

The Fifth Wheel

SOUTHERN CAL TRANSPORT

SAFETY + SERVICE = SUCCESS

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2009 Year in Review and a Look to 2010

What a challenging year it has been for our nation, our industry, and our company! We have not endured a more challenging economic climate since the Great Depression. Although we have been faced with numerous challenges throughout this year, we will come out of it a stronger company – stronger for the long haul. Let's take a look at some of the highs and lows of 2009.

Because our rates dropped an incredible \$0.08 per mile due to the over capacity of trucks in our industry, we were forced to aggressively reduce costs in 2009. We looked at every cost area and left no area untouched. We approached every major vendor we work with for cost reductions, and we were successful in every case in reducing our costs. Our fuel and maintenance providers, in particular, worked with us as partners to lower our costs. We have become more efficient and balanced with our freight network which reduces our drivers' time waiting for freight. Our network efficiency is evidenced by our empty mile percentage reduction from 8.11% to 7.38%. Unfortunately, cost reduction actions included reducing truck speed and freezing and reducing pay. Enough of the low points, we want to share some of the positives of 2009 as well.

We had no layoffs when many other companies had to make those tough decisions. In fact, we created nearly 200 jobs in 2009 – 95% of those were driving jobs! Most of these jobs were in the Dedicated and Intermodal Drayage Divisions. This is remarkable during a year in which many trucking companies went bankrupt and nearly all shrunk in size. Though our utilization for our drivers was lower when compared to 2008, we kept our trucks running well in 2009 – especially when compared to our competition. A strong sales effort and superior service that you provide to our customers is what enables us to maintain strong miles for our fleet. We continue to offer our drivers additional work life options with the significant growth in both our Dedicated and Intermodal divisions. In addition, we listened to you and began truck stop scanning through Transflo; many of our improvements come from feedback from our drivers – Thank you. Please keep your ideas coming, as we venture into 2010 together.

We know that our challenges will continue well into 2010, but we can navigate through and around these obstacles by working closely together to support our customers. What will we face in 2010? We will face the new CSA2010 safety regulations, and we will endure continued economic challenges and their associated profit pressure. We have been sharing information with you about CSA2010 and will continue to do so. This is a significant change in safety regulations that will impact companies and individual drivers directly. It is more important than ever that we live out our core value of safety. Specifically, drive safely and legally – ALWAYS. Execute pre-trip, en-route, and post trip inspections, and you will be well prepared for roadside inspections. First and foremost, we operate safely to avoid getting hurt or hurting others, and secondly, operating safely is lower cost and smart business. We will certainly need to be low cost to remain competitive with the forecasted economic conditions that are ahead of us in 2010. Being low cost is essential to our long term success, and we will continue to look for ways to drive down cost. For instance, we will introduce IDSC's Expert Fuel product in January to drive our fuel cost down, and we need your help to make this initiative successful. This routing and fuel optimization software is an excellent way for us to reduce fuel expense, toll costs, and out of route miles, and we need our drivers' support to make this work. As always, our success depends upon you, our drivers, and you have not failed us yet – thank you.

Although 2010 still has us fighting our way out of a recession, we face it head on with a fantastic group of drivers and a terrific team of office associates. Thank you for your hard work in 2009! Safety and Service = Success has never been more true. Our growth has always been and will always be enabled by our ability to service customers safely.

Ken Adams
Chief Executive Officer

Phil DeSimone
President



Kim Williford
Worker's
Compensation
Manager

THINK Before You Slip and Fall



During 2009, we have had several drivers who have sustained very serious injuries as a result of slipping and falling getting into and out of their trucks. According to many of our drivers, they were preoccupied and distracted when the injury happened and were just "not thinking". A workers' compensation injury can be devastating both physically and financially since it impacts not only the injured driver but also their co-drivers and families.

With winter already here, the chances of slipping and falling due to ice and snow also increase. Please pay special attention not only driving but walking and getting in and out of your truck. Keep the following in mind –

- ◇ Think about what you are doing and avoid distractions. Stay focused on the task of entering or exiting the vehicle and walking safely in ice and snow. Avoid "multi-tasking".
- ◇ Make sure you are wearing non-skid shoes or boots. The harder and smoother the bottom of the shoe, the more slippery it is. Leather soles tend to be very slippery, especially on oily surfaces. Soft rubber soles generally provide more traction. Inappropriate shoes to wear while driving include cowboy boots, crocs, and flip flops even though they do have rubber soles!
- ◇ Always climb out of the cab in the same manner you entered; that is facing the cab. Never jump - this stresses the back, hip, knee and ankle joints.
- ◇ Use the three - point rule - keep three points of contact with the vehicle, either one hand and two feet, or two hands and one foot. This provides a firm platform and minimizes the likelihood of falling.
- ◇ Avoid distractions. Stay focused on the task of entering or exiting the vehicle. **DO NOT TALK ON YOUR CELL PHONE WHEN YOU ARE ENTERING OR EXITING THE TRUCK.**
- ◇ Hold on to the door or steering wheel to help you maintain your balance as you transfer your weight from standing to sitting as you enter or exit the cab.
- ◇ When you transfer your weight from the ground to the vehicle, or vice versa, consider that the surface may be slippery due to snow, ice, wet, mud, or oil, and may be rough, uneven or rocky. Look at the surface to determine its condition to avoid slipping, twisting or falling.
- ◇ **NEVER JUMP AND SLOW DOWN!!!!!!** Being in a hurry is a major factor in falling accidents. When you hurry or are distracted, you forget to take pre-cautions, you overlook hazards, and you take chances that make you vulnerable to an injury.

Please be careful. Drive safely, pay attention to what you are doing, stay warm and work smart!!



Fred Needham
Executive
VP—Sales

Sales/Marketing Update

To say that the past three years in the trucking business have been tough would be a huge understatement. However, I am extremely proud of what we have accomplished as a collective group during these challenging times. Since 2006, we have grown our revenues by 35%, developed three additional divisions, Dedicated/Intermodal Drayage/Logistics, to help better diversify our revenue stream, and are now one of the largest team providers (almost 400 units) in the country.

Another sign of our progress was outlined in August's Commercial Carrier Journal's "Top 250" issue. We had the third largest revenue growth (28.8% from 2007-2008) out of ALL the top 250 transportation companies that release financial data.

Even though we have fared far better than most of our competitors, the rate pressure that continues to exist in the market is what is holding us back from the profitability level we need. As the economy continues its slow rise combined with capacity from weaker companies continuing to take their trucks off of the road, I am very optimistic that 2010 will be a year of recovery and growth. That tightening of trucks combined with companies ramping up their production/shipments will allow us to take the rate increases we need.

When I talk to my trucking contacts across the country, most all of them tell me how their companies have taken 10-20% pay cuts, laid off high numbers of administrative staff, and oftentimes made dramatic reductions to their fleets. It is important to me that you know that our sales team will continue to find more business that fits our network, keeps you under the type of loads you want to haul, and at the mileage per week you need to support your families. All I ask from you is to continue providing the world-class service we have come to be known for in the industry.

It truly gives me a lot of pride to hear first-hand from our accounts all across the country of how professional are drivers are and the appreciation they have for our organization. I start each day with a prayer for your collective safety and truly appreciate all that you do for us day-in and day-out.

Warmest regards,

Fred Needham
Executive V.P. - Sales

Expert fuel coming in January of 2010

In January of 2010, we will implement IDSC's Expert Fuel product which is a fuel optimization software package. This is another cost reduction action that is necessary to remain competitive in the long run. You have asked us to continue to look for ways to manage costs, and we are actively responding to your feedback. Fuel is our 2nd highest cost, and we continue to look for opportunities to manage this significant cost area more efficiently. Let's learn more about Expert Fuel. Expert Fuel is the industry-leading fuel optimization system designed specifically for truckload carriers. Fuel optimization is the most technologically advanced approach to systematically reducing our fuel expense — which can result in saving hundreds of thousands of dollars in fuel and out-of-route expenses.

Expert Fuel combines the technology power of our existing McLeod dispatch and mobile communications systems with best-in-class fuel pricing and routing data to equip our drivers with optimized fuel purchase and route plans at the point of dispatch. Fuel plans are generated using IDSC's unique patent-pending algorithm to calculate all essential factors — in real-time, and in a matter of seconds. All relevant route and vehicle factors are considered in the solution including: Current fuel prices, fuel level, vehicle fuel consumption, state tax implications, fuel network implications, out-of-route miles, route policies, tank fill policies, and driver amenities.

Upon dispatch, Expert Fuel automatically generates a route optimization and an optimum plan for fueling along the way. The resulting trip plan offers highway-by-highway directions and specific fuel buying instructions, including the number of gallons to buy at each truck stop. Our driver can refer to the detailed instructions on their truck's onboard display for the duration of the run. Expert Fuel measures driver compliance with these instructions, and this is where we need our drivers' support. We need 100% compliance to the routes and fuel stops identified by Expert Fuel. We need you to help us implement this essential technology and realize significant fuel cost savings. No implementation is without its hiccups, so please work with us to improve how we leverage this technology to lower fuel cost for our business. Your support is critical to our success. Now, we will share a bit more on how Expert Fuel decreases our fuel cost.

Expert Fuel dramatically decreases the cost of fuel by taking full advantage of the fact that fuel prices vary by location. More gallons are purchased where the fuel is cheaper and fewer gallons are purchased where the fuel is more expensive. Also, out-of-route miles are minimized by providing an optimized fuel purchase and route plan at the time of dispatch. We expect Expert Fuel to help us save between 4 to 11 cents per gallon per truck. These savings per gallon occur because fuel prices vary by location and do not vary much by carrier size. The savings per gallon tend to be the same whether you buy 1 million gallons of fuel per year, or per week.

Our cost of fuel will be further reduced by renegotiating discounts and evaluating other fuel networks and fuel card providers. As always, success will be determined by our execution.

Please help us to effectively execute Expert Fuel by complying with its optimized routes and fuel stops 100% of the time — it is that simple. We can drive our fuel costs down by hundreds of thousands of dollars, and this is significant when fuel is the #2 cost in our business. Thank you so much for your support.

Ken Adams
Chief Executive Officer

Phil DeSimone
President

Welcome to the Team

Welcome Back Carl Rochford! Carl is back as our VP of Risk Management. Carl comes to us with over 20 years of truckload experience. We are very fortunate to have Carl join our team and lead our organization's commitment to Safety and Risk Management. Carl is a very professional, values based leader who knows what it takes to be safe and successful on the road. - Carl drove for over 4 years. Please join me in welcoming Carl back to our Southern Cal family. When you stop in to see us in Birmingham, please stop by and visit with Carl.



Merry Christmas!

It is amazing that it is December already! What a year it has been! Through the challenges and trials of 2009, we tend to focus on what is not right around us. Successful people and organizations stop and smell the roses only for a brief moment. This is an extra special time of year when we must pause, give thanks, and give back to those around us. Our Southern Cal Family is growing and very grateful for our incredible drivers and associates that work so hard day in and day out. Our drivers and associates have families that support and love them, and our message of thanks is most definitely for you as well. From our Southern Cal Family to Yours — Have a Safe and Joyous Holiday Season, and Thank You for all that you do.

Ken Adams
Chief Executive Officer

Phil DeSimone
President

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Billy Erskine
Director of
Safety

Safety Corner

CSA 2010—An FMCSA Safety Initiative

What does this mean to me as a Driver?

- For the first time, each commercial vehicle license holder (**YOU!**) will be assigned a ‘Safety Record.’
- **YOUR safety record** will follow you regardless of the company you work for or contract with.
- **YOUR** activity on the highway, i.e. roadside inspection violations, accidents, tickets, even warning tickets will have a negative impact on your personal safety record.
- **YOU** could lose your ability to drive for a living as a result of a poor safety record. Companies will **HIRE** and **FIRE** based on your safety record.
- **YOUR PAY** could be affected as a result of a poor safety record. Likewise, you could earn **MORE** with a favorable safety record!!

Safety Record will be based on 7 BASICS. (Behavior Analysis & Safety Improvement Categories)

What are the 7 BASICS?

1. **Unsafe Driving** — Dangerous or careless operation of commercial motor vehicles.
2. **Fatigued Driving** — Driving commercial motor vehicles when fatigued. This includes hours of service violations
3. **Driver Fitness** — Operation of commercial motor vehicles (CMVs) by drivers who are unfit to operate a CMV due to lack of training, experience, or medical qualification.
4. **Controlled Substances and Alcohol** — Operation of a CMV while impaired due to alcohol, illegal drugs, and misuse of prescription medications or over-the-counter medications.
5. **Vehicle Maintenance** — CMV failure due to improper or inadequate maintenance.
6. **Improper Loading/Cargo Securement** — shifting loads, spilled or dropped cargo, and unsafe handling of hazardous materials.
7. **Crash/Incident Experience** — Histories or patterns of high crash involvement, including frequency and severity.