Good morning. At this time, I would like to welcome everyone to the YRC Worldwide fourth quarter earnings conference call. (Operator Instructions) I will now turn the call over to Sheila Taylor, Vice President of Investor Relations.
Sheila K. Taylor

Good morning and thanks for joining us for the YRC Worldwide 2008 earnings call. Bill Zollars, the Chairman, President and Tim Wicks, our CFO, will provide our comments this morning. Michael Smid, President of YRC National Transportation, John Carr, President of YRC Logistics, and Paul Liljegren, our Corporate Controller are available for questions.

Statements made by management during this call that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This includes statements regarding the company's expectations and intentions on strategies regarding the future.

It is important to note that the company's future results could differ materially from those projected in such forward-looking statements due to a variety of factors. The format of this call does not allow us to fully discuss all of these risk factors. For a full discussion, please refer to our 10-K, last night's earnings release, and today's 8-K filing.

I will now turn the call over to Bill.

William D. Zollars

2008 was certainly a challenging year for almost every industry and ours was no exception. YRC's operating results reflected the significance of the economic recession that has been longer and deeper than anyone anticipated. With that said, the year brought some opportunities for us and provided a platform for tremendous improvement going forward.

I am going to talk briefly about the quarter but then I would like to focus on the future and how we plan to improve our results and market position throughout 2009.

With respect to the fourth quarter, each month continued to progressively weaken as the economy slowed further and the retail holiday peak never showed up. Lower volumes and declining prices had the most significant impact on our fourth quarter earnings along with some accelerated integration investments and pension settlement costs.

Though these results may have been unexpected by the Street, they were not a surprise to the company or our banking group and are what we have been reviewing in our discussions with them. Tim's going to talk that in a lot more detail in a minute.

In looking closer at our segments, we remain pleased with the ability of YRC Logistics and Glen Moore, our truckload company, to make adjustments for the economic environment. Glen Moore’s results improved each month of the quarter as fuel prices significant dropped and the number of driver chains supporting our national transcontinental business increased. While YRC Logistics’ revenue slowed in relation to the economy, the team did a solid job of managing costs and minimizing the impact on earnings.

The regional company’s results continued to be significantly impacted by Holland and the ripple-effect of the auto industry. With news around the auto makers future progressed and companies shut down factories for several weeks at a time in the fourth quarter, Holland’s revenue progressively weakened. To compound that impact the early arrival of winter in the heart of Holland’s territory caused customers and highways to close for extended periods.

We remain encouraged by Holland’s effort to continue reducing costs and improving service through network optimization. Their future results will also include the benefits from the union and non-union reductions that went into effect earlier this month and their efforts to further diversify and expand their customer base.

As for Reddaway and New Penn, they continue to be solid companies with highly valued service offerings, and I might just mention that there seems to be some sort of a rumor in the marketplace about our divestiture of New Penn, and that in fact is not true. They are a valued part of the portfolio and are performing well.

Though the economy has had an impact on their profitability, they do remain focused on providing quality service to their customers while managing costs closely, at both Reddaway and New Penn.
Let me move now to the National Companies. It’s clear that their operating performance is not acceptable and their cost structure and competitive position needs to improve. That is why we have been working closely with the IBT on two game-changing actions: first, the wage reduction and second, the network integration. I will provide an update on those in a minute, but let’s first touch on National’s fourth quarter results.

Consistent with the industry, volumes continued to weaken throughout the quarter despite easier year-over-year comparisons as the quarter progressed. In mid-December we stated that our tonnage for October and November combined was down around 12% and for the quarter we ended up 14.6%. This step down was largely due to further softening in the economy, as many other companies have said, in addition to a couple of specific factors which I will get to in a second.

Interestingly, if you look at shipments rather than tonnage as a surrogate for activity in the marketplace you will see that there is a much closer clustering of all of us in this industry in terms of the year-over-year results. And I think that is really because the total tonnage that has been reported by the all the companies can be disputed by the percentage of truckloads.

So you will see in many of the companies’ reports a big difference between tonnage per day and shipments per day and I personally think that the shipments per day is better surrogate with less noise in it. So if you want to take a look at that, you will see that everybody is kind of in the teens year-over-year, in terms of shipment.

Let me now go back to a couple of the other factors that impacted our volumes in the fourth quarter. One of those is the acceleration of our internal efforts to improve our business mix while we consolidate the national networks.

We mentioned this last quarter that we would be actively working with unprofitable accounts to evaluate alternatives, including price increases and opportunities within YRC to move that volume to one of our companies where it would be more profitable.

By accelerating the integration of Yellow and Roadway to early spring, and now March 1 is really the final day of the integration, we became much more aggressive in these efforts and so our business mix and volumes would be in a better match with the network capacity we will have in the new integrated network.

In many cases customers understand the value we provide in their supply chain and accept the increases, but in certain situations we have had a lot of that business to go back into the market.

Even in this economic environment it doesn’t make sense for us to handle business that does not cover variable cost or that negatively impacts the efficiency of our network, particularly as we approach the completion of the integration. We will give you a little bit more of color there in a few other examples here in a second.

Another impact on our volumes is undoubtedly the fact that some customers had diversified their portfolio, moved away from us really, due to misinterpretations and misperceptions about our financial stability. With the numerous reports in the investment community and media that contain misunderstandings of our financial actions, and in some cases misstate as a fact, we will try and clear that up here this morning.

Many of our customers have reached out to us to understand the facts better and have commented that the constant public remarks about us are, at a minimum annoying, and a few are just irresponsible. We feel confident that most of our customers can filter through the noise but unfortunately, this led to some business diversion. That particularly occurred around the removal of our tender offer around Christmas. And Tim, again, will give you a little more detail around that.

One last point on volumes and then we’ll move on. We continue to get asked whether we are losing customers due to the integration of Yellow and Roadway. We don’t know of one single customer that has left us as a result of that and we remain confident that that will not be happening as we complete the integration.

Our customers continue to support the integration and are excited about the benefits of the network and the foundation it provides to launch new service offerings. In fact, in the locations that we have already consolidated, most customers have already seen enhanced service.

Let me move on now to pricing. Pricing remains very competitive and has continued to decline since the third quarter. The rapid drop in fuel prices has made it challenging to renegotiate overall rates with customers as their contracts come
up for renewal and has impacted our near-term profitability.

After adjusting for the impact of fuel and changes in our mix, we estimate the national LTL yield was down about 1.5% compared to fourth quarter of last year. Though we expect the pricing environment to remain competitive in the near term, our actions to improve our customer mix mentioned above, and a recent GRI that has been introduced, have already improved our yield results in January and we expect that trend to better yield continue through the first quarter. So even in this environment, the yield situation for us is improving.

As I mentioned before, the lower revenue was the largest contributor to National’s operating loss, but there are also some costs that are worth pointing out. First, is we further accelerated the integration, we also accelerated some of the investments, such as technology upgrades and data conversions and employee travel and training. These costs are tough to isolate but we estimate a little over $10.0 million in the fourth quarter.

The results in National were also negatively impacted by a pension settlement we had of about $9.0 million related to pension asset investment losses during the second half of the year, following the July 1 freeze of our non-union plans, and that really should be netted against the full-year curtailment gains.

We also had, as you know, significant weather impacts on the business, particularly in January. I think our networks were really completely open one day in the month of January but we haven’t really threatened to make a calculation about that weather impact because again, that’s more earth than science, but obviously not a good month to be tracking the year out to what base volumes really are.

Let’s now talk about plans for the future. After a careful evaluation between the company and the teamsters we asked our union employees to make our cost structure more competitive by voting for a 10% wage reduction. More than 75% of our union employees cast ballots with an overwhelming 3 to 1 margin, approaching 80% in favor of the reduction. That reduction went into effect earlier this month and we expect this to improve our cost base by about $220.0 million to $250.0 million annually, or nearly $1.0 billion over the remaining life of the contract.

This is in addition to the non-union compensation reductions that started on January 1 and are expected to save about $80.0 million in 2009. Now in exchange for these reductions, nearly all of our employees will have an equity interest in the company. Our employees have always represented these brands with pride and have provided exceptional customer service but owning stock and benefiting from its appreciation going forward will only make that commitment stronger.

As we said previously, our largest opportunity to enhance service and improve efficiencies is in the integration of Yellow and Roadway and we are well on our way to a successful implementation. We have worked toward the operational integration for years and have already completed many critical steps, including the combined operation of nearly 80 locations.

We expect to be operating one consolidated network by March 1 and that will leave us with about 450 locations. This is less by a lot from the 704 locations that we had when we first acquired Roadway, but I think more importantly, it is 100 more locations than either Yellow or Roadway operates today individually, so this really extends our reach and moves us closer to the customer and demonstrates the significance we have already taken to create a best-in-class national network with better density as a result of this integration and the single network that will result and be up and running on March 1 will be best-in-class in terms of our ability to deliver services.

We started, as you know, with smaller facilities focused on pick-up and delivery functions. I want to give you some data around that so you can get a sense for how well this is working. As we moved through the integration of the first 80 or so locations we were able to manage the risk of consolidating these locations and given the early success we had and continued support of both customers and employees, we have accelerated that, as you know, and are now going to be completing the integration on March 1.

Let me give you an example of the savings we’re seeing. We reviewed our P&D productivity for a four-week period at all of the new consolidated operations compared to a base line before the consolidation and compared to the performance of the non-consolidated operations during the last few months.

Facility bills per hour were more than 90% higher than the system average and we had built into our business plan a 5% improvement in productivity, so we are getting almost twice the productivity that we expected out of that piece of the integration. That is just one example of the power of the integration and the efficiencies that we can recognize.
Regarding the financial benefits, we expect improvements as we close this quarter with significantly more as we move through 2009. During the fourth quarter we exited 40 facilities at the national companies which was more than our initial expectations of 30. Our network optimization is a continual process but we anticipating exiting an aggregate of around 150 facilities by the end of this year.

Though this is a significant number of properties, it is important to understand it’s just duplicate infrastructure in a the new consolidated network that we are exiting and obviously that makes those properties available for sale.

We are not reducing service coverage but, in fact, are expanding it, as I mentioned earlier, and will have more coverage than any other provider in the industry beginning on March 1.

We are still confident that the integration will deliver a run rate of at least $200.0 million of operating income improvement from our 2008 results. With the accelerated time line we expect more of the savings in the second and third quarters than we originally expected, so we still anticipate first quarter run rate savings of about $10.0 million but we expect second quarter to be around $75.0 million, third quarter $175.0 million, and the full $200.0 million early in the fourth quarter.

Before I turn it over to Tim I would like to make a few comments on the costs that we have removed already from the business throughout 2008. I realize that the economic recession overshadowed the benefit of these reductions, but I think it is important to credit our employees for their tremendous efforts and acknowledge their sacrifices.

Over the past year we reduced our headcount by more than 12% and aligned our non-union retirement benefits across the companies. With significantly fewer resources, we redesigned our regional footprint, closing 27 unprofitable service centers and on the national side we accelerated the integration of our networks.

Combined with other cost-saving initiatives, these reductions should result in ongoing savings of well over $100.0 million. We continue to identify additional opportunities to remove more costs from the business and believe with the $200.0 million from the integration, which includes additional headcount reductions through 2009, and $300.0 million from compensation reductions, we can improve our operating performance by more than $500.0 million going into 2010.

I am going to turn it over now to Tim and he will give you an update on our bank discussions and some financial expectations for the year.

Timothy A. Wicks

I mentioned on the last call that I was looking forward to the challenges ahead and the last few months have definitely delivered. As we talk about our ongoing bank discussions, I can’t emphasize enough the importance of the actions Bill just covered.

We initiated multiple steps throughout 2008 that change our trajectory going forward and provide the company and banking group with confidence about our future. Bill covered the details on the wage reductions and the national integrations. I will focus on our actions in relation to debt paydown and liquidity.

As we entered the fourth quarter we were very focused on reducing debt and staying well below a leverage ratio of 3.5 times. The tender offer we announced in mid-November that would have retired over $300.0 million of debt for less than $0.50 on the dollar was very attractive to us and was launched with every intention on our part to conclude it. As the quarter progressed and the economic environment slowed even further, it became clear to us, however, that we needed to take steps to stay in compliance with our credit facilities and at the same time preserve liquidity going into 2009.

During some of the ongoing conversations with our banks, the options outlined in our credit facilities to obtain flexibilities on our leverage ratio and liquidity became very likely. Without the union vote ratified, which was a condition of the tender offer, we allowed the tender to terminate and pursued the discussions with our banks.

In conjunction with these discussions, the company, with the bank’s support, made a decision to maintain the cash drawn on the credit facilities in October and reported that balance and would contribute to a leverage ratio in excess of 3.5 times. Based on this and our earnings expectations, the company and the banking group negotiated a waiver that effectively takes the leverage ratio out of the equation in the near term and provides the flexibilities needed to use our cash to operate the business.

http://seekingalpha.com/article/117746-ycrc-worldwide-inc-q4-2008-earnings-call-transcript...
While we are on that subject, let me address some of the misperceptions in the marketplace regarding the restrictions from our waiver. First, with regard to not executing the asset sales above $30.0 million, we had identified a far smaller amount, which might occur during the waiver period, and so this limit gave us plenty of cushion during this period.

Second, the limit on additional indebtedness of $30.0 million was surrounding one particular negotiation, which we ultimately settled for $31,000. So again, well within any limits that were negotiated.

Another item noted as a restriction, but I wouldn’t look at it that way, was that we needed to deposit our cash proceeds from asset sales into an account with our agent bank. This was done before January 15 when we finalized the waiver and we already maintain cash with our agent bank.

And finally, on not requesting a loan from the revolver, other than a disbursement related to a letter of credit, we did this for one identified LC which we and our banks negotiated out until mid-February. It is important to understand that we have preserved liquidity for our LC requirements in 2009 through our discussions with the banks.

Now let’s basically talk about the positives this waiver gives us and that some of the markets seemed to have overlooked. A good example is that we are no longer required to pay down the term loan with the $150.0 million of proceeds from the sale and the financing leaseback transaction we announced in December. We now intend to maintain the proceeds for operating purposes. This is significant as we are currently closing on this transaction. As a quick note, it will be accounted for as a financing lease, which means the assets remain on our books and we will record a long-term note payable with no impact on depreciation expense.

Another positive is that we have already reset our ABS facility size to our expected usage, which means we aren’t paying for capacity we won’t use, and as a reminder, the ABS is being renewed as part of the amendment from mid-February, which is a couple of months ahead of schedule.

On the last call we talked about this first phase to improve liquidity, which we executed, and we now have the second phase well under way, which includes negotiating additional sale-leaseback transactions of significant value. It is premature to provide specifics on other opportunities but we feel confident that there are attractive options to further monetize a portion of our significant real estate assets of more than a $1.0 billion. Although the bank amendment is still in still in process, these types of transactions are a key component of the discussions with our banks to improve liquidity.

Moving on to the credit amendment, the conversations with the banks continue to be very open and productive. We still expect to finalize an amendment to our revolving credit facility which, again, will include the renewal of our ADA facility by mid-February.

I think Bill pointed out earlier about the banks being aware of our 2008 results and the current operating environment as an important one. We continue to have an ongoing and open dialogue with our banks and have every indication that they will continue to support our efforts to improve our cost structure and enhance our position in the market going forward.

In looking at our balance sheet and cash flow, it is important to focus on our near-term strategy of preserving liquidity. We had $325.0 million of cash as we exited 2008 and have actions in place to generate significantly more, including the $150.0 million sale-leaseback.

Our net debt position at the year end was $140.0 million less than the prior year, and keep in mind that we do not have any notes maturing until April 2010. This allows us to focus on liquidity as we start 2009 and recognize the benefits of the cost reductions and operational improvements as we move throughout the year. All of that puts us in a much better position to reduce debt as it matures, or the economy improves.

We continue to generate positive free cash flow, with over $185.0 million in 2008, including $128.0 million of proceeds from asset sales.

In the fourth quarter we nearly doubled the initial expectations of asset proceeds and recognized $49.0 million. This was the result of selling more excess properties than planned as the national integration continues to exceed our expectations and at slightly better values, which is an indication that even in this market, our real estate has significant worth.
We still expect $100.0 million of excess property sales in 2009 with most coming in the second half of the year from the national integration. And as I mentioned, we continue to evaluate additional sale-leasebacks that would be incremental to this number.

As far as capital expenditures, we invested a gross amount of $58.0 million in the fourth quarter, or $162.0 million for the year. This number excludes operating leases of about $85.0 million in 2008, making our total investment nearly $250.0 million.

Moving through 2009 we expect gross cap ex to be slightly lower at around $130.0 million as we remove all the equipment from the fleet and improve our utilization through the national integration.

Similar to 2008, it is possible that a portion of this investment will be financed through operating lease arrangements so we will continue to update you as the year progresses.

Before wrapping up, let me comment quickly on the additional impairment charges that we recorded in the fourth quarter. As we introduced the new unified brand for Yellow and Roadway we made the determination to eliminate the remaining book value of the Roadway trade name. As the Yellow and Roadway brands have been in the market for 80 years, we expect the names to be visible for a while but we believe the new YRC brand effectively represents the more comprehensive service offering of the combined companies.

In addition, we finalized our annual impairment test that we started in the third quarter. We determined that the remaining goodwill at YRC Logistics needed to be written off in that process. This test took into consideration our lowest stock price and the general economic outlook, in addition to the current operating results. It is important to remember that these are point-in-time accounting entries that are non-cash in nature and do not reflect the significance of these companies to our customers.

In summary, we have managed the financial challenges of the economy in a very tough credit market. We proactively addressed 2008 and 2009 debt maturities and we have taken aggressive cost actions. We continue to have strong working relationships with our banking group and we are actively monitoring the financial markets for opportunities to further optimize our capital structure.

I will now turn it back over to Bill for closing comments.

William D. Zollars

Well, we obviously can’t control the economy but we have several initiatives underway to better position the company to weather these times and come out as a much stronger organization.

I get the question often about what makes our situation different from previous or even current competitors. We have a lot of differentiators but three significant ones come to mind.

First, the integration of Yellow and Roadway that will significantly reduce our cost base while at the same time enhancing service to our customers is unique to YRC. This integration will result in the largest, most comprehensive network that can provide the best service in the industry.

Second, the flexibilities that exist in our new labor amendment have never been available in the past and allow us to compete more effectively with non-union carriers.

And finally, we have the largest revenue base in our industry, representing over 25% of the LTL space. Our customers appreciate this position and its impact on their LTL needs.

In summary, we are aggressively addressing near-term liquidity and improving our balance sheet while removing a significant amount of cost from the business. We expect the economic environment to remain difficult, which obviously impacts our near-term profitability but with the integration complete and our cost actions, we expect significant improvement starting in the second quarter.

We appreciate the support and loyalty of our customers and remain committed to providing them the most comprehensive offering for big shipments.
Just one final request. I know there is a lot of interest in the company and I would urge you to go to our website and look at real-time updates if you have any questions, and as always, if you want to give us a call we will be happy to be as transparent with you as possible. So please reach out to us to stay on top of us going on, as you have interest.

We will now take some questions.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Tom Wadewitz – JP Morgan.

Tom Wadewitz – JP Morgan

I wanted to ask a question on cash flow outlook in 2009, if conditions remain pretty difficult. There are things you control, obviously you are doing some hard work on wage reduction and the terminal integration so that is good news but you can’t control what the market does. What does the cash flow look like if you are not able to produce positive EBIT through the year? Are you able to produce positive cash or are there things other than the capex that you mentioned that would be draws on cash that would make it difficult to be cash positive in that scenario?

Timothy A. Wicks

As we think of 2009 and we think of what’s happening in the operation, first of all, I think it’s important that you reference the operating actions that we have taken. There were wage reductions with the teamsters as well as the non-union employees. Together we expect to remove about $300.0 million of costs out of our operating structure this year. And then by the end of the year being in a position where the integration removes another $200.0 million of operating costs.

That in this type of environment, removing $500.0 million of operating costs is a significant impact to producing operating cash flow.

Beyond operating cash flow there are a number of actions that we have been taking related to the balance sheet and probably the most important of which is the $150.0 million sale-leaseback transaction that we announced in December as one of the beginning stages of this phase of producing additional liquidity.

The first tranche of that transaction is planned to close today and we have full expectation that everything is on track, that that will in fact close today. And the second tranche is expected to close two weeks from today. And we have full expectation that will occur as well.

Beyond that, we have other transactions that we have identified and we know that we have significant interest from investors regarding other sale-leaseback transactions. And then the additional excess real estate that will be liberated by way of the integration.

So the combination of each of those actions, ones that we have already taken in terms of operating cost structure adjustments, the integration which is well underway and will be complete within the next month, as well as the sale-leaseback transactions and asset sales give us good confidence that we will be able to produce sufficient operating cash flow through the remainder of the year.

Tom Wadewitz – JP Morgan

It seems like even in a flatter negative EBIT scenario, given how low the capex projection is, you would still be positive on cash. Is there a requirement for meaningful cash contribution to pension fund in 2009?

Timothy A. Wicks

The current expectation for a cash contribution to the pension fund in 2009 is around $11.0 million in April, a relatively modest amount.

Tom Wadewitz – JP Morgan
In terms of the discussion that you have with the Board and the discussion that you have with the banks, you have made a lot of changes for structural improvement but is there any consideration or discussion about a bankruptcy restructuring as a possibility or is that something you feel like you have taken off the table and isn’t one of the choices, in that Board discussion or bank group discussion?

William D. Zollars

No, we are very confident that the path we are on is a path to success and that path leads us to a position that is much stronger as we move through the year. so that is our plan, we’re on plan and we’re very confident about the plan.

Tom Wadewitz – JP Morgan

And you feel like the bank group is on the same page with that and comfortable with what you are doing for improvement?

William D. Zollars

Yes.

Tom Wadewitz – JP Morgan

On the timing, do you think there is a chance that it gets pushed back and if it does is that an issue? Or are you pretty confident that you will get through the various hurdles and get this done by mid-February?

William D. Zollars

We are very confident that we will meet the mid-February date.

Operator

Your next question comes from Justin Yagerman - Wachovia Capital Markets.

Justin Yagerman - Wachovia Capital Markets

In your discussions with your bank group, what is the tenor of those conversations? How committed do you think they are to seeing you through this process, not just giving you leeway for the next few months, but considering that with the economy this may take a year or plus to execute on everything you are talking about, are they willing to suspend some of the more restrictive covenants that you have? This 3.5 bogey on the debt to EBITDA has been something that I’m sure has hung around your necks for the last several months. Are they willing to waive those things indefinitely, or at least for a large period of time, while you get through this or are we going to start knocking up against these kinds of liquidity tests as we move through the year again?

Timothy A. Wicks

You have a couple of questions in there. Let me focus on the few that I believe you are asking. The tone of the discussions with the bank is very productive and it is very constructive as we work through this. We and the bank group are very interested to move forward the business. We have presented an operating plan that we have significant confidence in and because it is an operating where we have administered, what I would call self-help, before we went to the banks, in terms of reductions to our cost structure, that it is a plan that is viewed very favorably. And as we think about that type of approach, that yields a very constructive discussion with the banks.

As it relates to the details of the discussions with the banks and the types of discussions around the covenants, I think it would be inappropriate for us to comment on any specific details while we are in the midst of those discussions with the banks. At the conclusion of the amendment process we will be able to disclose fully what the new approach to covenants will look like as we move forward.

Justin Yagerman - Wachovia Capital Markets
When are you profitable in this operating plan that you have presented to your bank group?

William D. Zollars

As you know, we haven’t been giving guidance and will continue to not give guidance until we have better visibility into the economy, so we are not going to give you that information right now.

Justin Yagerman - Wachovia Capital Markets

As you think about the overall book of business that you have and you’ve talked a lot in your prepared remarks about calling bad freight, what do you think the optimal revenue number is for National and for Regional? And when you think about how you get there, and I’m imagining it’s probably somewhat smaller than where you are right now, given the integrations that are taking place, can you get there solely by shedding bad freight that you’ve got within your network or do you need to really get a better mix of business into your book of business in both of those companies in order to get to a healthier business mix?

William D. Zollars

Let me use some numbers that will be illustrative, not necessarily very accurate, but illustrative. If we have got networks that are 75% full at Yellow and Roadway, and that’s probably around where we are, as we combine those we obviously have a significant amount of business beyond what it would take to fill up the new integrated network, so it does give us tremendous leverage as we manage our way through the customer mix. So that’s an opportunity that we are currently pursuing, as I said, and the early results are very encouraging.

But we have significant amount of business that is just not going to fit in the new integrated network, without getting into specific numbers.

The other thing I will tell you is that once we get this new network in place, and that will be beginning March 1, we have the density and the reach that will be best-in-class, as I mentioned earlier. That gives us an opportunity to provide better service, both in terms of speed and reliability and offers us an opportunity to launch new services in a way that will make us more competitive in the environment and we think a great foundation to grow the business as we go forward.

So, yes, we do have enough business in the two networks without having to worry about going out and acquiring a lot of new business. But it does build a platform to allow us to do that as we move forward.

Justin Yagerman - Wachovia Capital Markets

When you look at your value proposition relative to your pricing right now and with how difficult the pricing in the market is getting and has gotten in LTL, do you feel like you are still well positioned, given the fact that you may have a little bit more trouble getting price competitive with your margins where they are?

William D. Zollars

A couple of things. First of all, the cost reductions that we have either implemented or are implementing will really wipe out a lot of the differential between union and non-union. That’s a big, big step for us and a game-changer.

The other thing I would say is that, as I mentioned earlier, we are getting really good results from the revenue optimization and customer mix program mix that we’ve already implemented and we are seeing yield improve as we move into January. So even in this deterioration with volumes that are lower than a year ago, we are getting better pricing and better yield as a result of that approach and we expect that to continue.

Justin Yagerman - Wachovia Capital Markets

Where are you right now in terms of rolling stock, and what not, given the reduced capex and smaller network, I would imagine you have some surplus rolling stock that helps you out. How are you feeling about your fleet as of now? And if you could give us an idea of where the ages are on your line haul and city fleet, that would be helpful.

William D. Zollars
I think the average fleet age now is around four years, which is about where we want it. Obviously as we retire equipment through the integration, that gives us an opportunity to make the fleet even younger. So that is an opportunity to improve the age of the fleet while we take out costs and it’s also the reason why our capital appetite will go down significantly this year and be materially lower on a go-forward basis.

**Justin Yagerman - Wachovia Capital Markets**

That four years if the line haul fleet?

**William D. Zollars**

Yes.

**Operator**

Your next question comes from Thomas Albrecht – Stephens Inc.

**Thomas Albrecht – Stephens Inc.**

I wanted to clarify, I think you said one sale-leaseback you are going to complete within 24 hours and the other within two weeks. In that order, is that the $150.0 million and then the $100.0 million?

**Timothy A. Wicks**

No. Let me clarify. That is the $150.0 million sale-leaseback that is being closed in two tranches. And we had that flexibility in the original agreement to do that.

**Thomas Albrecht – Stephens Inc.**

So one tranche is basically today or tomorrow and the other is two weeks?

**Timothy A. Wicks**

One tranche is today and the other is two weeks from today.

**Thomas Albrecht – Stephens Inc.**

You also had originally talked about two other $100.0 million sale-leaseback opportunities. What is going on there?

**Timothy A. Wicks**

We have been in discussions, and continue to be in discussions, with a number of investors who have a significant interest in our real estate facilities, who are very interested in completing sale-leasebacks and we have identified a number of very specific time frames and potential agreements that we are in the process of negotiating at the moment.

**Thomas Albrecht – Stephens Inc.**

What is the big hang up? Is it essentially the state of the capital markets or is it your own financial performance?

**Timothy A. Wicks**

I think it would be hard for me to address that because I come from a very different perspective where I don’t see a hang up. We are being very successful at closing these larger transactions and we are being very successful at closing these sales of excess real estate. And in particular, in this type of a market we have been able to sell in the fourth quarter at a rate that was almost double what our original commitment was and there was a very strong market for those properties.
Thomas Albrecht – Stephens Inc.

I’m still talking on the other two sale-leaseback possibilities of $100.0 million each. What is the hang up? Is it the capital markets there as well or is it your own financial performance?

Timothy A. Wicks

Again, there is no hang up with them. It takes time to negotiate a transaction to make sure that we are being prudent how we put the property list together to make sure that we’re building representative portfolios that maintains the value of the assets as we move forward. Again, we don’t see any hang up there. There’s nothing different in terms of the timing that we talked about previously.

What is different is that the size of the interests have increased and the quantity of investors who are coming to us to talk with us has increased. So again, I don’t see it as a hang up but we are seeing substantial interest in the market as it relates to our real estate and that continues to grow.

Thomas Albrecht – Stephens Inc.

In other words, instead of having two other $100.0 million transactions, each one could be bigger or you are talking about the number of parties has grown in size?

Timothy A. Wicks

It could be any combination of what you just suggested. It could be both.

Thomas Albrecht – Stephens Inc.

Let’s step back for a minute. Bill, in early September is when you announced the merger of Yellow and Roadway, to go to approximately 450 terminals. We all know the world has dramatically shrunk in terms of economic outputs since then. Is 450 going to be enough or do you really need to be thinking about going to 350 terminals or some other number in a significantly smaller freight environment?

William D. Zollars

I think that the 450 is probably not the end game. We have plans on the books to take that down as we continue to optimize the network. We will probably end up in a settled-down, steady state situation with more like 400. But that will take us a little while to get there.

The 450 is still down by 150 and the good news there is it’s 100 more locations than either Yellow or Roadway has independently. So it’s a big opportunity to improve efficiency but we’re not going to quit when we get to the 450. We think there’s probably more there.

Thomas Albrecht – Stephens Inc.

I know you don’t know which customers will stay with you and which ones come in new, all of that whole yield management you discussed on account profitability, but when the end game is done, what do you see YRC Worldwide’s revenues being in 2010 and beyond? Is it going to be $6.0 billion, $7.0 billion? I can’t see any way imaginable where the approximately $8.0 billion run rate is going to be anywhere near your run rate a year from now. As a size discussion with the banks, for example. And I know this is theoretical.

William D. Zollars

First of all, we’re not planning on an economic recovery, but it will come at some point. It’s hard to quantify exactly what the number will be. We obviously can operate the network above capacity and we do so very efficiently actually. So whether that capacity number, it turns out to be 130% or 120%, we’ve got the ability to flex up and will have that capability as we go forward.

So rather than give you a number, all I will tell you is that it will be a smaller book of business but more profitable book
of business a year from now.

**Thomas Albrecht – Stephens Inc.**

It seems like it’s taking longer to reset the covenants than what occurred during 2008. Is that because that’s tied to completing some sale-leasebacks or is your results or the state of capital market? Why is it taking longer?

**Timothy A. Wicks**

Let me address it because we’re taking it in two pieces, the first of which is we did a waiver that we closed two weeks ago and I think it’s important to understand that that waiver got closed in just more than a week and that is a tremendous example of the partnership that exists with the bank group as we are working through this environment.

That waiver, despite it being closed in just over a week, had a number of components to it that were slightly more amendment-like and so there was a big request because in that we asked for and received the ability to be able to do this $150.0 million sale-leaseback and have it not be required for principal repayment during the period of time of the waiver when we closed the sale-leaseback.

Secondly, as it relates to the amendment, there are a couple of components that may get a little bit larger amendment and one of those is rolling the ABS forward two months. So as we think of the original expiration of the existing ABS that was in April, we are pulling that forward into this period of time so that it rolls right now. It made no sense to us to go pursue a bank amendment only to need to come back and address the ABS. And frankly, it made no sense to the banks to do it that way as well. So we are pulling those two together and our expectation is that amendment closes in mid-February. And given that we just launched it officially last Friday with a bank meeting in New York, we understand that that is fairly rapid timing for a bank amendment in this credit environment.

**Thomas Albrecht – Stephens Inc.**

Red tape at it’s best.

**Timothy A. Wicks**

I would actually say while there are many signatures required, it has been a very productive, very rapid response environment with the banks and I don’t think I could be more complimentary of the way we have been able to work together and appreciate the partnership of our bank group.

**Operator**

Your next question comes from John Barnes - BB&T Capital Markets.

**John Barnes - BB&T Capital Markets**

Can you walk us through what permanent change these sale-leaseback transactions have on your cost structure, namely the age of some of these facilities that you’re talking about? I would imagine that a lot of the cost had gone away, given that some of these facilities were a little bit older. So maybe the depreciation had run off of most of them. But longer term, how is this changing your cost structure on a go-forward basis?

**William D. Zollars**

Really there are two pieces to this. Obviously there is the sale of excess property, then there is the sale-leaseback piece. The sale of excess property, we will continue, as Tim mentioned, we will probably do another $100.0 million of that this year. We will be selling those properties at market rates. And those have been much better than we expected in most cases. And that obviously builds liquidity for us.

The second piece in the sale-leaseback does add some operating costs but frankly, that is the minimus compared to the $500.0 million of costs that we are taking out of the cost structure in the company. So it will be a small increase in operating costs, but overroamed by the cost reductions we’ve got going on elsewhere.
John Barnes - BB&T Capital Markets

How many total facilities are you talking about in the sale-leaseback? In all tranches. I’m looking at $350.0 million, right? $150.0 million in the two tranches, and then a third deal of $100.0 million and a fourth deal of $100.0 million, correct?

Timothy A. Wicks

And what I would say is that numbers that we shared with you previously in terms of those additional sale-leasebacks are probably different by virtue of the increased interest that there is in the market. So it probably isn’t appropriate to continue to refer to those additional ones beyond this transaction closing in two tranches that we’ve already referenced. It probably to refer to the remainder as just two $100.0 million each transactions, just because there continues to be strong interest from the marketplace. It’s probably a number north of that.

John Barnes - BB&T Capital Markets

But how many total facilities are we talking about?

Timothy A. Wicks

We are in the process, as we work through the negotiations with those investors, of identifying the specific properties. So we can’t disclose at the moment exactly what those look like in terms of total quantity but we will when we disclose the contracts.

John Barnes - BB&T Capital Markets

The one that is going to close in the next 24 hours, I would imagine you know how many facilities are in that one.

Timothy A. Wicks

We do.

John Barnes - BB&T Capital Markets

And can you tell us that?

Timothy A. Wicks

It is approximately 32 facilities and as we go through both today and two weeks from today, it will settle at 32.

John Barnes - BB&T Capital Markets

32 facilities, and is that $75.0 million, is it half, is it?

Timothy A. Wicks

We’re not breaking out the difference between the two tranches.

John Barnes - BB&T Capital Markets

So there is going to be some lease expense associated with 32 facilities of that initial deal?

Timothy A. Wicks

That’s right.

John Barnes - BB&T Capital Markets
Obviously you’ve talked about freight volumes and that kind of thing. In the near term shippers are obviously taking your financial condition into their decision process. It is abundantly clear that you have sharks in the water in terms of some more aggressive competitors bidding against you. I don’t think that’s any secret. I’m just curious as to what contingency do you have in place, if volumes are down another 5% as a result of those couple of things? How much more headcount can you aggressively take out if need be, if this revenue base gets a little weaker?

William D. Zollars

Again, go back to the integration. 75% and 75%, if you add them together, which you really can’t do, is 150%. There is a tremendous amount of cushion in the volume there. The other thing I would say is that built into the $200.0 run rate is another reduction in force, so there will be heads that will come out as a result of the integration that is built into the number.

But we have got unique opportunity here that really no one else has. Everybody else is in a position of trying to shrink their current infrastructure in one network with the given book of business they have so they can either shrink the network or go out and try and buy more business. We’ve got the luxury of taking our current book of business and actually improving the customer mix and really force some volume out as we integrate into the single network. So completely different situation but one that provides us with a significant cushion as the economy continues to struggle.

John Barnes - BB&T Capital Markets

Can you give us an idea how many full-time equivalents you ended up with at the end of the quarter?

William D. Zollars

Overall or at the National or where?

John Barnes - BB&T Capital Markets

Whatever detail you are willing to give.

Sheila K. Taylor

Total employees was about 55,000.

John Barnes - BB&T Capital Markets

And could you break out union versus non-union at this point?

Sheila K. Taylor

Probably not. I would say that union is probably around 35,000-ish.

John Barnes - BB&T Capital Markets

And with another headcount reduction, where do you think those numbers end up at the end of the first quarter?

William D. Zollars

They will be lower. We aren’t going to get into a lot of detail around that. But I think following the integration as we work our way through March we will settle in at a new level and we will be more than happy to share it with you at that time.

John Barnes - BB&T Capital Markets

In terms of some of your competitors doing things egregiously in the marketplace on price, I am curious as to how aggressive are you going to be at defending your turf? Obviously some of the rate reductions that we’ve heard are fairly severe. There has got to be a base level of business that you want to protect at all costs. How aggressive are you
willing to be?

William D. Zollars

From an aggregate perspective, one of the things is that fact that our yield is getting better in an economy that is continuing to decline, or at least hasn’t gotten any better. So that’s a pretty good proxy for the fact that we are focused on improving our yield.

The second answer to the question though is it a customer-by-customer, very customer specific kind of discussion. If we have a customer where we have a very strong relationship, we are going to defend our turf there if it is a profitable customer to us.

If it is a situation where the customer is marginally profitable or maybe we haven’t got a strong relationship, then we will take a different perspective.

But again, going back to the power of being able to aggressively manage our customer mix as we go through this integration gives us terrific flexibility upside.

Sheila K. Taylor

Just one clarification on the sale-leaseback transaction that we are finalizing, that is a financing lease so that is going to go through interest, not lease expense. On the rental.

Operator

Your next question comes from Edward Wolfe – Wolfe Research.

Edward Wolfe – Wolfe Research

Could I just get a clarification on the sale and leaseback. If the assets are staying on your books and let’s assume you are going to do $150.0 million at 16%, so you are paying $24.0 million back to them a year in rent, and then who’s paying depreciation on that?

Timothy A. Wicks

They are essentially the same as a capital lease transaction and the cap rate we disclosed when we put out the 8-K back in December, shared what the cap rate was at that time, it's different than what you suggested, it's 14%. So when we make those payments that comes as interest expense on those properties.

Edward Wolfe – Wolfe Research

And does your depreciation expense come down by some percent?

Timothy A. Wicks

And then the depreciation stays as it is. There is no change.

Edward Wolfe – Wolfe Research

So if I add the depreciation expense on those $150.0 million plus the 14%, that’s your cost for that?

Timothy A. Wicks

As I think through the cost clearly we have the interest expense and then there is the depreciation amount which obviously is an add-back to cash flow.
Sheila K. Taylor

It's basically taking a long term note payable and we are collateralizing it with the asset, or turning over the title to somebody else.

Edward Wolfe – Wolfe Research

On the pension side, I think I heard you say that there is an $11.0 million cash impact for the full year 2009, is that correct? That's the full year?

Timothy A. Wicks

That is correct.

Sheila K. Taylor

It will be made in quarterly payments starting in April so it would be spread over three quarters.

Edward Wolfe – Wolfe Research

What's the expense impact that you foresee in terms of the income statement impact from the pension this year, non-union?

Timothy A. Wicks

For the non-union, the expense for pension will be around $20.0 million.

Edward Wolfe – Wolfe Research

What was it in 2008?

William D. Zollars

2008 was impacted by the curtailment so it was about $30.0 million first half and then zero second half.

Edward Wolfe – Wolfe Research

So is the $20.0 million an incremental additional expense or is $10.0 million less than 2008?

Timothy A. Wicks

Less than 2008.

Edward Wolfe – Wolfe Research

The trailing EB to EBITDA under the bank's methodology including the pension curtailment gain, at year end we get about 6 times. Is that about where you are getting with your math?

Timothy A. Wicks

When we think through where we are as it relates to a leverage ratio essentially the way we ended the year was a leverage ratio under the preexisting arrangement really ceases to exist. Under the waiver we end up not calculating a leverage ratio and while we work through this period of amending the credit facility we will exit with a very different approach to the types of covenants that we will have.

Edward Wolfe – Wolfe Research
So EB to EBITDA won’t matter anymore. But just in case, I understand it doesn’t matter because it’s waived, but should we go back there, I just want to make sure I’m doing my math right, is 6 in the game?

William D. Zollars

It’s kind of irrelevant at this point. You can do the math and come to whatever conclusion you would like, but it’s sort of irrelevant.

Edward Wolfe – Wolfe Research

I can’t do the math completely because I don’t know exactly.

Timothy A. Wicks

It’s just not a calculation that we are doing any more because it’s not something that exists as a requirement any longer.

Edward Wolfe – Wolfe Research

What’s New Penn’s revenue run rate currently? Annual.

William D. Zollars

We don’t get into the individual regional company numbers.

Edward Wolfe – Wolfe Research

Is it similar to when you acquired it?

William D. Zollars

As I said, we are not going to get into the numbers at this point.

Edward Wolfe – Wolfe Research

Somebody asked Bill the question about crossing into profitability and I understand you’re not giving guidance. I’m not asking for a quarter, but directionally is that an 2009 or 2010 event at some point?

William D. Zollars

Obviously we are not going to get into specifics. As I said, because we don’t give guidance. But the fact that we’re moving forward effectively with the bank group would indicate that they are very comfortable with our rate of recovery here.

Edward Wolfe – Wolfe Research

When you think about the integration of Roadway and Yellow, two large and teamster businesses, what are the two or three risks that you detect and watch out for and look for and what are the two or three greatest opportunities you see for the integration?

Michael J. Smid

I think from a risk standpoint we have moved past some of those items that we really anticipated would be the greatest risks. First of all, the communication and technology side of things to where we were going to be comfortable with our technology, we would be in a position to handle a smooth transition from a pricing and a customer standpoint. We have passed that hurdle. We are in the final stages of loading data and putting information together.
The second was the actual engineering and presentation, clearing ourselves through the change of operations proceedings, those types of things. And we completed those these week. The phases that we are involved with now are the natural activities that you go through as you complete training with people on new systems. Our processes are in place, the mechanical aspects of defining the new network and optimizing pick up and delivery areas are on target and on task.

So I think the two biggest hurdles or risks that we were concerned about we have passed by and are now actually in the very final phases of integration. New organization in place, people in place, labor agreements and labor process is on target, on task, and the number of pilot and physical locations that have already been combined is ahead of schedule. I think we have passed the most significant hurdles.

The most significant opportunities that’s going to play into a lot of the questions that have been here today. We go to a completely different set of dynamics as a network. Our ability to move costs to variable, to take fixed costs out, and determine the ultimate size and ultimate shape and ultimate number of terminal facilities really becomes much more flexible than we’ve had in the past.

We’ve got tremendous runway when we look at how big do you want it to be or because of the external environment how small do you want it to be. At the same time, will the same capabilities and opportunities apply to new business and our ability to provide coverage, basically, to every point in North America regardless of whether it is 100 miles apart or 5,000 miles apart and a very different set of circumstances than we have historically.

A lot less touch, a lost less miles, and a lot fewer pipeline connecting it.

Edward Wolfe – Wolfe Research

Is there any risk from a human resources standpoint? I remember when Carolina Freight and Arkansas Best merged there were issues of seniority in terminals. Have you seen any of that kind of stuff?

Michael J. Smid

No, we have completed that process. The change of operations that you go through is really just determining those effects and as we completed that through the first several days of this week, it has been determined who follows what work where, the process is set up to where in just a couple of weeks the actual determination of which individual goes to which job takes place and then the actual implementation where people move to those positions and locations at the end of February.

Keep in mind, a lot of this is not requiring out-of-area movement. As you consolidate facilities within an individual area, the actual physical relocation of people from city to city is fairly minimal. They may go to a different facility across town. We do have some in the area of line haul because although in the last couple of years we had moved to more common designs, the last tail of that is with this particular cut over so we do have some drivers moving. But in the current environment, really no risk with that.

Obviously we have had significant workforce reductions and adjustment to the current environment and that leaves people at places and at locations to fill in the gaps while transition occurs.

Edward Wolfe – Wolfe Research

If the EBITDA is no longer a metric that we should be thinking about, what are the types of metrics we should be thinking about.

Timothy A. Wicks

It’s a great question and we are going to be anxious to disclose that to you when we are finished with the discussions at the banks. I wish I could tell you where it is today but we are still in that process and as we complete it we will disclose that as soon as we’re done with the process. And then if there are any calculations that are required with that, we will more than happy to walk you through that at that point.

Edward Wolfe – Wolfe Research
Bill, I thought I heard you say earlier that January weather was so bad that the network was only fully open for one day. What does that mean?

**Michael J. Smid**

When you talk about completely open you talk about all highway lanes and all facilities up and running. With the weather waves that have passed across Chicago, across the Northeast, even this example this week of the wave that went across the Southeast and all the way to the Coast, it creates an interruption in a network. The normal lanes, the normal pipelines that connect major metropolitan areas, they get interrupted. You make decisions based on safety, make decisions based on highway closures.

More significantly though has been the major storm and temperature-type issues with Chicago and on into the Northeast. Each time that happens, particularly in a slower economy, it impacts the economic output and the economic activity in an area, as well as increases your cost just a little bit to cope with it.

**Edward Wolfe – Wolfe Research**

How does this compare to say a normal January?

**Michael J. Smid**

It’s been multiple years since carriers have experienced the kind of weather we’ve had beginning in November. Particularly across Chicago and the kinds of links in a network that go on in that part of the country and population density. It’s been multiple years. I would have to look to see what the last one I can relate to. In January being a week after week wave of weather, that’s been a long time.

**Operator**

Your next question comes from Jon Langenfeld - Robert W. Baird & Co.

**Jon Langenfeld - Robert W. Baird & Co.**

Do you know what your D&A should be for 2009?

**Timothy A. Wicks**

Our expectation is that it should be around 240.

**Jon Langenfeld - Robert W. Baird & Co.**

Do you know what the payables were at year end? And then under the old credit facility, the one that was back towards the end of 2008, was there any limitation on the senior revolver in terms of net worth metrics or value of asset metrics?

**Timothy A. Wicks**

Are you asking in terms of assets that we would be able to sell?

**Jon Langenfeld - Robert W. Baird & Co.**

No I’m just wondering if the borrowing capacity was impacted by any value of a net work measure or a value of the assets you have on your book. And I’m excluding the ABS for this question.

**Timothy A. Wicks**

I don’t believe so, but let me follow up and come back to your directly.

And the $325.0 million at the end of the year in cash, do you have any restricted cash in there?

Timothy A. Wicks

Only insofar as we think about float as it relates to checks that haven’t cleared.


Are we in the order of magnitude of tens or $20.0 million?

Timothy A. Wicks

Typically in any given period it would be in the range of $40.0 million or so.


Assuming the sale-leaseback goes through, so you’ve got another $150.0 million of cash coming in, what are the calls on that cash here in the first quarter?

Timothy A. Wicks

As we think through that first of all our expectations are very high it is going to go through. The first tranche is closing today. And as we think through the calls on that for the first quarter, it is really available to support overall needs for liquidity and as we continue to move through this economic environment there are not specific calls on it per se, it is available for working capital.


And looking back your working capital requirements have never been that meaningful, even in some of the biggest swings. So it doesn’t seem like there is a whole lot in the way of calls on the cash at least in the first couple of quarters.

Timothy A. Wicks

And I think that is the right way to think about it.


And what about potential calls on borrowing capacity from any added or expanded letters of credit or guarantees?

Timothy A. Wicks

As we operate our self-insured workers comp program, we have arrangements in a number of states where there are expectations around a level of LCs that we keep in order to be able to fund claims in those states. And our expectation is that as we go through new rules in any given state there could be requests for additional LCs and we want to be prepared for that.


And the time frame for something like that, do a lot of states do it toward the beginning of the year?

Timothy A. Wicks

It really can happen all through the year.
And how big would that pool be today?

It really is a subject of the way renewals work and it's hard to be precise about a future event as we work through those renewals.

If I look at the end of Q3, $450.0 million of letters of credit, how much of that would have been tied to the workers comp pool?

I think the bulk of it is related to the workers comp pool. The small remainder would be anything that would exist with trade, but the lion's share is going to be related to the workers comp pool.

The $117.0 million in cash generated in the second half of 2009 from facility sales, property sales, can you give us an idea of how many facilities were in that bucket?

I don't know that we have that number off the top of our head but we would be glad to take a look at it and talk to you offline.

Any number on that payables side?

The payables at the end of the year were approximately $334.0 million.

Your final question comes from Jason Sidel – Dahlman Rose.

Regarding the regionals, is it safe to say that New Penn and Reddaway maintained profitability during the quarter.

We're not going to get into a lot of detail. I think we are very happy with the performance of both Reddaway and New Penn. We continue to struggle at Holland.

Can you go into a little detail about the fixes that are in place for Holland beyond the teamster wage reductions? What are some of the operational fixes in place and what are you doing on the sales front?
In addition to the teamster wage reduction, which is meaningful, there’s also a non-union wage reduction that is in place there. We are continuing to optimize the network there, which is well under way. On the sales side we are trying to focus on the non-auto market related customer base for Holland and we are also trying to focus on areas of the country that haven’t been as impacted as the core market for Holland has been. That upper Midwest rust belt has obviously been devastated as a result of the general economy and the auto impact.

The other thing I will tell you is that as we work our way through the customer mix management for the nationals, we are looking for opportunities to move business to the regionals and to our Logistics company where it makes sense and we are finding really good opportunities there as we work through that.

So those are some of the things that are going on.

**Jason Sidel – Dahlman Rose**

Can you remind us what the auto related exposure at Holland is as a percent of revenue?

**William D. Zollars**

20% auto.

**Jason Sidel – Dahlman Rose**

On the Logistics side can you talk about the book of business, the bids are out there. Have you lost any existing business?

**William D. Zollars**

The Logistics business is suffering from the same headwinds that the rest of the company and the industry is suffering from. So I think it’s really more a function of those economic headwinds than anything else.

**John Carr**

We are continuing to win new business and some of the impact that you will see in the results are some one-time charges for our technology write down, as well as closing down, two of our businesses, our domestic brick forwarding for our ocean freight as well as discontinuation of fleet and TM operations in Mexico. So there are some significant one-time charges. Additionally, we had some restructuring with some severance that was included in the results.

**Operator**

There are no further questions in the queue.

**William D. Zollars**

We appreciate you taking the time. As I said, we encourage you to give us a call with any questions and if you want to get on the website you can get real-time information on the status.

**Operator**

This concludes today’s conference call.

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