

3 Ways

the Shale Boom Will Impact the Trucking Industry

2013

Insights from the transportation industry survey conducted in collaboration with:

- Benesch
- National Tank Truck Carriers (NTTC)
- Ohio Trucking Association (OTA)

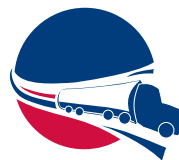


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Benesch
Attorneys at Law



NTTC
NATIONAL TANK TRUCK CARRIERS



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Executive Summary

Shale energy exploration, the growing practice of deep horizontal drilling to harvest oil and natural gas previously beyond reach, has changed America's energy industry and overall economy. According to the American Chemistry Council, abundant natural gas is creating an "American manufacturing renaissance" that is expected to produce more than 400,000 new American jobs, and over \$132 billion in new U.S. economic output. And in the areas where the actual drilling occurs—Ohio, Pennsylvania, Texas, Louisiana and North Dakota—there are even more direct economic impacts of what has been called the "shale boom."

These impending economic changes present both challenges and monumental opportunity.

As a leader in the transportation industry, it is important to have the information necessary to position your company to capitalize on opportunities in this new market.

This white paper identifies three important ways that the shale boom will impact the trucking industry.

- Increased Demand for Trucking
- Shortages of Workers and Supplies
- Regulatory Changes

It summarizes and interprets the results of a survey recently completed by Benesch, an Ohio based firm with a nationally-recognized transportation and logistics practice, in collaboration with National Tank Truck Carriers (NTTC) in Washington, DC and the Ohio Trucking Association (OTA) in Columbus, Ohio.

The survey provides a snapshot of changes in the initial four years of the shale boom, as well as expectations for the coming half-decade both in areas of active shale gas production, and the nation as a whole.

"As many economists will tell you, [trucking] is an important harbinger of economic vitality and change. Increases in trucking activity signal corresponding changes in manufacturing and industry. After all, you can't make or sell a product without transportation playing a key role in the process."

*Richard Plewacki, partner
Benesch's Transportation & Logistics*

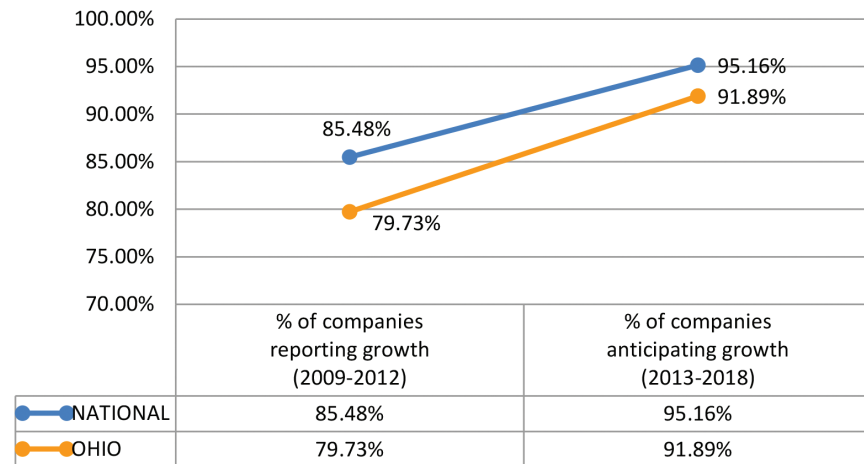
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1. The Shale Boom will spur trucking industry growth:

As the US and global economies begin to emerge from recession, the trucking industry is showing early signs of growth, and the shale boom is a significant part of this equation. When asked about activity from 2009 to 2012, 80% of Ohio trucking companies and 85% of national trucking companies reported growth. Looking ahead to the next

five years these groups are even more optimistic, with the percentage anticipating growth rising to almost 92% of Ohio trucking companies and 95% of national trucking companies.

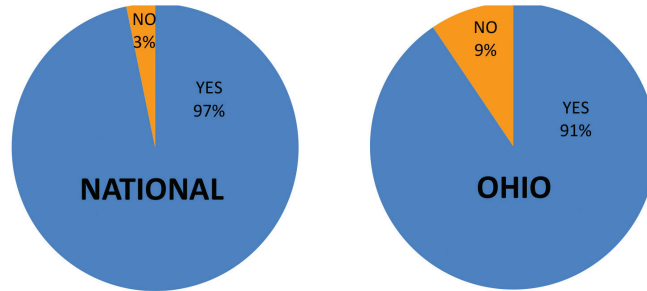
Reported & Anticipated Growth



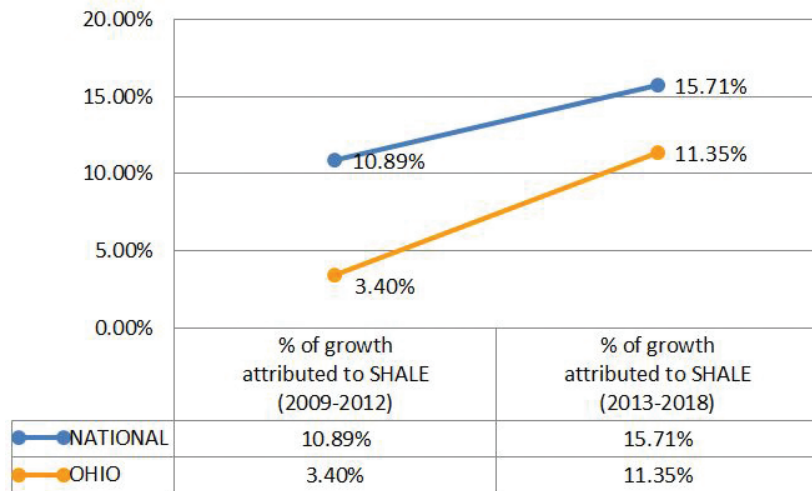
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And much of this anticipated growth is due to the activity in the shale industry. When asked whether shale would impact the trucking industry, 97% of national companies, and 91% of Ohio companies agreed. The impact is expected to be positive, with 16% of future growth attributed to shale nationally, and 11% in Ohio.

Do you believe tht the shale boom will have an impact on the trucking industry?



Growth Attributed to the Shale Boom



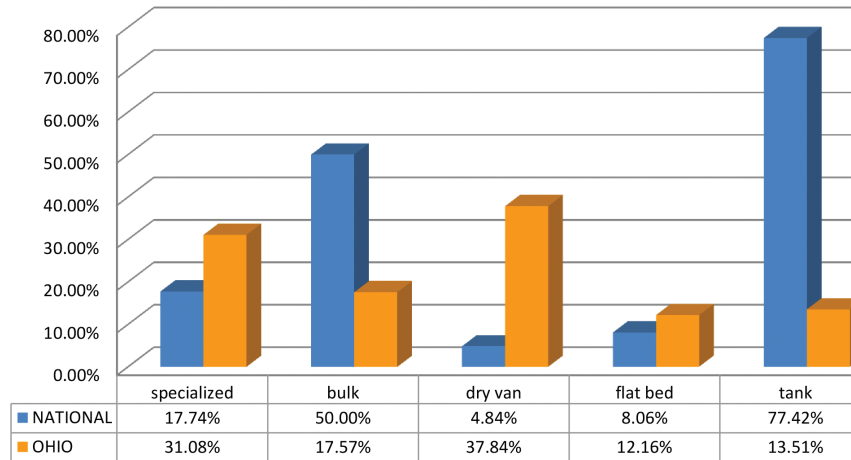


While shale-driven growth will cut across sectors of the trucking industry, the greatest impact will be in the tank sector. Nationally respondents anticipated 77% growth in the tank sector, and 50% growth in the bulk sector. In emerging shale plays like Ohio, the increased demand continues to be for the dry van and specialized trucks needed for building infrastructure, but will transition to bulk and tank as these fields build to full production.

“Because of fracking, the process to get natural gas out of shale, tank trucks will be the best sector.”

*Bob Costello, ATA Chief Economist
Trucking 2013 forecast*

Anticipated Growth by Sector

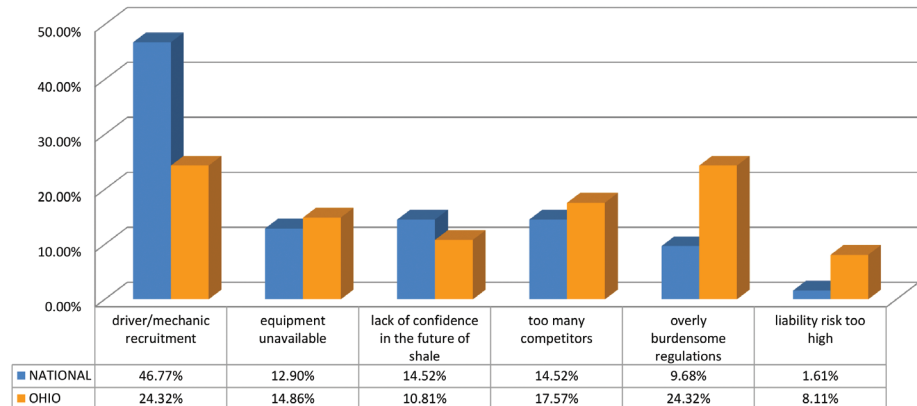


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The Shale Boom will increase shortages in means of production.

The shortage of qualified drivers and mechanics is not a new concern in the trucking industry, but the increased demand will put more pressure on a workforce already in short supply. This shortage has already limited growth for some companies, and it continues to be a primary limiting factor for companies looking to take advantage of opportunities presented by the shale boom.

What is the greatest barrier that could keep you from capitalizing on shale opportunities?



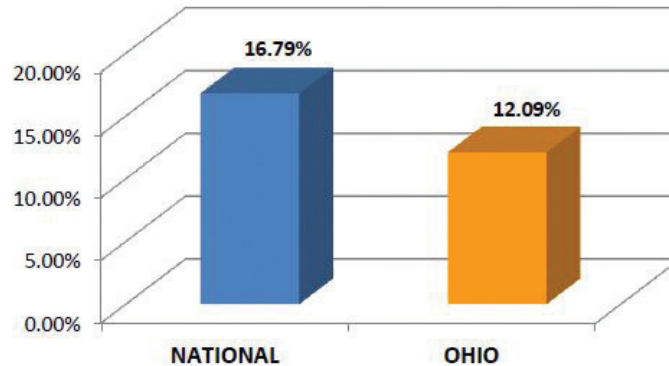
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When asked to identify the single biggest barrier to capitalizing on shale opportunities, driver and mechanic recruitment was identified by 47% of national companies, and 24% of Ohio companies. The rate of workforce growth is expected to be 17% nationally, including 12% of Ohio-based companies.

“We’ve seen small fleets have to downsize because they had to sell two older tractors just to buy one new tractor.”

*Bob Costello, ATA Chief Economist,
Trucking 2013 forecast*

Anticipated Workforce Growth (2013-2018)



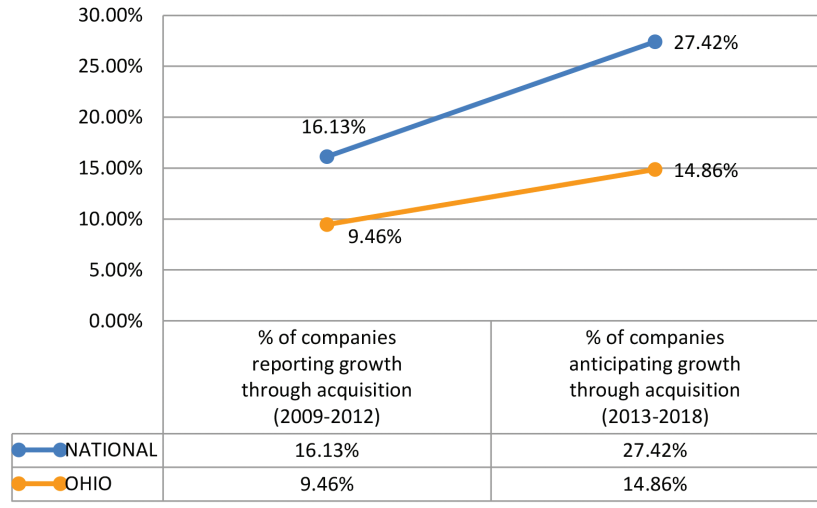
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Shortages of available equipment are also a concern, and according to American Trucking Associations Chief Economist Bob Costello, new equipment is replacing aging trucks rather than building fleet capacity.

These combined shortages of labor and equipment have companies increasingly considering acquisition

as a means to growth. Nationally, 27% of companies are considering acquisition in the next 5 years (an increase of 11%), and in Ohio 15% of companies are considering acquisition in the next five years (an increase of 6%).

Growth Through Acquisition



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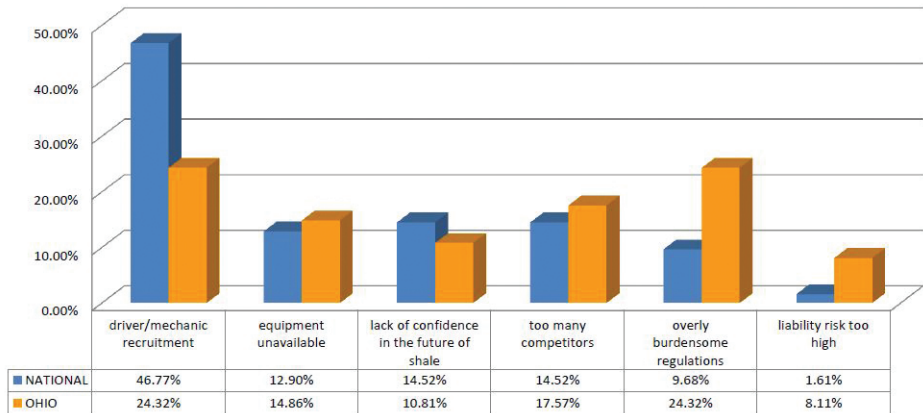
The Shale Boom will require companies to comply with complex, changing regulations.

While nationally less than 10% of respondents identified regulation as the primary barrier to growth, in Ohio—the hotbed of activity in the emerging Utica shale play whose oil and gas regulations are still emerging—regulation was identified as the leading barrier to growth by over 24% of respondents.

“The regulatory conditions are significant, as is the absence of many/most carriers (unless they are true hazardous materials transporters) understanding what they have to do to be in compliance.”

--Ohio Survey Respondent

What is the greatest barrier that could keep you from capitalizing on shale opportunities?



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Capitalizing on shale activity requires trucking companies to be knowledgeable and compliant with not only Federal transportation law, but oil and gas production law, which is regulated by individual states. But the difference in the level of concern about regulations between national and Ohio carriers is likely a function of prior experience in the oil and gas arena—not one of ability. National carriers have had experience in other settings outside of Ohio and have become educated about and familiar with applicable regulations and other oil field operational challenges.

And while regulations continue to evolve, the changes can be anticipated and planned for. Carriers should already be planning for a change of the Hours of Service Regulations (which are anticipated to come into effect July, 2013), as well as the prohibition against traditional motor carrier-to-motor carrier subcontracting that recently became effective through MAP-21. But these regulatory changes are just part of the industry, like changing customer requirements, and community initiated limitations with respect to infrastructure and transport and oil field conduct.

“There is no reason why with due diligence, Ohio motor carriers cannot position themselves to be competitive as the Utica Shale play grows.”

*Richard Plewacki, partner
Benesch's Transportation & Logistics*

Conclusions

“The survey illustrates the degree to which shale energy is an economic game-changer,” says Benesch’s Plewacki. “High demand for domestic and stable sources of energy are driving shale development at a rapid pace. Ancillary businesses, such as trucking, are reaping tremendous benefits and this can only benefit the economy as a whole. There are, however, threats to this

prosperity. The trucking industry needs new ways of finding and retaining drivers and mechanics. Growth isn’t possible without this vital human capital. And trucking companies need to find and retain legal professionals to help navigate changes in state regulation and maximize their opportunities.”

About the survey

The survey took place, via email, in November and December of 2012. Benesch developed the questions in partnership with NTTC and OTA. All members of both associations were given the opportunity to participate in the survey. The data-gathering phase of the survey ended on December 18, 2012.

About Benesch

Benesch is a full-service business law firm with offices in Cleveland, Columbus, Indianapolis, Philadelphia, White Plains, Wilmington and Shanghai. The shale oil and gas practice co-chairs are Orla E. “Chip” Collier III (Columbus office) and Kevin D. Margolis (Cleveland Office). You can learn more about Benesch by visiting www.beneschlaw.com. Also, read Benesch’s daily updates on the Ohio Shale Play at www.ohioshaleupdate.com.

About the Ohio Trucking Association

The Ohio Trucking Association (OTA) is a nonprofit, full-service trade association that promotes and protects the interest of the trucking industry in Ohio. Membership includes more than 800 companies across the buckeye state. For more information, visit <http://www.ohiotruckingassn.org>.

About National Tank Truck Carriers

National Tank Truck Carriers (NTTC) represents the tank truck industry before Congress and federal regulatory agencies, including the DOT, EPA and DHS. NTTC is also involved in state and local issues across the country that impact its membership of 200 companies. For more information, visit <http://www.tanktruck.org/>.