

# Getting Smarter Transport and Capacity Management

Chuck Kendig  
Assistant Vice President  
American Honda Motor Co.,Inc.



# Universal Desires (Shippers)



Secure Capacity which is:

- High Quality
- Un-Interrupted
- Speedy
- Low Cost

# Universal Desires (Partners)



Secure Business which is:

- High Quality
- Steady
- Low Dwell
- Reasonable Profitable

# Pretty Good Match

## Shipper

Secure capacity which is:

- High Quality
- Un-Interrupted
- Speedy
- Low Cost

✓ High Quality

✓ Steady

✓ Speedy

✓ Reasonable

## Partner

Secure business which is:

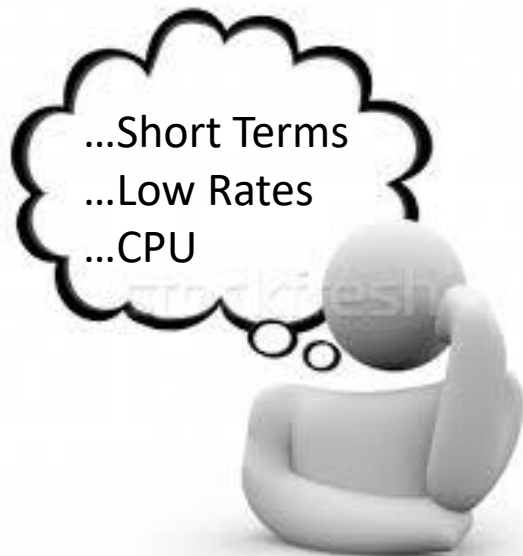
- High Quality
- Steady
- Low dwell
- Reasonable Profit

# Opportunity: Aligning Terms with Investments

Partners: “Reasonable Profit” = ROI on Investment \$

## Shippers Don't Consider Investment

Shipper



Partner



# Ocean Partner Investment / Costs

**Price Tag:**

**\$70M USD - - - \$250M**

**Useful Life:**

**30-40 Yrs**

**Term:**

**3 Yrs**



# Port & Processing Partner Investment / Costs

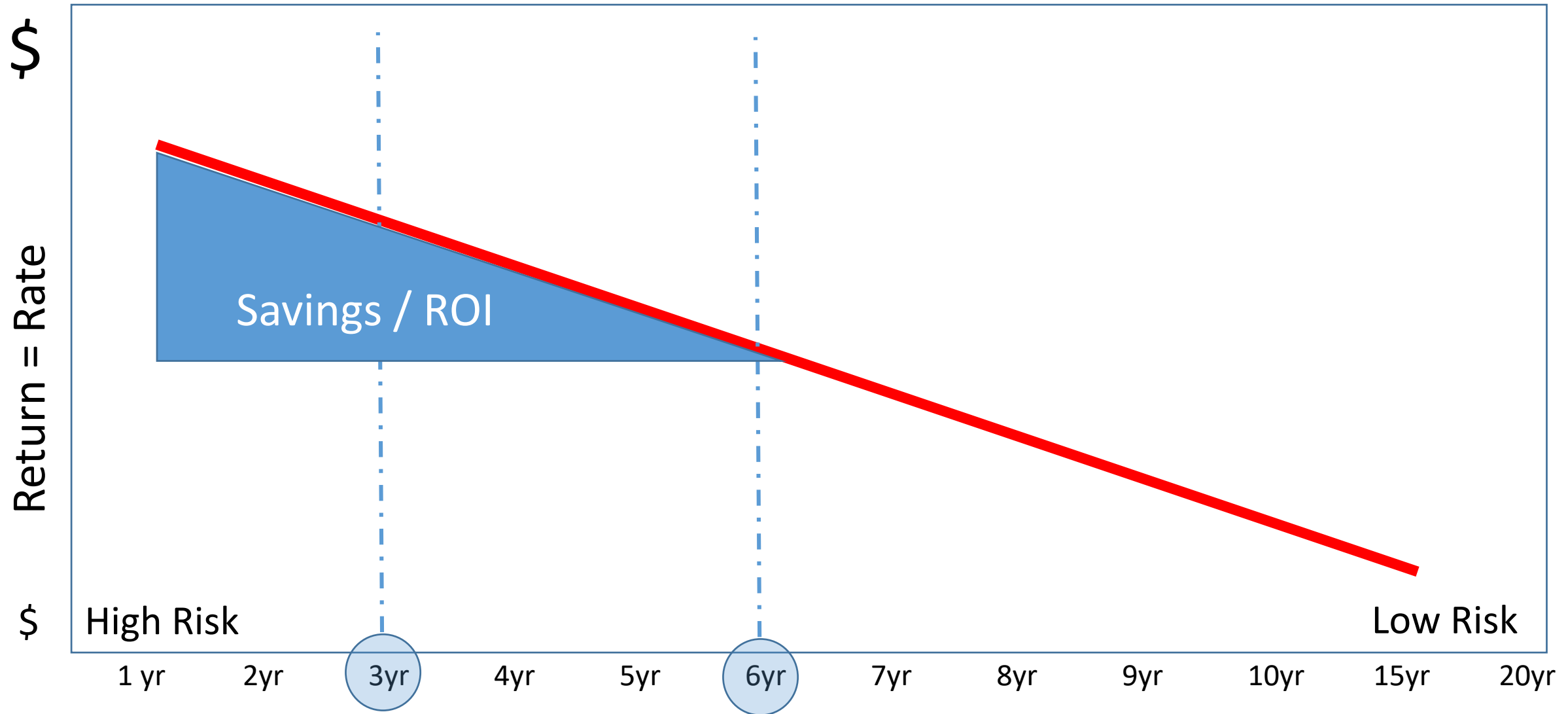
**Price Tag: \$50M – \$300M**

**Useful Life: 20-50 + yrs**

**Term: 3yrs**



# Risk / Return = Rates / Term



Risk = Term

\*(other huge risk = no volume commitment)



# Rail Partner Investment / Costs

**Price Tag:            \$1.6M/Locomotive,    \$225K/Railcar**

**Useful Life :        20-40 Years**

**Term:                3 Years**



# Rail Partner Example – 3 Year Contract 100,000 VINS



**3 Year Fixed + Variable: \$111M**

**3 Year Revenue \$49.5M**

Locomotive \$1.6m      20-40yr asset  
 Railcar \$200-\$275k      30-50yr asset

Labor 6Mo training      \$ 75,000  
 Pay + benefits (1yr)      \$145,000

**100,000 VINS**  
**10 Locomotives**      \$16M  
**400 Railcars**      \$80M  


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**\$96M**

Variable Costs / Yr    \$5M x 3    \$15M

## Straight Amortization Schedule

Year	0	\$	96,000,000
Year	3	\$	88,800,000
Year	5	\$	84,000,000
Year	10	\$	72,000,000
Year	15	\$	60,000,000
Year	20	\$	48,000,000
Year	25	\$	36,000,000
Year	30	\$	24,000,000
Year	35	\$	12,000,000
Year	40	\$	-

# Haul Away Partner Investments / Costs

**Price Tag:                \$295K - \$325K USD**  
**100k VINs / Yr : \$25M**

**Useful Life:            7 Yrs**

**Term:                    3Yrs**



# Haul Away Partner Example – 3 Year Contract 100,000 VINS








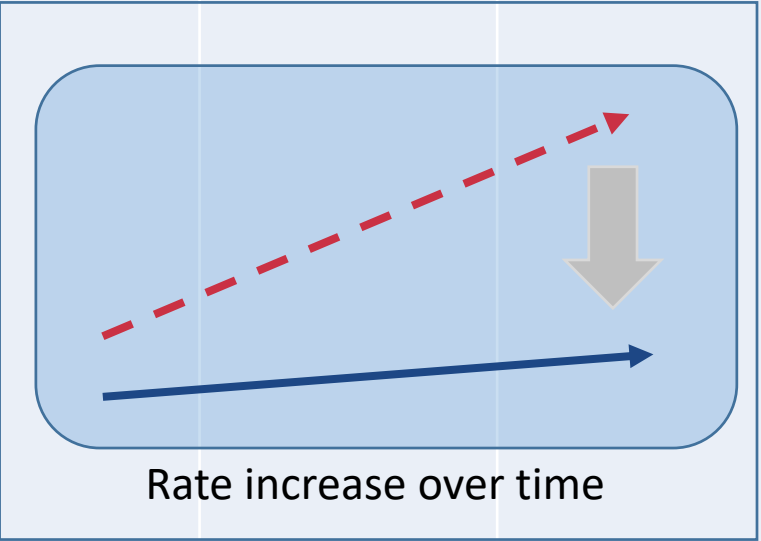


<b>3yr Fixed + Variable:</b>	<b>\$25.2</b>
<b>3 yr Revenue \$ 8.6M x 3 =</b>	<b>\$25.8</b>

Tractor + Rig: \$295,000-\$325,000	5-7yr asset
Labor	
Signing bonus	\$ 15,000
Training & on-boarding, retention	\$ 30,000
Pay + benefits	\$145,000
<b>100,000 VINS = 32 Trucks</b>	
Fixed Costs:	\$11.4M      \$11.4
Variable Costs / year	<u>\$ 4.6M x 3 = \$13.8</u>

Year 1	\$ 8,200,000
Year 2	\$ 7,028,571
Year 3	\$ 5,857,142
Year 4	\$ 4,685,713
Year 5	\$ 3,514,284
Year 6	\$ 2,342,855
Year 7	\$ 1,171,426
Year 8	\$ -

# Strategy: Secure Capacities / Stabilize Future Freight Rates

2016	2017	2018	2019	2020	2021
<p>Secure Eastern Rail Capacity</p>	<p>Mexico Short Sea Capacity</p>	<p>Secure Western Rail Capacity &amp; Carhaul Capacity</p>	<p>Secure Mexico Rail Capacity</p>	<p>HALO Implementation</p>	<p>Network Optimization</p>
	 				
					
					
			 <p>Rate increase over time</p>		

**HONDA**

The Power of Dreams