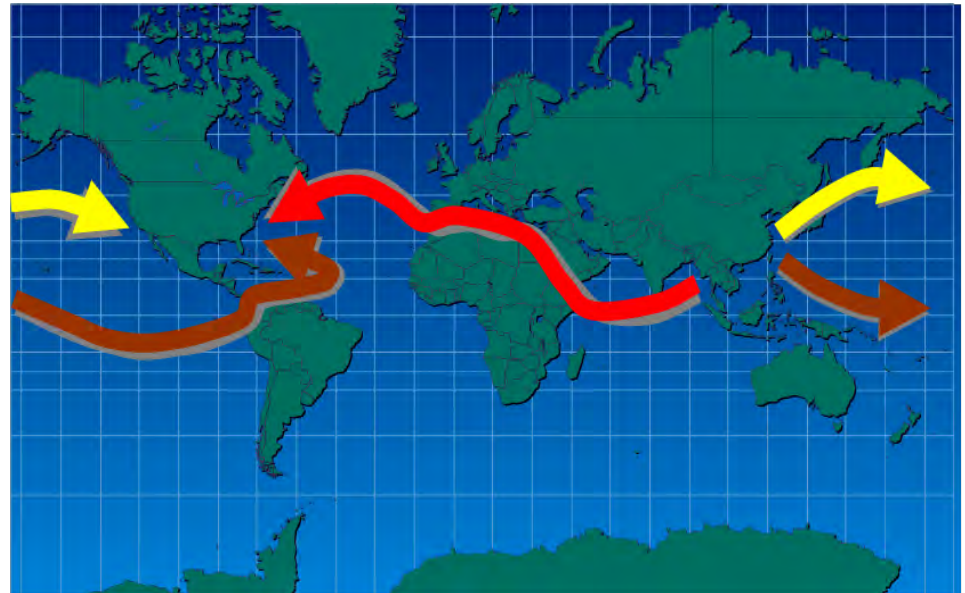
U.S. Container Imports by Origin Region



■ China ■ Other East Asia ■ Europe
■ Latin America ■ Other

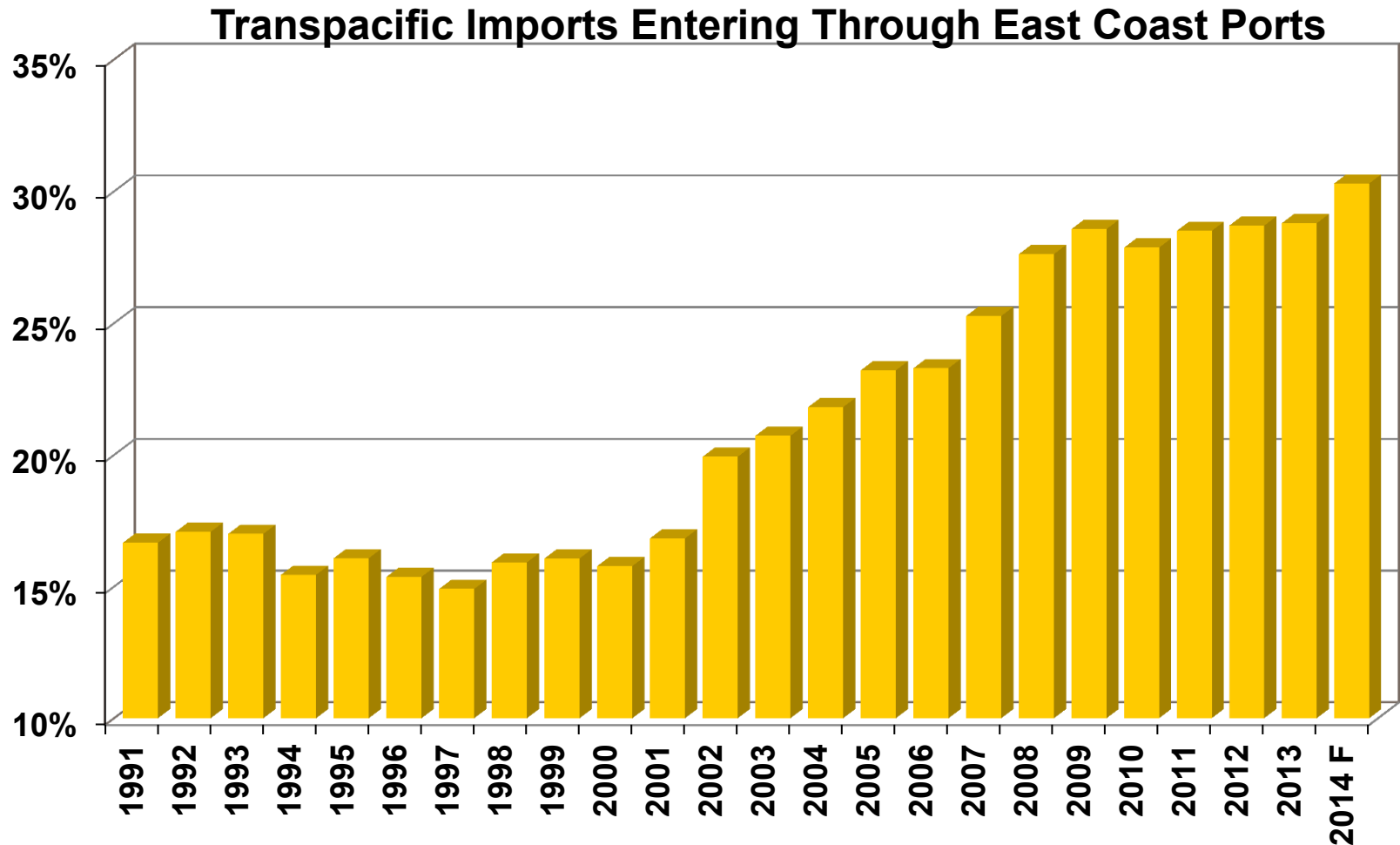
Source: PIERS

Routes to the U.S. from Asia





All-water share has grown slowly but is expected to flatten out at around 33%



Sources: PIERS, TTX





The impact of 0.1% sulfur requirement on all-water service may change the game



Per the TSA Eastbound Bunker Fuel Charge Fact Sheet:

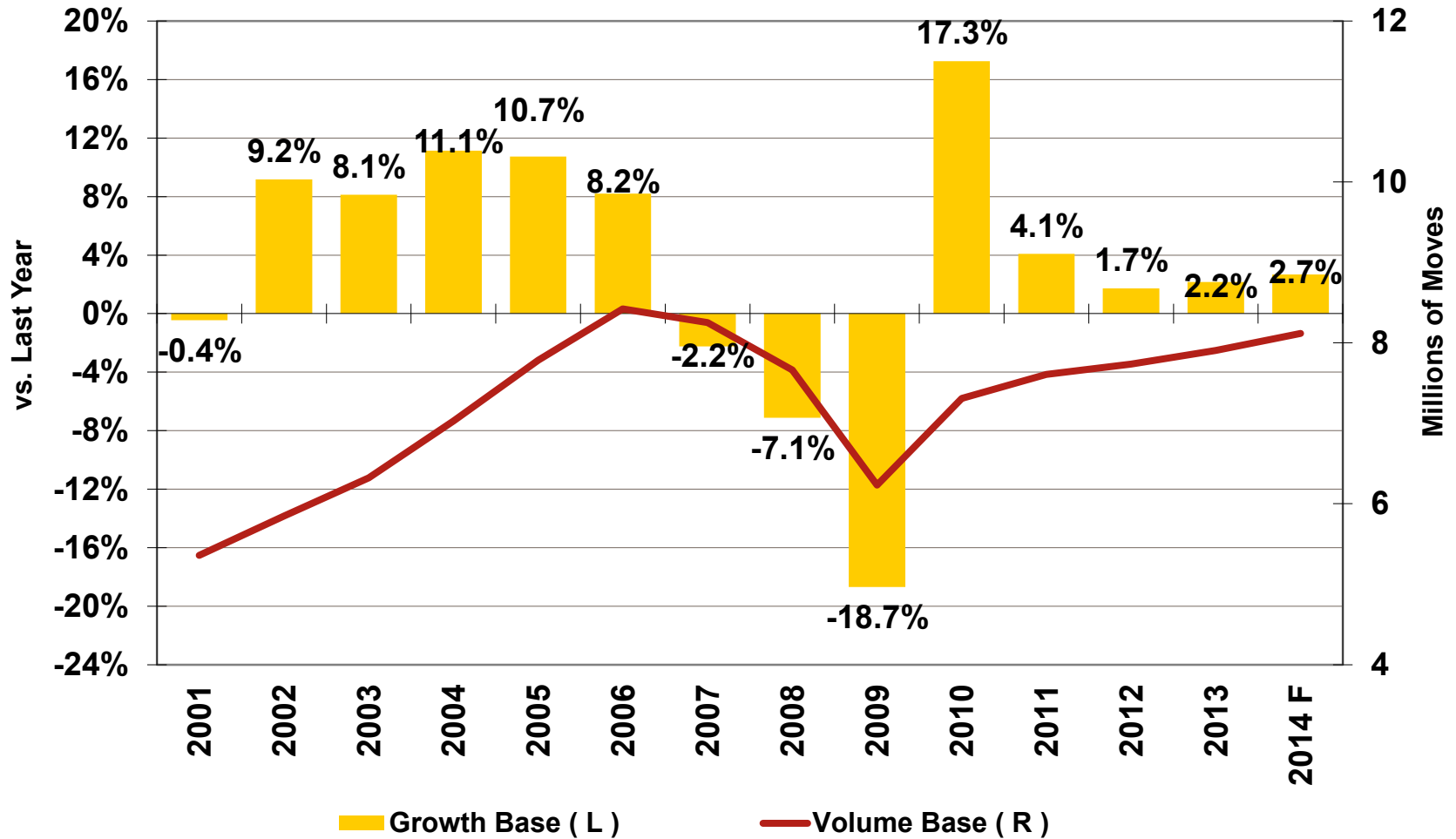
- » West Coast – Average sailing time within the 200 mile limit, 2.698 days
- » East coast – Average sailing time within the 200 mile limit, 4.220 days
- » TTX *preliminary* cost estimate \$20 - \$35 per TEU (for the incremental costs associated with an AWS routing versus Transpacific)





International rail traffic will follow imports less all-water impacts

U.S. and Canada



Sources: IANA, Association of American Railroads, Licensed Materials, TTX

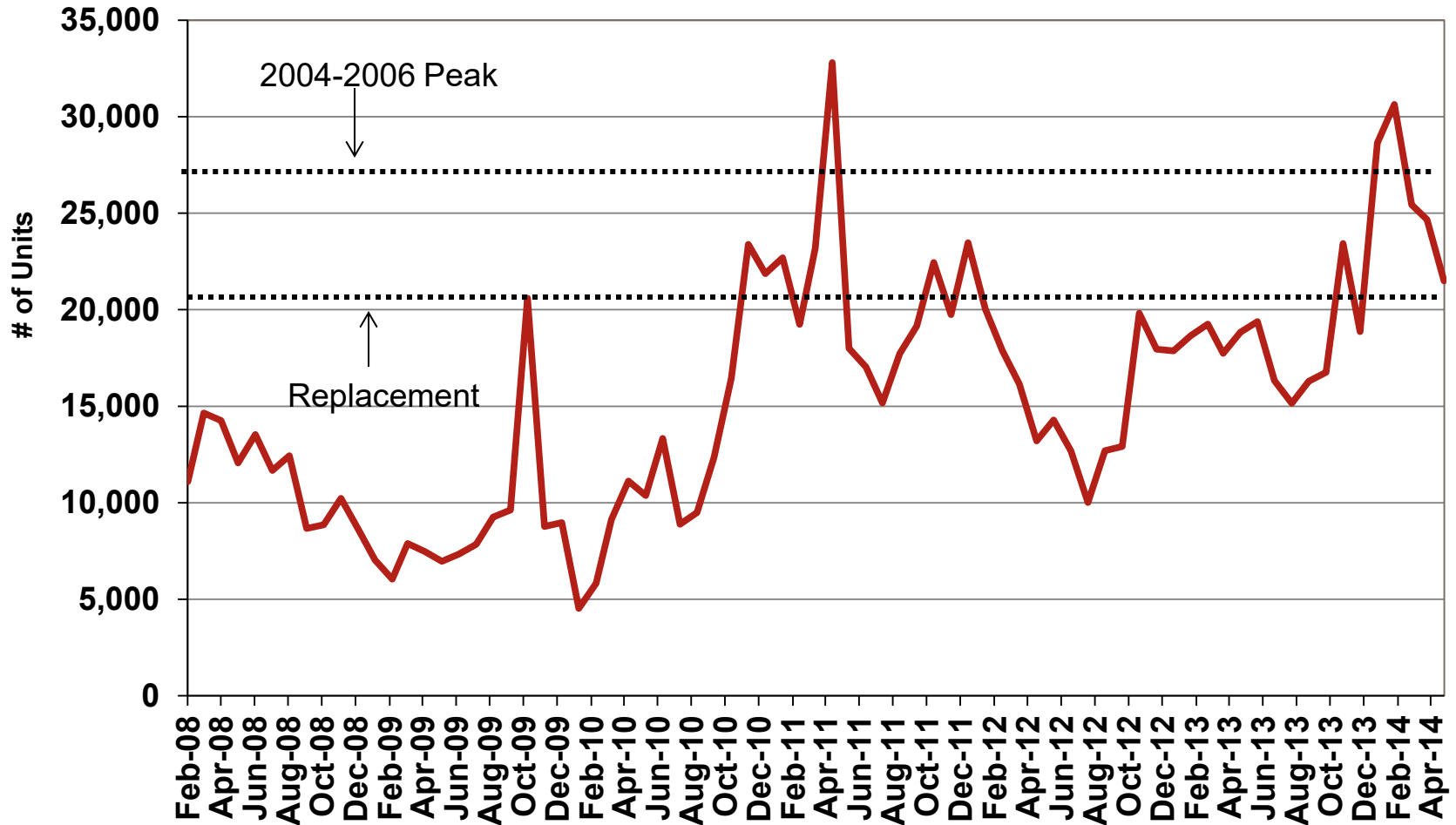


- » GDP and consumer spending
- » Fuel prices
- » Production shifts / near-shoring
- » Import-related transloading
- » Truck equipment capacity and driver supply
- » Domestic container fleet capacity
- » Rail service levels
- » Short-haul growth
- » Green initiatives





Truckers are replacing, not expanding their fleets



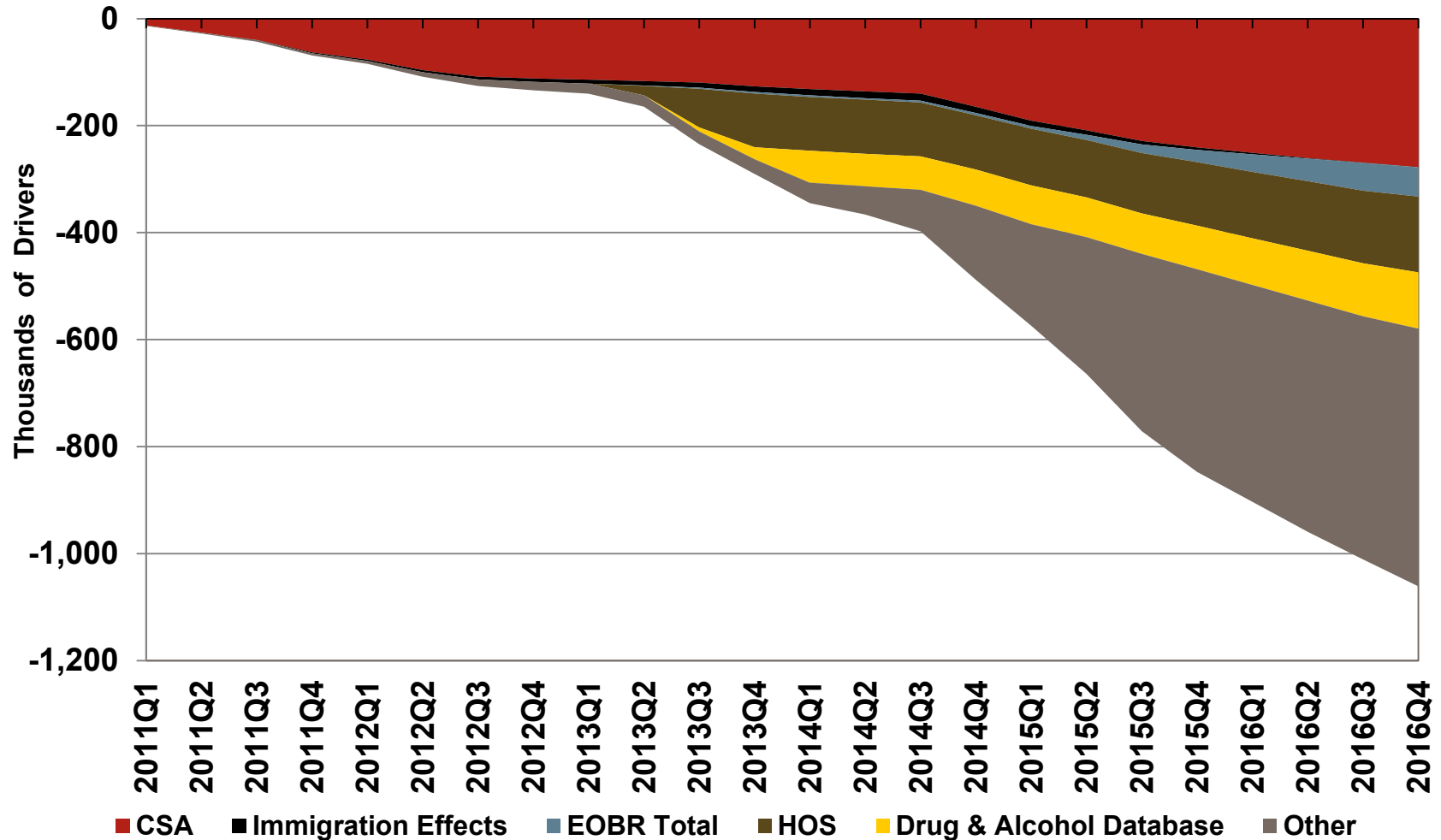
Source: FTR Associates





Existing and proposed laws are making driver hiring and retention challenging

Cumulative Regulatory Impact on U.S. Driver Pool



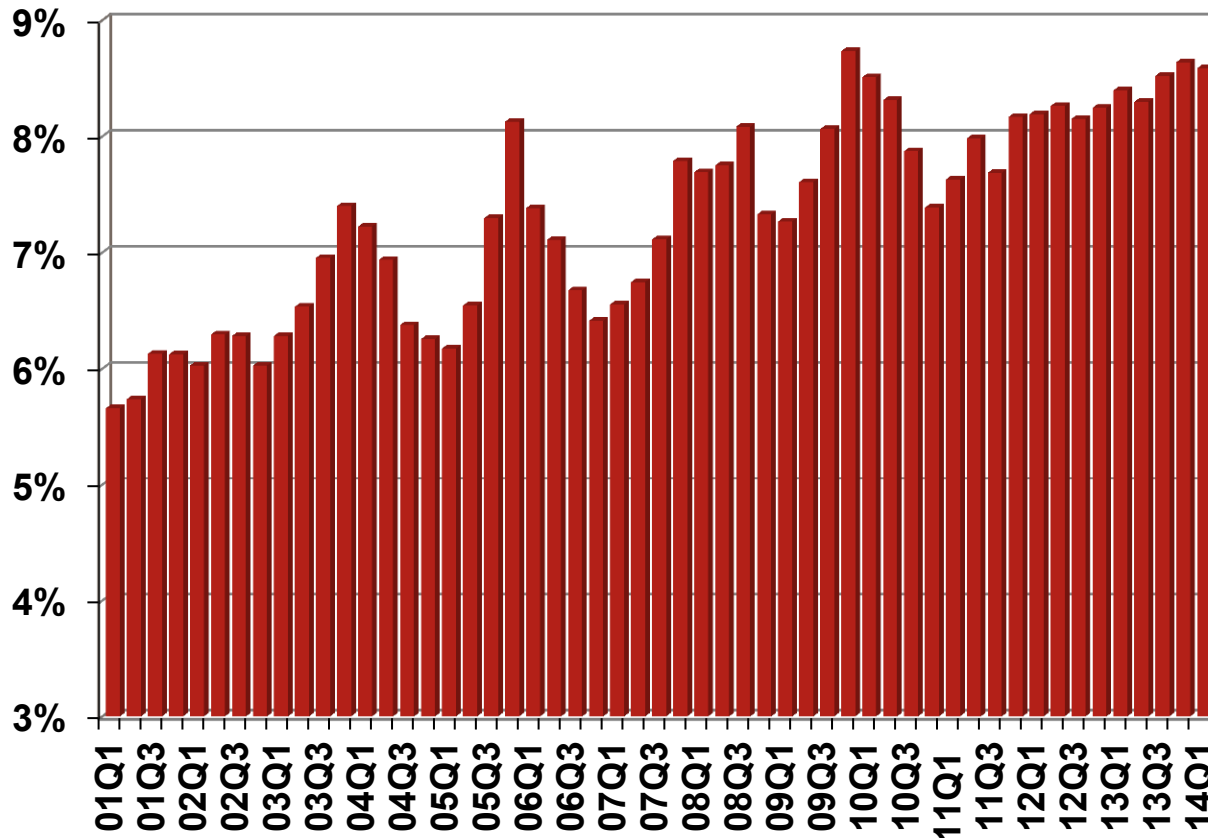
Source: FTR Associates





Rail market share for domestic intermodal leaves room for expansion

1% share change = approximately 250,000 moves quarterly



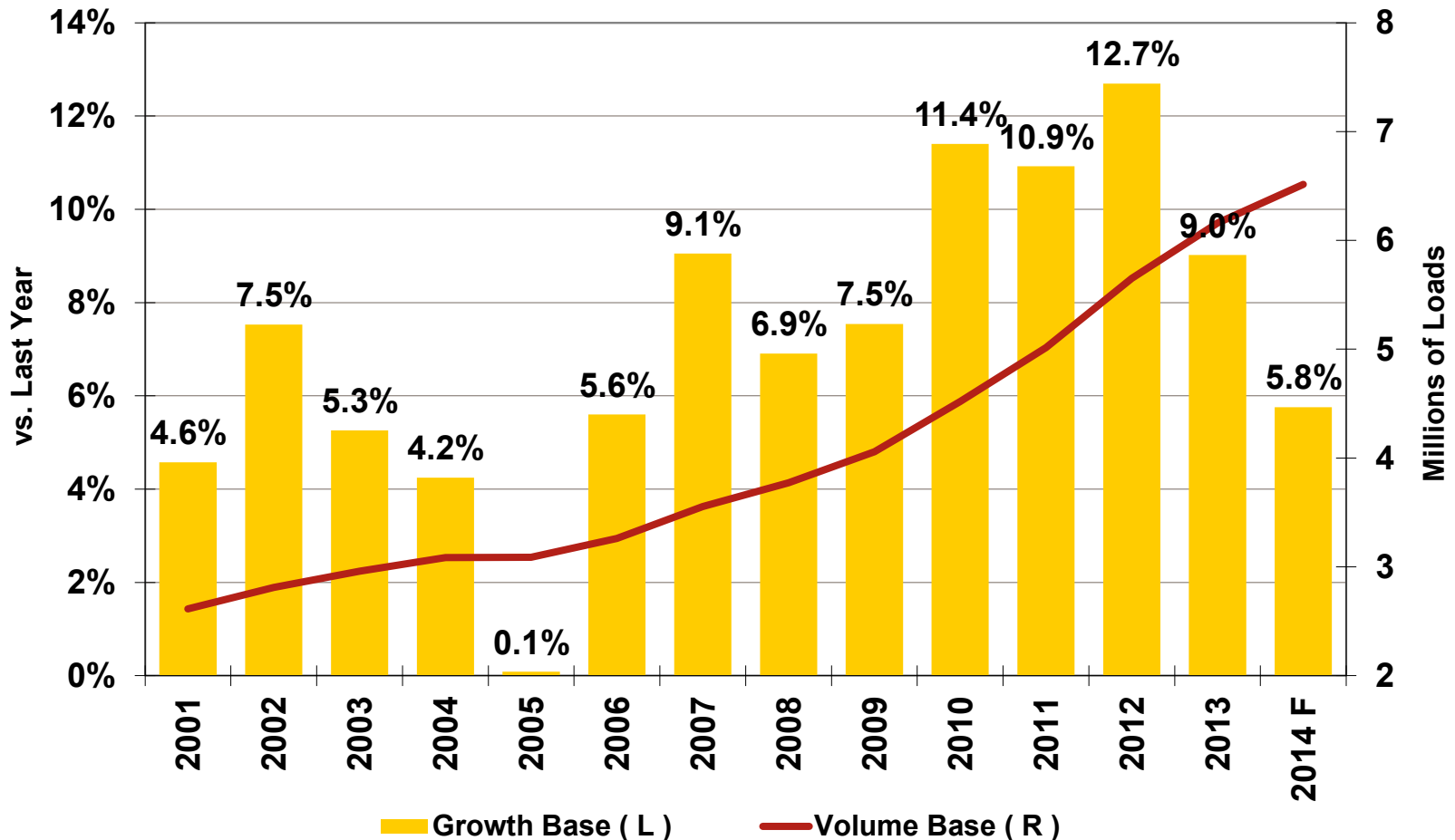
Sources: FTR, IANA, TTX





Domestic container traffic is expected to outpace GDP

U.S. and Canada



Sources: IANA, Association of American Railroads, Licensed Materials, TTX





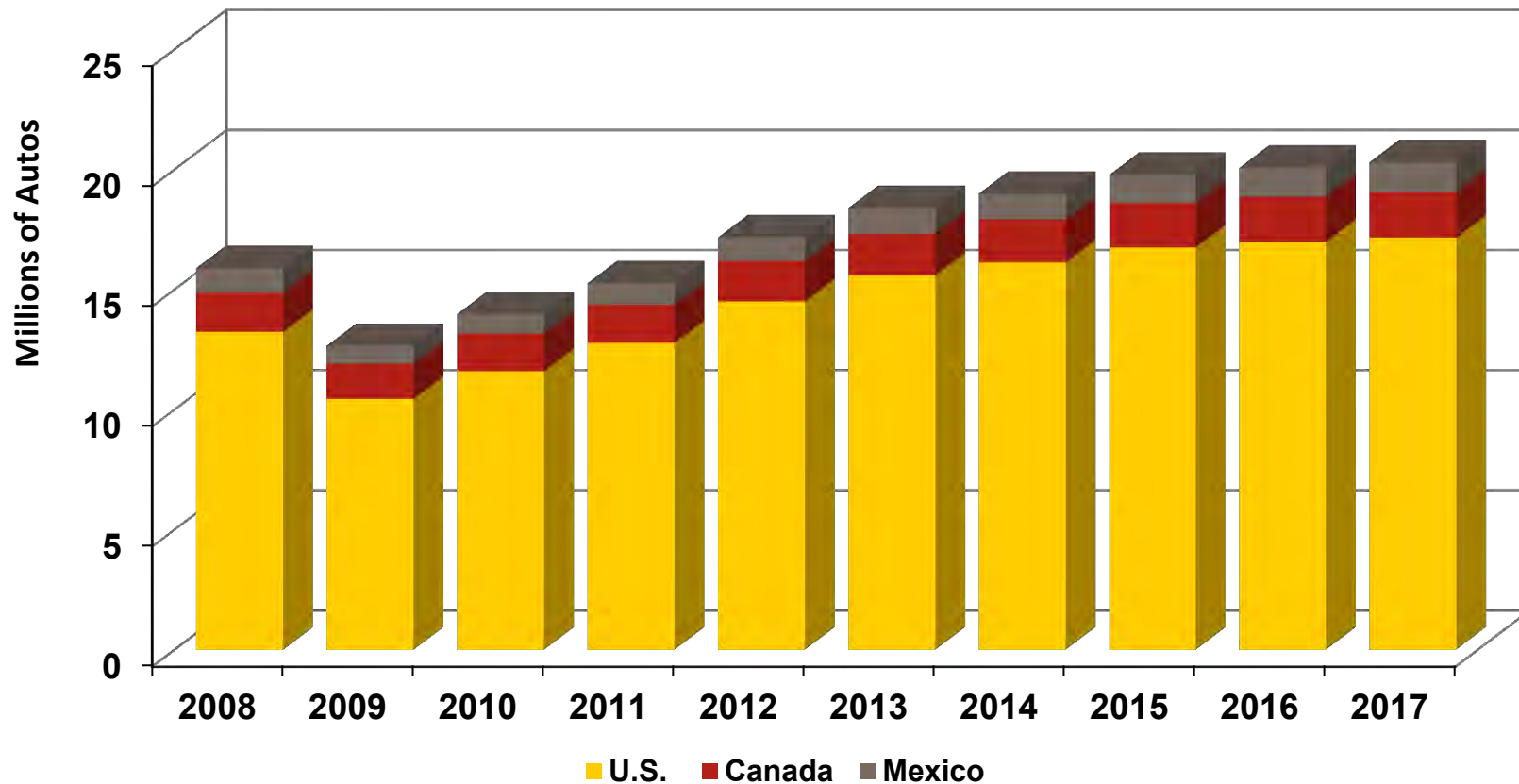
Automotive Outlook





Auto sales continue to climb at a diminishing pace

North American Vehicle Sales



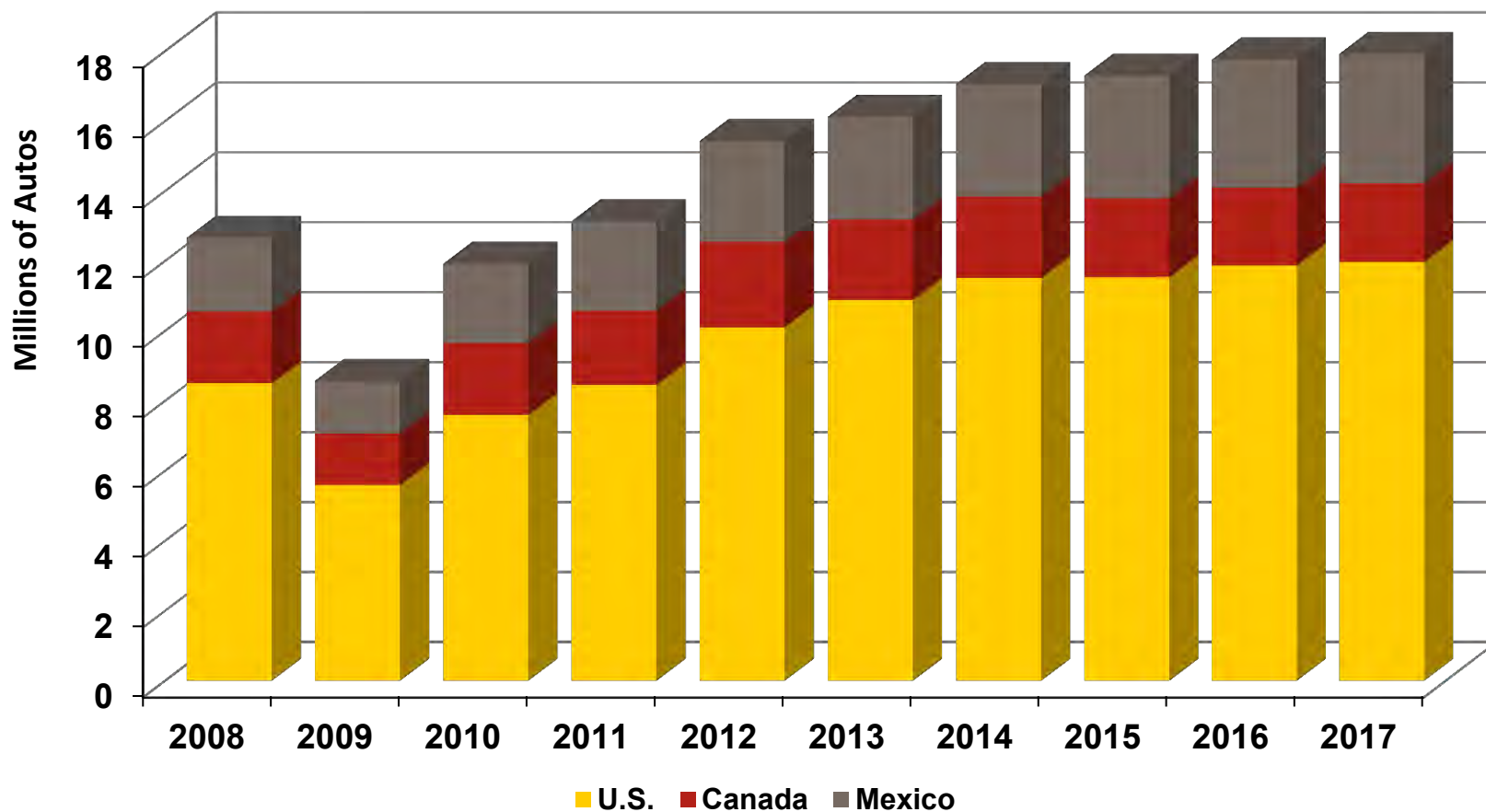
Source: Monthly Autocast





Auto production will outpace auto sales where Mexico gains share

North American Vehicle Production



Source: Monthly Autocast





Paper and Forest Outlook





Boxcars and centerbeams are key TTX car-types for paper & forest markets

50 & 60-ft Boxcars



Boxcar Commodities:

Plywood/OSB, pulpboard, food products, woodpulp, particleboard, newsprint, tin, shingles, printing paper, aluminum etc.

Marks: TBOX, FBOX, RBOX, ABOX

Source: TTX

73-ft Centerbeams



Centerbeam Commodities:

Lumber, wallboard, plywood/OSB

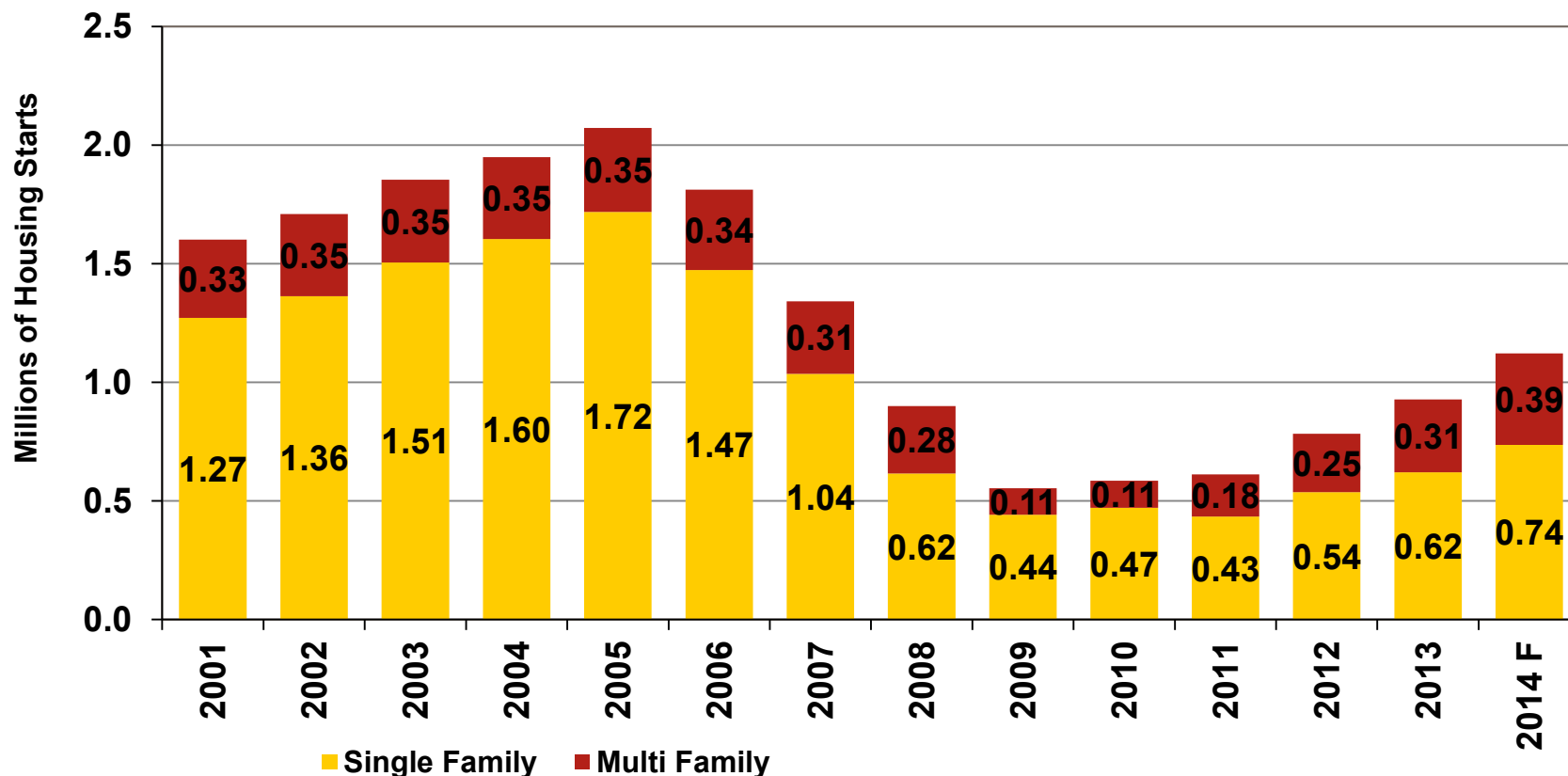
Marks: TTZX





Housing starts grow slowly with multi-family starts gaining share

U.S. Housing Starts

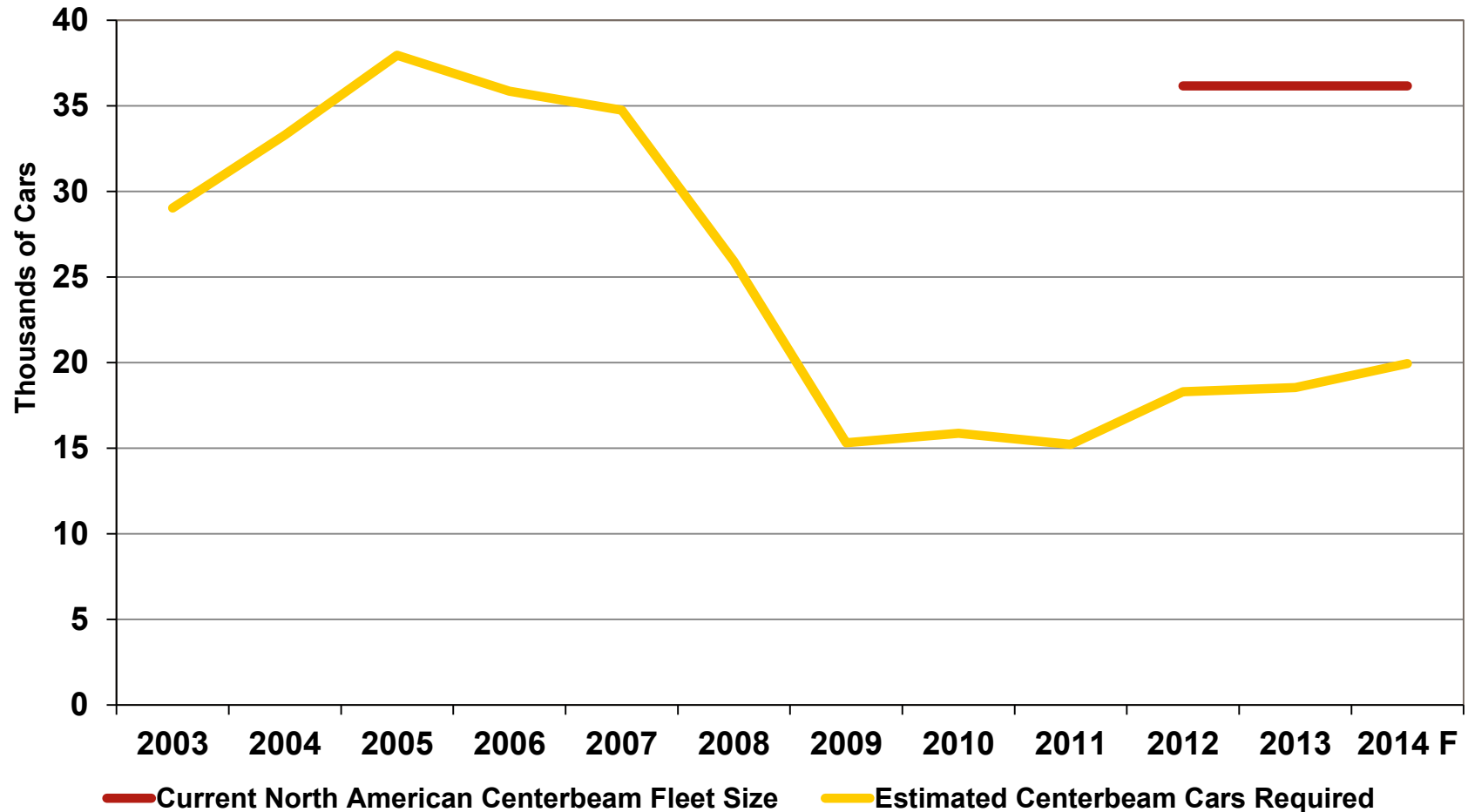


Sources: Bureau of Census, Moody's Analytics, TTX





The current North American centerbeam fleet is large enough to meet demand



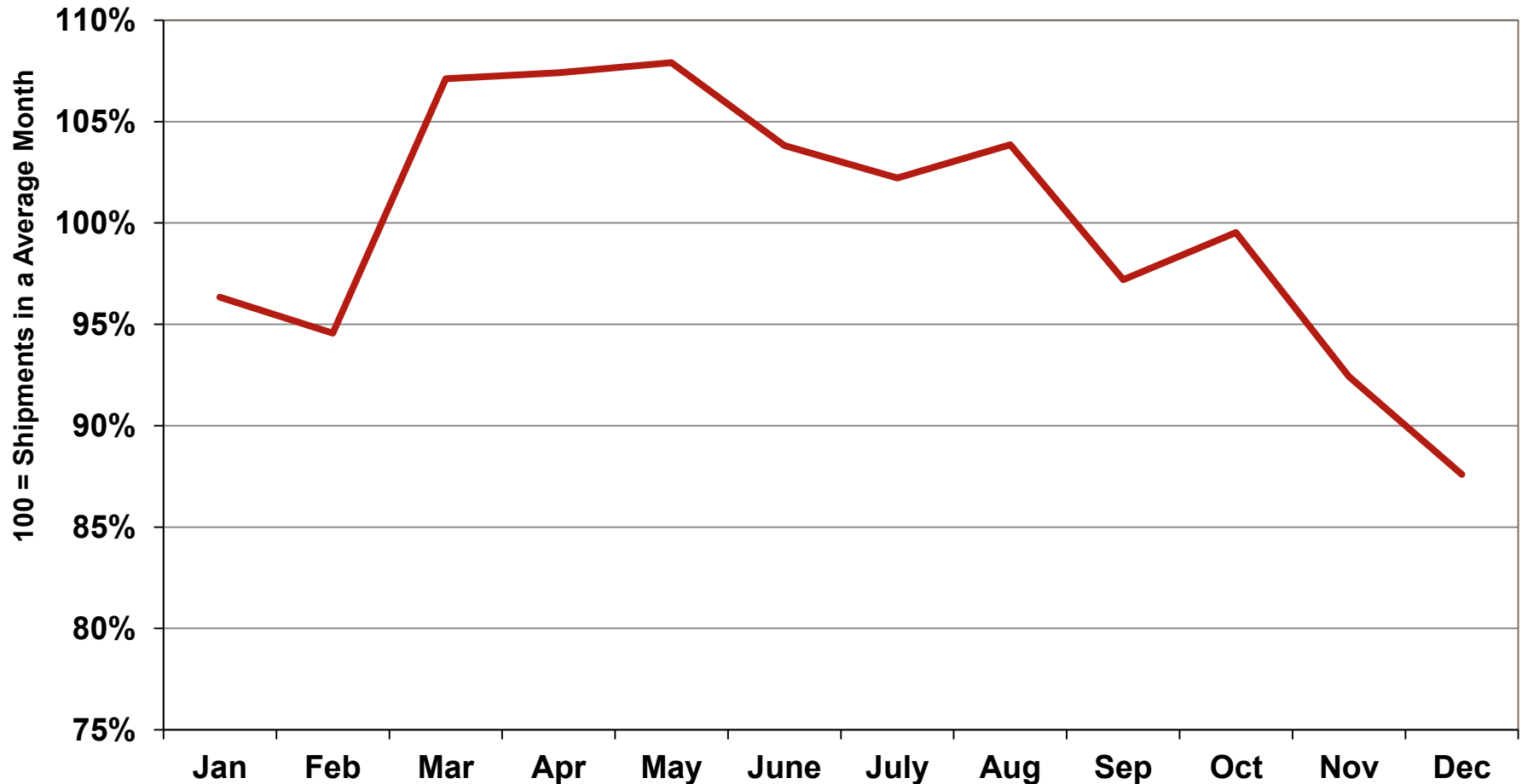
Source: TTX Association of American Railroads, Licensed Material





Still, lumber shipments are extremely seasonal

Average Seasonal Factors for Rail Lumber Shipments 1995-2012

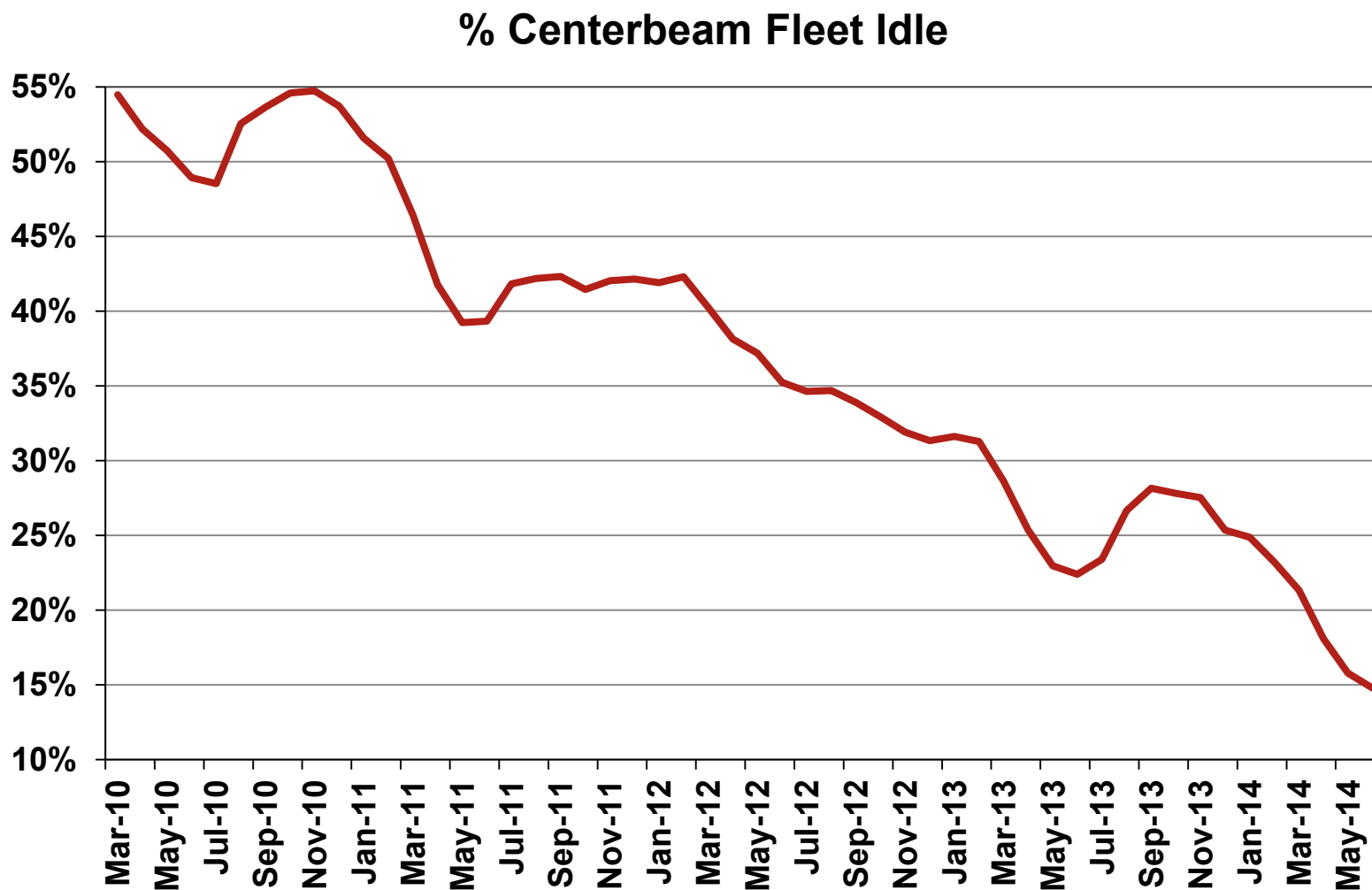


Source: TTX, Public Use Waybill File





Not all the industry's centerbeams are out and running

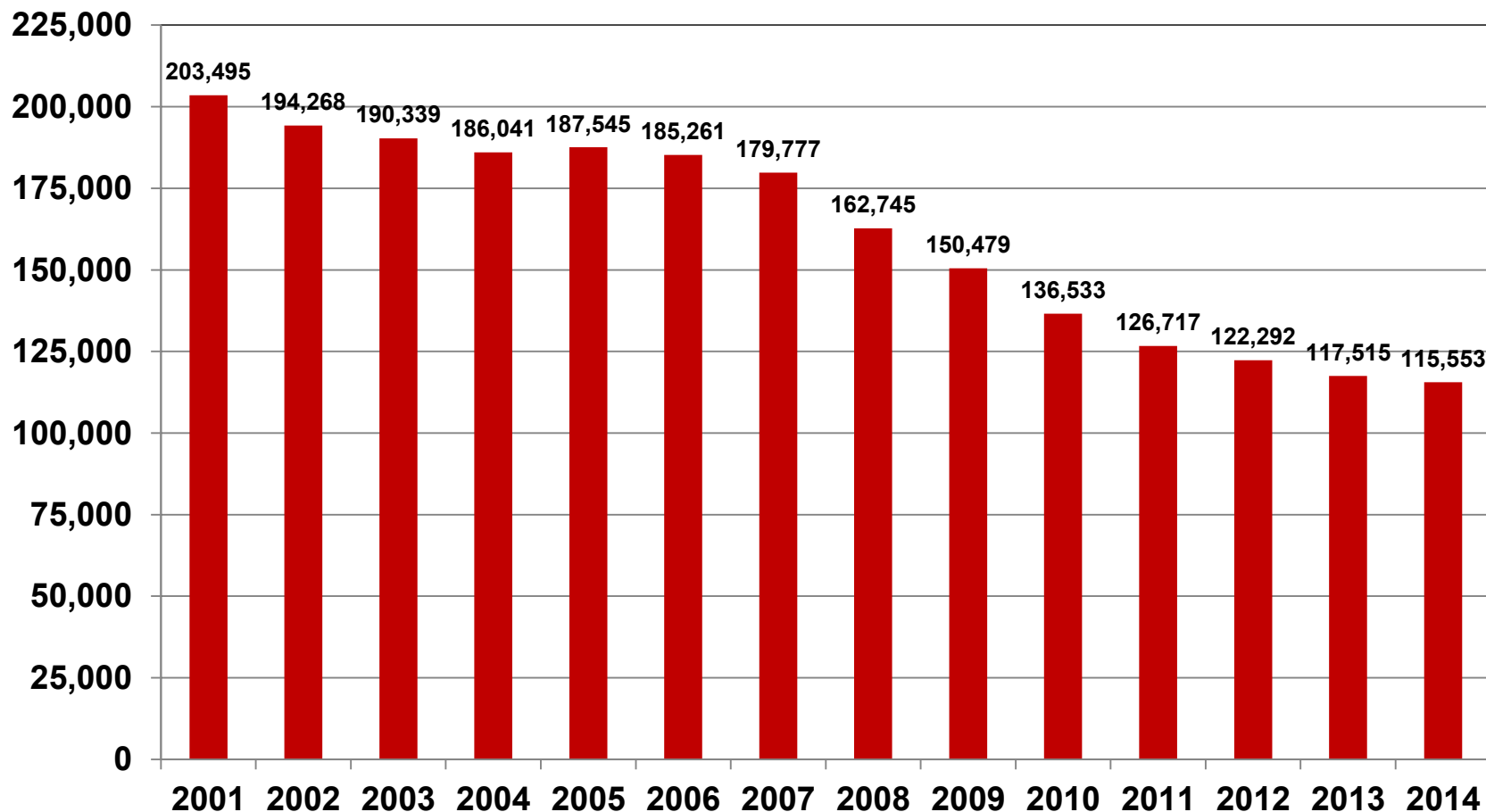


Source: Association of American Railroads, Licensed Material





The North American boxcar fleet has declined, but new builds are high-cap



Source: Umler





Metals Outlook





Gondolas, bulkheads and pipe flats are key TTX car-types for metals markets

66 & 52-ft Gondolas



Gondola Commodities:

Steel scrap, bars/rods, beams, pipe, slabs, ingots, rail, etc.

Marks: GNTX, GONX

68-ft Bulkhead Flatcars



Bulkhead Commodities:

Plate, pipe, beams, bars/rods, particleboard, etc.

Marks: TTPX

89-ft Pipe Flatcars



Pipe Flatcar Commodities:

Pipe, plate, track, beams, etc.

Marks: PTTX, XTTX

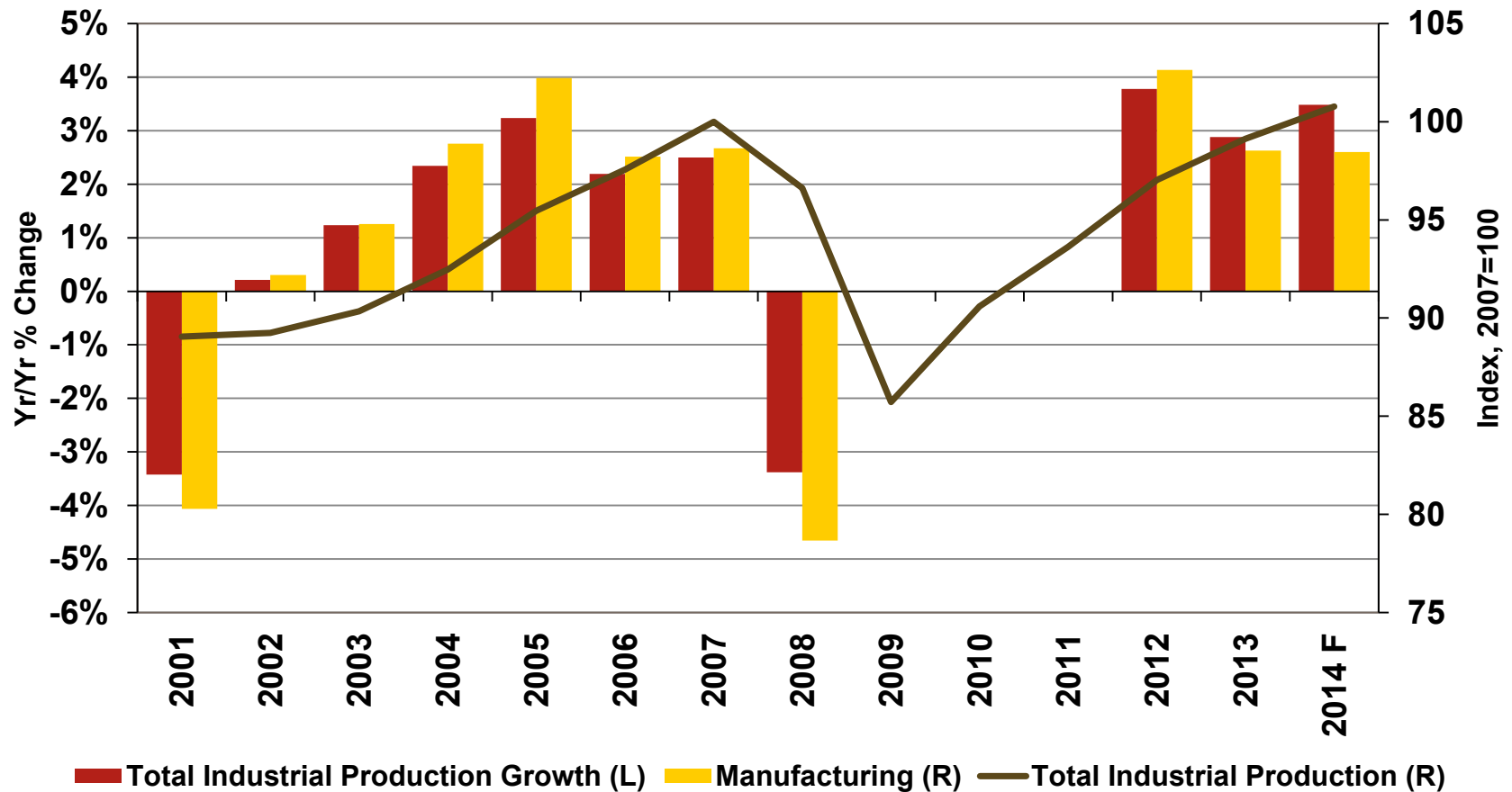
Source: TTX





Metals and machinery output follows industrial production, which has grown slowly post-recession

U.S. Industrial Production

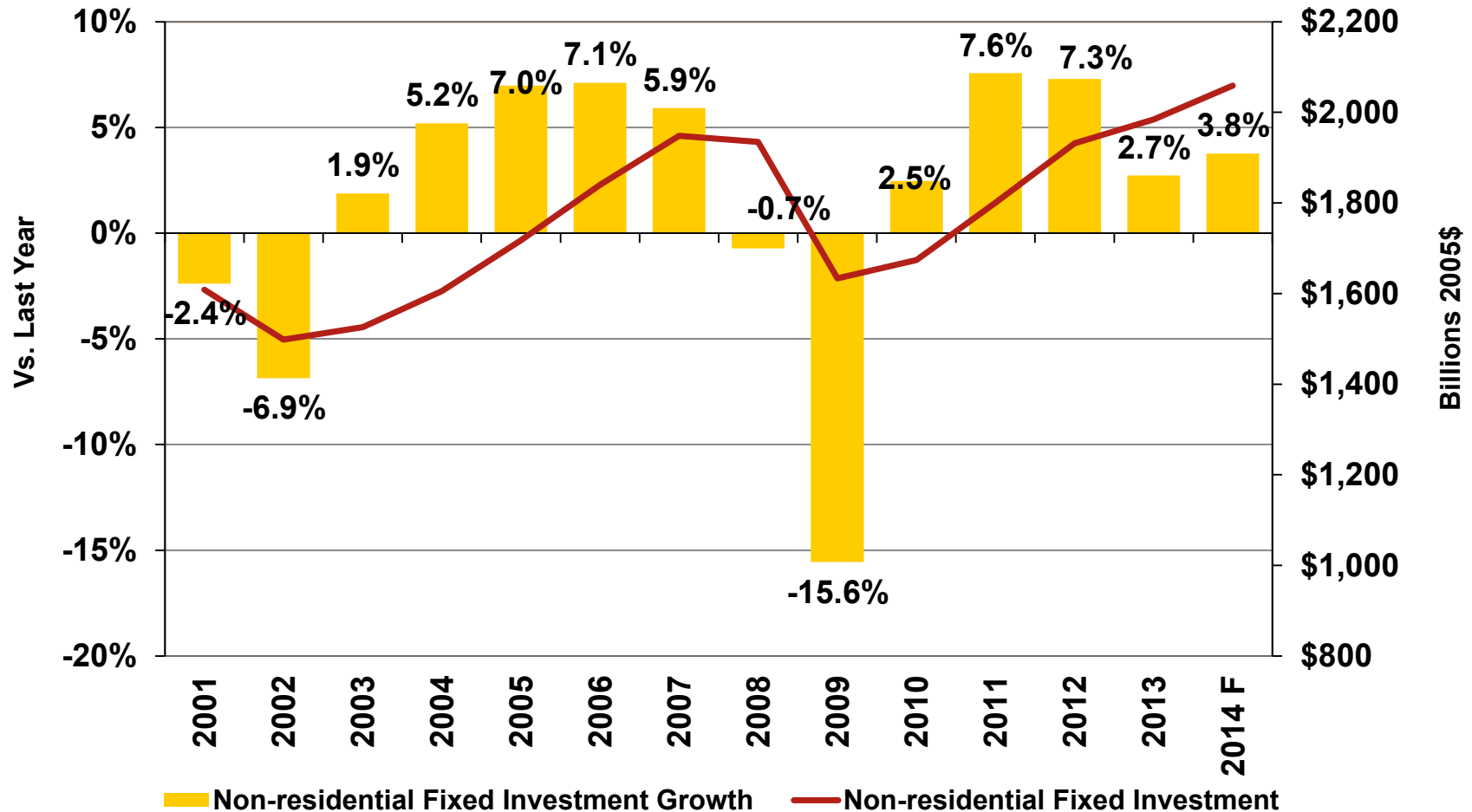


Sources: Bureau of Economic Analysis, Moody's Analytics





Non-residential fixed investment growth is expected to grow modestly



Sources: Bureau of Economic Analysis, Moody's Analytics





Machinery & Wind Outlook





The TTX fleet has many other smaller sub-fleets and growth will be mixed





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