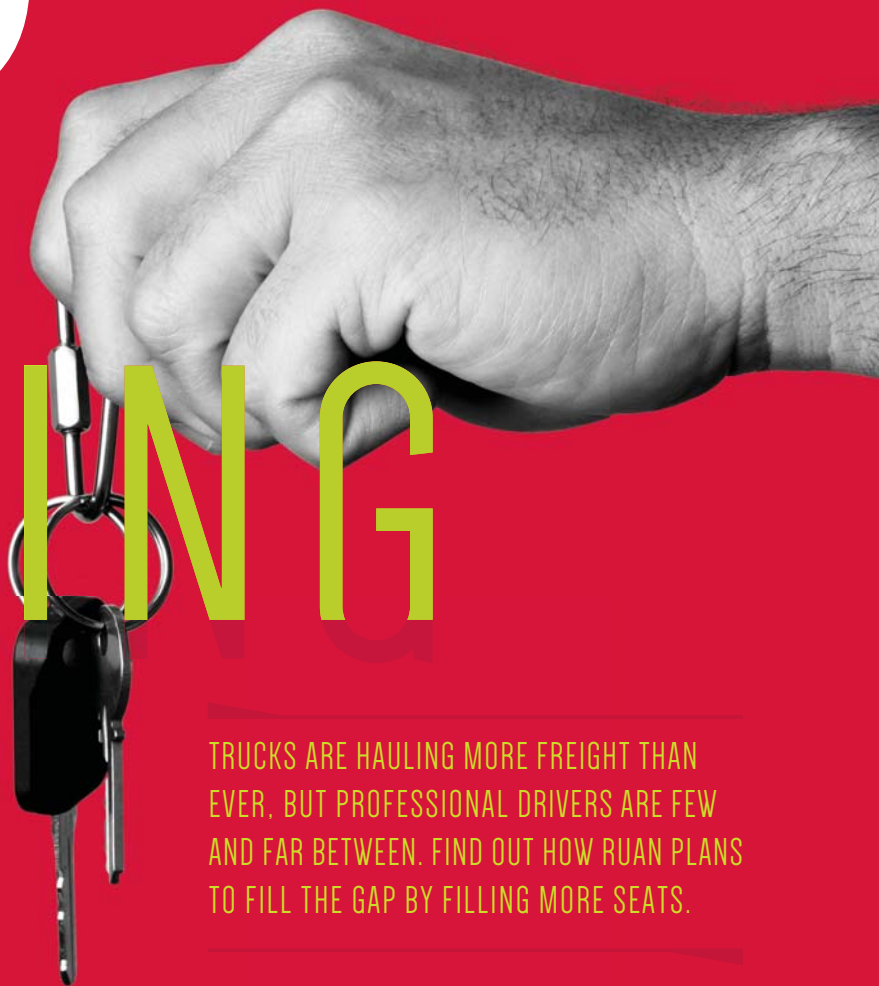


RED

The **RUAN** Magazine

Number 11 Summer 2015

COMING PIPE SHORT



TRUCKS ARE HAULING MORE FREIGHT THAN EVER, BUT PROFESSIONAL DRIVERS ARE FEW AND FAR BETWEEN. FIND OUT HOW RUAN PLANS TO FILL THE GAP BY FILLING MORE SEATS.

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Exceptional Performance



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Mile by Mile

Keeping pace with the latest transportation insights and Ruan highlights.



Tony Roper of T561 in Muscatine, IA, was named our 2014 Driver of the Year!

Joined by his wife Julie, he received the award from Ruan President and CEO Ben McLean (left) and Chairman John Ruan III (right). Roper serves Ruan customer HNI.

Terminal Manager Ruff

Yokley leads our 2014 Terminal of the Year — our Neosho, MO, operation.



The American Trucking Associations (ATA) recently reported that the trucking industry generated **\$700.4 billion in revenue in 2014**. This was the first year revenue had swelled above \$700 billion. Trucks hauled 9.96 billion tons—or 68.8 percent of all domestic freight—in 2014.

\$700.4B $\frac{9.96 \text{ BILLION TONS}}{68.8\%}$ OF ALL DOMESTIC FREIGHT IN 2014



State and local officials recently joined representatives from Ruan and U.S. Gain as they watched a Ruan compressed natural gas (CNG) truck break the ribbon to celebrate the grand opening of the newest GAIN® Clean Fuel CNG station in North America. The GAIN Clean Fuel station in Des Moines, IA, is U.S. Gain's CNG brand and will fuel Ruan's fleet of CNG trucks.



The Ruan Consolidation Distribution Center (RCDC) opened in Otsego, MN, replacing the previous Brooklyn Park, MN, location. The new building occupies 300,000 square feet, has 50 doors and 150 trailers on the lot.

Ruan, Bankers Trust and MidAmerican Energy recently partnered to host a Meals from the Heartland Hunger Fight in the Ruan Center in Des Moines, IA. In a three-hour time period, more than 200 volunteers packaged nearly 30,000 meals to be distributed to hungry people all over the world.



Contact us today to receive a free analysis of your transportation spend!

After signing a mutual confidentiality agreement, our professional logistics design engineers will gather data and get to know your business. Then we evaluate areas we can make more efficient

and demonstrate how we can remove costs, decrease overhead, reduce risk and free up capital. Call 1-800-782-6669, ext. 7, or e-mail us at Solutions@ruan.com.

Custom Tailored

SUPPLY CHAINS
ARE NOT
ONE-SIZE-FITS-ALL



AT RUAN,

WE DESIGN TRANSPORTATION SOLUTIONS AROUND THE CUSTOMER. AS AN ASSET-BASED 3PL PARTNER, WE ARE UNIQUELY POSITIONED TO CREATE CUSTOM SOLUTIONS THAT GIVE OUR CLIENTS EXACTLY WHAT THEY NEED. THERE IS NO ONE-SIZE-FITS-ALL SOLUTION — A FACT RUAN NOT ONLY ACKNOWLEDGES, BUT A CHALLENGE WE EMBRACE. RUAN HAS THE STABILITY, EXPERTISE AND EXPERIENCE REQUIRED TO MEET CUSTOMER NEEDS AND TO ADAPT FOR THE FUTURE.

Not only can Ruan effectively move your business from one point to the next using our dedicated fleet, we also offer a host of non-asset-based services as well. Our Supply Chain Solutions services include logistics management, load planning, kitting and warehouse management—just to name a few. Years of experience, innovation and hard work have made us experts in designing transportation and supply chain solutions. By combining our Dedicated Contract Carriage (DCC) and Supply Chain Solutions services, we can provide exceptional service—no matter the needs of the customer. We handle it all.



STABILITY & INNOVATION

Although Ruan was founded during the Great Depression, the company has always thrived. We now have 5,400 team members in more than 270 operations nationwide. Ruan has consistently invested in the right equipment, people and technology to best suit our customers' needs and to position us as a leader in the transportation industry.

Customers can feel secure knowing that Ruan employs the finest fleet of professional drivers. Driver turnover at Ruan is only one-fifth of the industry average, and drivers are assigned a dedicated account to serve. Not only does this allow drivers to learn the ins and outs of the customer's business needs, but customers can also be confident that Ruan's drivers will be on their

account long-term. Every Ruan driver is trained to provide exceptional customer service and to exercise safe driving practices at all times. Customers can rest easy knowing their business is being handled by the absolute best.

One of Ruan's Guiding Principles is Continuous Improvement. To support this initiative, we're implementing innovations such as Oracle Transportation Management (OTM), just one aspect of Ruan's comprehensive transportation management system technology, RTMS2.0. This customized system encompasses best-in-class logistics tools, optimization tools and Ruan's custom intellectual property. Through the use of RTMS2.0, Ruan is able to optimize shipments, reduce costs and generate rich analytics for Key Performance Indicator (KPI) reporting. RTMS2.0 develops supply chain solutions through a variety of logistics management and fleet management capabilities. RTMS2.0 allows Ruan to manage all transportation processes seamlessly while receiving continuous feedback to improve our processes even further. Our customers receive the best solution for their transportation needs along with the capability to continuously improve and evolve that solution.

Customers and potential clients can be confident that Ruan will demonstrate a level of commitment and innovation in their business. Ruan encourages suggestions for improvement from all our clients and has an open line of communication to ensure collaboration. Overall, Ruan has proven to be up to the challenge of adapting to the transportation industry's ever-changing landscape, and we continually seek out opportunities to improve standard business practices.



LOWER COSTS & RISK REDUCTION

By owning the trucks and equipment needed for clients' transportation needs, Ruan eliminates unnecessary outsourcing and third-party procurement. This ensures costs are kept to a minimum and provides a layer of transparency as to where, exactly, the client's money is going. By utilizing Ruan's fleet management solution, all of the customers' risk is assumed by Ruan. Whether it's federal regulations or insurance costs, customers can be at ease knowing their company's business is being handled by the best in the industry. Ruan is committed to 100 percent on-time delivery, 100 percent of the time. No matter the weather, construction or fluctuations in business, Ruan's mission remains the same: to employ the best team in the industry to move our customers' business safely, efficiently and on time, every time.

Through the use of our DCC service, our customers are free to concentrate on their core competencies while we focus on ours—transportation. We are experts on compliance issues, Department of Transportation (DOT) policies and specific OSHA regulations and requirements. And we are ready to invest in the best equipment for the job while also ensuring our current fleet operates efficiently and correctly. By assuming the responsibility of fleet management, we lower our clients' amount of risk and liability.



EXPERIENCE & EXPERTISE

With more than 83 years of transportation experience, Ruan has cultivated a team of experts specializing in everything from DCC to safety and transportation management technology. Not only does Ruan provide customized solutions for each customer, we constantly review our solutions for potential improvements and adjust plans to utilize the latest in equipment and technology.

This high level of expertise in dedicated services also extends to start-ups. Customers can be confident Ruan will implement new business in the least disruptive manner possible, and scheduled loads will continue to be on time—business as usual for our customer.



3PL CAPABILITIES

Ruan has all the capacity assurance of an asset-based solution with the flexibility of a 3PL company, which allows us to optimize our clients' supply chains. Through these customer partnerships, we are able to build the most efficient, optimal solutions available. This can include a number of our logistics management services such as: load management, carrier management, cross docking, warehouse management, kitting and subassembly, route and load optimization and certified brokerage services.

We will design a custom logistics solution—sometimes using many of these services, sometimes only a few—to best fit our customers' needs.

Ruan will also plan loads, haul freight on a load-by-load basis and find backhaul income for our customers. No matter the situation, we will be able to find the solution. While each of our customer solutions is unique, one thing remains consistent for each one: an unwavering commitment that our solution will always operate safely and smoothly.

Ruan has continuously proven we have the capacity and expertise to handle our customers' business needs in the dynamic transportation industry. Through collaboration with clients and a dedication to innovation, Ruan forms effective, long-lasting customer partnerships. By utilizing this asset-based 3PL, clients can be assured their expectations will not only be met—but exceeded.

Marmon/Keystone

BUSHWICK
METALS LLC

Strengthening our relationships through great service and logistics management.

Marmon/Keystone LLC and affiliate company Bushwick Metals LLC have both entered into new contracts with third-party logistics provider Ruan Transportation Management Systems.

Since 2007, Ruan has been entrusted to handle customer deliveries from Marmon/Keystone's 28 metals service centers across the United States. Now Bushwick Metals' three warehouse locations in Pennsylvania, New Jersey and Connecticut are also taking advantage of Ruan's logistics services.

Through the years, Ruan has assisted Marmon/Keystone in converting private fleet to Dedicated Contract Carriage, retained 86 percent of Marmon/Keystone's driver force, provided infrastructure to manage their growth and effectively implemented third-party backhaul.

"Marmon/Keystone has a great relationship with Ruan, and we are pleased to extend this partnership to Bushwick Metals," said Denny Derringer, VP of Quality and Operations at Marmon Distribution Services, the parent company of Marmon/Keystone and Bushwick Metals. "Our companies' reputations are built upon quality customer service, and reliable, on-time deliveries are crucial. Ruan's expertise in transportation combined with their new 2015 Volvo trucks help us provide dependable service to our customers."

To reduce maintenance time, Marmon/Keystone has also updated 40 of the company's flatbed trailers, which are hauled by Ruan, to 2015 Fontaine Velocity 48-foot steel models. The remaining 76 trailers in the company's fleet were recently replaced in 2014.

Partnerships that last put customers first.



By Emily Burns
*Manager of Start-ups and
Customer Satisfaction*

As an asset-based 3PL, Ruan can handle all of a shipper's transportation and supply chain needs. We deliver the trucks, maintenance, routing and optimization, carrier management, brokerage services, kitting and subassembly, cross docking and warehouse management. The list goes on. Designing and managing all of these services is no small feat, but Ruan is well positioned to do so with our Operations Services department. Consisting of six sub teams—start-ups and customer satisfaction, business intelligence, logistics solutions, quality and continuous improvement, technical training and the customer support center—this team is focused on allowing our field operations to better serve their customers by taking extraneous tasks off their hands and centralizing these services at the corporate office.

When we acquire new business, whether the customer is using our fleet management service, logistics management service or both, we ensure that the start-up is as seamless as possible so our customers can continue business as usual.

Typically, a fleet management start-up takes six months to coordinate with the bulk of the activity happening in the two months prior to the start date—or the date of the first load. The life cycle of our start-up projects consists of five process phases: Initiating, planning, executing, monitoring/controlling and closing.

Once the start-up team has received notice that the business has been awarded to Ruan, we'll determine the best start date and assign a project manager—our Project Management Office has more than 70 years of project management and transportation experience—who organizes the business implementation from start to finish and coordinates tasks among all the parties involved. Key elements of the initiating phase include defining the project team to include various subject matter experts, collecting requirements and inputs and starting driver and staff recruiting efforts. Our planning phase typically consists of developing an on-site resource plan, staff and driver hiring, vendor

reservations and combing through the fine details. The execution phase can last one to three weeks depending on project scope, and it starts one to two weeks prior to the start date. During this phase, all staff and driver hiring and training is finalized, equipment is inspected and in-serviced and final system testing is completed. Our monitoring/controlling phase has a four-week duration after the start date. We complete multiple billing and payroll reviews and system compliance checks during this period. Finally, the eight-week closing phase of our start-up projects includes continuous improvement initiatives, team member recognition and a 60-day financial and operational review to ensure everything is proceeding as planned for the first 60 days.

Overall, we want to execute our start-ups with precision and manage the process as effectively as possible so the transition is completely seamless. With our detail orientation, focus on standardization, timeline accountability and concern for account performance and optimization, planning is critical to ensuring a solid foundation is laid for our long-term partnerships.

We also know that we must evaluate partnerships as they evolve, which is why we regularly survey our customers. Ruan is committed to providing the highest level of service to our clients, and customer retention is an important initiative for the company. Each client survey is developed to measure key aspects of Ruan's performance within the relationship, including team member assessment, communication proficiency, customer service, professionalism, operational priorities, technology and logistics services and overall performance at both the local and corporate levels.

At the start of the second quarter of 2015, our customer satisfaction rating was 85.42 percent. We know that there are always ways to continually improve our service—and we take the survey results very seriously.

The efforts of the Operations Services department play a significant role in our ability to maintain a customer retention rate of 98.9 percent. From our seamless start-ups to our ongoing customer satisfaction surveys, we aim to cultivate and maintain engaging partnerships with our customers.

DIMINISHING THE DRIVER DEFICIT

DURING THE GREAT RECESSION, THOUSANDS OF TRUCK DRIVERS LOST THEIR JOBS AND WERE FORCED TO FIND WORK IN OTHER INDUSTRIES, SPECIFICALLY MANUFACTURING, CONSTRUCTION AND PETROLEUM.

BY MAKING SAFETY OUR TOP PRIORITY AND TREATING DRIVERS AS FAMILY, RUAN IS FACING THE CHALLENGE HEAD ON—AND WINNING.

THE INDUSTRY NEEDS AN AVERAGE OF 96,000 NEW DRIVERS ANNUALLY TO MEET DEMAND.

-240,000

IF DEMAND GROWS IN LINE WITH PROJECTIONS, THE DRIVER SHORTAGE COULD BALLOON TO NEARLY 240,000 DRIVERS BY 2022.

100%

ACCORDING TO HEAVY DUTY TRUCKING MAGAZINE, DRIVER TURNOVER IN THE TRUCKLOAD SEGMENT IS CLOSE TO 100 PERCENT—AND ONLY 16 PERCENT IS NON-VOLUNTARY.



-16

A TRUCK DRIVER'S AVERAGE LIFE EXPECTANCY IS 61 YEARS, WHILE THE AVERAGE AMERICAN IS EXPECTED TO LIVE 77 YEARS.

50%

DRIVERS SIT FOR UP TO 14 HOURS PER DAY AND HAVE LIMITED FOOD OPTIONS, WHICH LEADS TO UNHEALTHY FOODS. AS A RESULT, MORE THAN 50 PERCENT OF TRUCK DRIVERS ARE OBESE AND 50 PERCENT HAVE DIABETES.

WITH RUAN'S DEDICATED FLEET OPPORTUNITIES, RUAN DRIVERS ARE PRIMARILY ASSIGNED TO A SINGLE CUSTOMER.

1/6

THE COUNCIL OF SUPPLY CHAIN MANAGEMENT PROFESSIONALS ESTIMATES THAT ONE IN SIX DRIVERS IS AT LEAST 55 YEARS OLD AND APPROACHING RETIREMENT.

TO HELP STABILIZE THE SHRINKING POOL OF PROFESSIONAL DRIVERS, STATE MINIMUM AGE REQUIREMENTS TO OBTAIN A COMMERCIAL DRIVERS LICENSE MAY BE REDUCED TO 18 OR 20 YEARS OF AGE. THIS MEASURE WOULD HELP CAPTURE THOSE WHO CHOOSE A CAREER AND BYPASS COLLEGE.

IT'S DIFFICULT TO CAPTURE RECRUITS WHO NEED TO FIND A JOB OUT OF HIGH SCHOOL SINCE CARRIERS CANNOT LICENSE DRIVERS UNTIL THEY'RE 21 YEARS OLD. BY THE TIME POTENTIAL EMPLOYEES ARE ELIGIBLE FOR A CDL, THEY ARE SECURE IN OTHER BLUE-COLLAR JOBS.

THE FUTURE IS BRIGHT

FOR THE TRUCKING INDUSTRY—FROM SHIPPERS AND CARRIERS TO ALL THE PARTNERS IN BETWEEN. AS THE U.S. POPULATION CONTINUES TO GROW, MORE AND MORE FREIGHT MUST BE HAULED.

According to American Trucking Associations (ATA) CEO Bill Graves, in 2006, the U.S. population was approximately 300 million. By 2043, the ATA expects the population to grow to 400 million.

“We’re adding the equivalent of Houston, TX, to the grid every year,” Graves said at the Iowa Motor Truck Associations’ (IMTA) 2014 annual conference. “Do you know of any other mode that has the ability to get to the places we get to, to pick up and deliver that product? The answer is no. Trucking is going to take on a more and more essential part of the process of delivering product.”

However, while the projected population growth is a bright spot for transportation companies, the challenge of hauling additional freight exacerbates a major concern—the shortage of professional drivers.

The industry needs to find an average of 96,000 new drivers annually to keep pace with demand. And, according to data from the ATA, if freight demand grows in line with projections, the driver shortage could balloon to nearly 240,000 drivers by 2022.

In the American Transportation Research Institute’s (ATRI) 2014 survey of the critical issues facing the trucking industry, motor carriers identified the driver shortage as their number one concern—above other issues like hours-of-service (HOS) rules, Compliance, Safety, Accountability (CSA), the economy, an electronic logging mandate and infrastructure funding.

For some carriers, the shortage is so extreme that they have turned down new business because they cannot find qualified drivers. In fact, according to the ATA, some companies have been forced to downsize fleets to match driver availability.

Transport Topics reported that revenue for 25 of the companies on the Top 100 For-Hire Carriers list declined in 2013. Revenue for the Top 100 carriers grew 3.1 percent in 2013, while 2012 saw 5 percent growth and 2011 saw 11.2 percent growth. This illustrates that while demand for transportation services is increasing, the driver shortage is stifling potential.

There are many factors contributing to the driver shortage, including competition from other industries, changing demographics, congestion and infrastructure, increased regulations, lifestyle concerns, competitive wages and more.

INDUSTRY COMPETITION AND CHANGING DEMOGRAPHICS

During the Great Recession (2007-2009), thousands of truck drivers lost their jobs and were forced to find work in other industries, specifically manufacturing, construction and petroleum. When the economy began to recover, many drivers elected to stay in those industries, refusing to return to a career often requiring long hours away from home with inconsistent schedules. Now, as the trucking industry continues to strengthen, so do other industries, making the environment for hiring even more competitive.

Changing demographics are also negatively impacting the industry. The Council of Supply Chain Management Professionals (CSCMP) estimates that one in six drivers is at least 55 years old and approaching retirement. At the same time, it’s difficult to capture recruits who need to find a job out of high school since carriers cannot license drivers until they’re 21 years old. By the time potential employees are eligible for a CDL, they are secure in other blue-collar jobs. Simply put, there are not enough incoming drivers to replace those aging out of the industry.

CONGESTION AND INFRASTRUCTURE

In addition to a highly competitive job market, a study from ATRI found that in 2013, congestion on America’s highways accounted for more than \$9.2 billion in operational costs for the trucking industry. And delays totaled more than 141 million hours of lost productivity—that’s equal to more than 51,000 truck drivers sitting idle for a working year.

“Congestion is an unfortunate byproduct of our just-in-time economy, and it’s a significant roadblock to our country’s productivity as well as its global competitiveness,” said UPS Freight President and ATRI Board Member Jack Holmes in an ATRI press release. “ATRI’s analysis quantifies congestion in a way that clearly shows the urgent need for highway investment.”

The ATA echoes ATRI’s concern. “Congestion is going to get worse, and it is serious now,” Graves said. “It’s a serious factor in our inability to meet schedules, to attract people to our industry, to keep the U.S. competitive.”

Graves said that more money is needed to maintain and improve the U.S. highway system, whether that’s through a fuel tax increase, tolls, fees for miles traveled or other measures. Several states are exploring options to increase state road funding, but many of the congestion problems lie along the federal highway system.

Moving Ahead for Progress in the 21st Century (MAP-21) is the highway bill passed in 2012 that was intended to keep the Highway Trust Fund solvent through September 2014. Unfortunately, Congress was warned in the summer of 2014 that the trust fund risked running out of funds in August. As a result, in early August 2014, President Barack Obama signed a \$10.8 billion short-term measure intended to fund highway and bridge repairs to keep the Federal Motor Carrier Safety Administration (FMCSA) running through May 2015.

Congress could not agree on a long-term funding bill by the May 31 deadline. Instead, Obama signed a two-month extension that extended funding through July 2015. In July, Congress passed a three month short-term fix. Despite the new October deadline, additional infrastructure funding from federal and state governments is unlikely anytime soon, especially as the nation approaches the next presidential election.

REGULATIONS

The regulations that guide the trucking industry often limit productivity and put drivers out of work—thus minimizing the productivity of the current driver pool and reducing the number of drivers available nationally.

The industry is plagued by the effects of the productivity-limiting hours-of-service rules that went into effect in 2013. The rules dictate the number of hours each day and week that truckers can drive and work. Now drivers can drive fewer hours in a day because of the 30-minute break requirement. These regulations result in carriers requiring more drivers and assets to do the same amount of work they did under the previous HOS rules. Consequently, the HOS rules are compounding the existing driver shortage, especially as demand for transportation services continues to increase.

Compliance, Safety, Accountability, an FMCSA safety initiative designed to reduce the number of highway crashes and fatalities, is also making

it more difficult for carriers to find drivers. Under this initiative, carriers receive scores for violations in seven BASICs areas of compliance, and incidents stay on driver records for up to three years. Many scores now disqualify drivers that were not previously disqualified, forcing some carriers to terminate them. When these drivers apply for other positions, they are unlikely to be hired due to their low scores.

“CONGESTION IS AN UNFORTUNATE BYPRODUCT OF OUR JUST-IN-TIME ECONOMY, AND IT’S A SIGNIFICANT ROADBLOCK TO OUR COUNTRY’S PRODUCTIVITY AS WELL AS ITS GLOBAL COMPETITIVENESS,”

— JACK HOLMES
UPS FREIGHT PRESIDENT AND ATRI BOARD MEMBER

While it’s important to keep unsafe drivers off the roads, the trucking industry is concerned about the data used for CSA, arguing that there may be enforcement and reporting inconsistencies between states resulting in inaccurate scores based on subjective judgment.

LIFESTYLE

Long gone are the days of a freewheeling driver embracing the open road. With regulations dictating everything from when and where to sleep to how drivers must handle their logs, job fulfillment has plummeted for drivers, according to Stilfel, Nicolaus & Co, a leading research firm. Because carriers now determine routes, dictate where to fuel and constantly monitor speed, this new, more defined trucking environment is less appealing to some drivers.

In addition, truck drivers often struggle with health issues that make work difficult. They endure poor sleeping conditions and must sleep when regulations allow. Because of these factors, drivers often suffer from sleep disorders, like sleep apnea, a condition that causes shallow or intermittent breathing, which can even disqualify drivers from working. This combination of health risks means a truck driver’s average life expectancy is 61 years, while the average American is expected to live 77 years.

The FMCSA has taken notice of driver health issues that can negatively affect safety. Professional truck drivers must have updated medical cards to work. Previously, they could be certified for medical cards by family physicians. But beginning in May 2014, all professional driver medical exams must be conducted by an examiner who is certified under the FMCSA’s new National Registry of Certified Medical Examiner standards. The National Registry includes medical examiners that have been trained,

tested and certified to perform medical examinations for commercial motor vehicle drivers in interstate commerce. Because of stricter standards, some drivers are not being approved for medical cards—thus putting even more pressure on an already diminished driver pool.

COMPETITIVE WAGE

Driver pay is one of the most significant factors in the driver shortage. Over the decades, driver pay growth has not managed to keep pace with other blue-collar industries, making it difficult for carriers to compete. According to the Bureau of Labor Statistics, in 2001, truckers averaged \$33,690 per year, trailing the average U.S. wage by just 1 percent. But, in 2013, the average trucker wage was \$40,940, nearly 13 percent behind the U.S. average. That means, when adjusted for inflation, truckers were paid 6 percent less, on average, than a decade earlier, according to the *New York Times*. Of course, recent regulations dictate that truckers cannot drive as many miles as they could 10 years ago, which accounts for some downward wage pressure, according to the ATA. But at the same time, other blue-collar industries—like the booming oil and gas industry and rebounding construction industry—have not seen as much downward wage pressure.

Thanks to the competition from other industries, as well as within the trucking industry, qualified drivers have their pick of employers—and most are making the decision to commit based on pay. In fact, a recent truck driver survey conducted by National Retail Systems found that 79

percent of drivers polled said that salary is the most important factor when choosing a job.

As a result, trucking companies must increase wages to attract new drivers and keep qualified drivers. And, many carriers are offering steep sign-on bonuses to help lure qualified drivers from other carriers. Reportedly, some bonuses are as high as \$12,000 in extremely tight markets.

However, raising wages is not a simple solution for trucking companies, which are generally bound by contracts and earn thin profit margins. Shippers are not likely to want to accept the additional cost of increasing driver pay, especially when costs have also risen for equipment, fuel, maintenance and benefits. By raising driver pay to seat drivers, many carriers incur the cost-differential, according to *Fleet Owner*. So, if they haven't already, consumers will likely start seeing some of the increase reflected in the costs of their goods hauled by truck, including food, home goods, clothing and more.

DRIVER TURNOVER AND RETENTION

In addition to recruiting new drivers to fleets, carriers are developing new measures to retain experienced, qualified drivers. According to *Heavy Duty Trucking* magazine, driver turnover in the truckload segment is close to 100 percent—and only 16 percent is non-voluntary. Industry growth, industry competition and retirements account for the remainder of the turnover. That means carriers, on average, are losing more drivers than they keep seated in trucks.

Trucking companies are effectively competing against each other to poach qualified drivers. As a result, carriers are employing a variety of tactics to appeal to drivers, from changing compensation methods to offering expanded training programs, according to *Transport Topics*. They are also expanding onboarding programs for new hires and working to treat drivers more like valued employees rather than numbers. And while truck driving schools were nearly a thing of the past, they are again growing in popularity, with many carriers opening their own driving schools to ensure a steady stream of new recruits.

INDUSTRY EFFORTS

Overall, the transportation industry needs to step up its efforts to recruit young people to fill the seats vacated by retiring drivers. The ATA and state trucking associations are currently engaged in a campaign that positions truck driving as a career—not just a job. The Trucking Moves America Forward initiative launched a campaign designed to educate the public about the importance of trucking and attract new drivers to the industry. The mission is “to establish a long-term industry-wide movement to create a positive image for the industry, to ensure that policymakers and the public understand the importance of the trucking industry to the nation's economy, and to build the political and grassroots support necessary to strengthen and grow the industry in the future,” according to Trucking Moves America Forward.

PROFESSIONAL DRIVERS BY THE NUMBERS

2001 AVERAGE SALARY

\$33,690 PER YEAR

DRIVERS EARN

▼ 1%

BELOW AVERAGE U.S. WAGE

2013 AVERAGE SALARY

\$40,940 PER YEAR

DRIVERS EARN

▼ 13%

BELOW AVERAGE U.S. WAGE

WHEN ADJUSTED FOR INFLATION, TRUCKERS WERE PAID 6 PERCENT LESS THAN A DECADE EARLIER.

▼ 6%

79%

OF DRIVERS POLLED SAID THAT SALARY IS THE MOST IMPORTANT FACTOR WHEN CHOOSING A JOB.

**\$12K
SIGN-ON
BONUS**

MANY CARRIERS ARE OFFERING STEEP SIGN-ON BONUSES TO HELP LURE QUALIFIED DRIVERS. REPORTEDLY, SOME BONUSES ARE AS HIGH AS \$12,000 IN EXTREMELY TIGHT MARKETS.

In addition to promoting driving as a career, industry experts recommend that changes be made to the age eligibility rules for commercial truck drivers so carriers can more effectively recruit younger workers. To help stabilize the shrinking pool of professional drivers, state minimum age requirements to obtain a commercial drivers license may be reduced to 18 or 20 years of age. This measure would help capture those who choose a career right after high school and bypass college.

The industry continues to lobby Congress for reasonable regulations that both promote safety and allow for productivity. Infrastructure spending will be an ongoing battle—one that needs to be resolved in order to relieve congestion and increase productivity. Carriers will work to promote healthy workplaces and lifestyles to increase the overall health of truck drivers. And companies will continue to evaluate pay structures to ensure truckers earn competitive wages. Finally, carriers will work with shippers to ensure that few pick-up and delivery delays exist to maximize driver productivity and limit unnecessary downtime.

THE RUAN APPROACH

At Ruan, our professional truck drivers are part of the family. We understand that they are essential to our success. With Ruan's dedicated fleet opportunities, Ruan drivers are primarily assigned to a single customer, which puts them in the perfect position to gain an understanding of our customers and their supply chains. Consequently, we value their suggestions for improving processes and customer service.

Working with a single customer also provides predictable schedules that keep our truck drivers close to home. In fact, more than 60 percent of our drivers are home every night, and nearly all of our drivers are home multiple times per week. That makes for very satisfied drivers—and it's one of the many reasons our driver retention rate is five times the industry average.

Safety Focus is our first Guiding Principle at Ruan, and we do all we can to ensure the safety of our professional drivers, making them feel like the valued, respected team members they are. Our safety program—which consists of extensive onboarding, quarterly training, regular safety communication and an awards and recognition program for safe driving—is a contributing factor to our high retention rate. And, all of our drivers are provided with well-maintained, late-model equipment.

MORE THAN 60 PERCENT OF OUR DRIVERS ARE HOME EVERY NIGHT, AND NEARLY ALL OF OUR DRIVERS ARE HOME MULTIPLE TIMES PER WEEK.

Because Ruan is an employer of choice with a low turnover rate, we do not have to hire as many drivers as some other carriers. However, to account for growth and retirements, we have a top-notch team and strategy in place that allowed us to hire more than 1,300 drivers in 2014.

Ruan employs a variety of strategies to recruit drivers. Our current employees are our biggest advocates, so we rely on them to help us recruit qualified drivers. That's why we offer a \$1,000 referral bonus. Our driver recruiting team attends job fairs across the country and utilizes a wide range of print and online advertising tactics, including social media.

You may have seen our recruiting billboards in 2014 in Minnesota, Pennsylvania and Iowa. And many of our trucks across the country are equipped with decals and truck wraps that serve as rolling billboards to recruit potential drivers and build brand awareness.

Our goal through our recruiting and retention efforts is to employ America's finest fleet and be the employer of choice for truck drivers. Everyone at Ruan—from our CEO to terminal dispatchers—strives to achieve this goal.



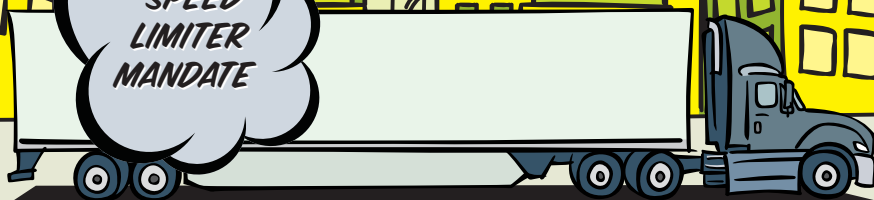
HIGHWAY BILL
REAUTHORIZATION

ELECTRONIC
LOGGING DEVICE
MANDATE

ISSUES IMPACTING TRUCKING IN 2015

SPEED
LIMITER
MANDATE

MINIMUM
INSURANCE LIABILITY
REQUIREMENT



THE TRANSPORTATION INDUSTRY IS HIGHLY REGULATED. AT RUAN, TEAMS ACROSS THE COMPANY STAY ABREAST OF POTENTIAL AND IMPENDING REGULATORY CHANGES THAT COULD AFFECT OPERATIONS. BY STAYING UP-TO-DATE AND BEING PROACTIVE, RUAN ENSURES REGULATORY COMPLIANCE AND CUSTOMER SATISFACTION. HERE ARE SOME OF THE MOST SIGNIFICANT TRANSPORTATION ISSUES AFFECTING THE INDUSTRY.

ELECTRONIC LOGGING DEVICE MANDATE

The highway bill passed in June 2012 included a section requiring the Federal Motor Carrier Safety Administration (FMCSA) to issue a final rule mandating electronic logging devices (ELDs) for heavy-duty trucks. While the initial deadline was not met, a final rule is expected to be published by September 30, 2015, which means enforcement of the mandate may begin sometime in 2017. The two-year delay until the rules are enforced would allow carriers to prepare for installation and stagger implementation costs among their fleets. It would also give technical providers time to comply with specifications. ELDs in all vehicles would help to ensure compliance with hours-of-service (HOS) rules.

SPEED LIMITER MANDATE

The FMCSA is expected to publish a rulemaking proposal requiring that all heavy-duty trucks be outfitted with speed limiters by August 27, 2015. This equipment would eliminate a truck's ability to exceed a predetermined speed. At this point, the FMCSA has not indicated what the limited speed would be after the mandate takes effect. The American Trucking Associations (ATA) supports the use of speed limiters, and the National Highway Transportation Safety Administration (NHTSA) insists that the devices would be of minimal cost of carriers.

DRUG AND ALCOHOL CLEARINGHOUSE

An FMCSA proposal is pending that would create a clearinghouse of drug- and alcohol-related violations for those with a commercial drivers license (CDL). The central database would house verified positive drug and alcohol tests, as well as names of drivers who refuse to be tested. Carriers would be required to report positive test results and refusals to test into the database. Employers would also be required to access this database when looking to hire potential drivers—and to query the database annually for current drivers. The clearinghouse would likely have the positive consequence of removing drugged and drunk drivers from the industry. A final rule is expected December 2015.

SAFETY FITNESS DETERMINATION

The FMCSA is expected to issue a proposal for the next step in its safety compliance program, Compliance, Safety, Accountability (CSA), in September 2015. The Safety Fitness Determination would allow the FMCSA to use ratings from the CSA BASICs and data from investigations and inspections to produce a "fitness" score for carriers. The FMCSA would then use a low score to target carriers for intervention.

HOURS-OF-SERVICE 34-HOUR RESTART STUDY

The FMCSA recently began a congressionally mandated study of the 34-hour restart provision that was suspended in December 2014 following several complaints about the effectiveness of the rule.

The rule, which went into effect July 2013, required that a driver's 34-hour restart include two periods between 1 a.m. and 5 a.m. because the FMCSA argued that nighttime sleep is more rejuvenating than daytime sleep. FMCSA reverted to the less strict restart rule that was in place prior to July 2013 that simply required a driver to be off duty 34 hours in a row.

The two restart approaches will be studied and compared regarding safety events, fatigue, alertness and driver health. Following the study, the FMCSA may reinstate the rule or opt to leave it in its current form.

MINIMUM INSURANCE LIABILITY REQUIREMENT

The FMCSA and other agencies are studying the industry's minimum liability insurance requirement. The current \$750,000 general freight insurance minimum for carriers was established by Congress in 1985, and it has not increased since then. As required by the 2012 federal highway bill, the FMCSA has analyzed the insurance minimum and released a proposed rulemaking for comment late in 2014.

The FMCSA analysis found that the minimums need to be reevaluated due to increasing medical costs and changing statistical life estimates. It is considering a range of numbers, including an option that pegs the

minimums to the Consumer Price Index. The general freight requirement would jump to \$1.6 million. Minimum requirements for hazmat freight would increase as well.

HIGHWAY BILL REAUTHORIZATION

The U.S. Congress must reach a decision about a long-term highway bill before the current highway funding program expires in October. Failure to act on creating a long-term bill could result in yet another extension of the current highway bill—which does not provide enough money to maintain or improve roads.

President Obama has called for reform of corporate taxes, and for some of the proceeds of that reform to go to a long-term highway bill. Congress, however, does not like this approach to generating funding, nor does it support raising fuel taxes, which currently fund the Highway Trust Fund. Proponents of a federal gas tax increase argue that the tax has not risen with inflation for several years, and vehicles are getting more fuel efficient, requiring less fuel in general.

AS A RESULT OF THE LACK OF FUNDING, THE AMERICAN SOCIETY OF CIVIL ENGINEERS GAVE THE U.S. A D+ GRADE ON ITS INFRASTRUCTURE REPORT CARD, AND OVERHAULING THE NATION'S INFRASTRUCTURE BACK TO WORKING ORDER WOULD REQUIRE \$3.6 TRILLION BY 2020.



If Congress fails to create a long-term highway bill, it will likely be forced into another short-term extension of the previous bill, Moving Ahead for Progress in the 21st Century Act (MAP-21). When MAP-21 was signed into law in 2012, it did not increase highway funding over the previous bill.

BUILDING A BETTER PLATFORM

WITH ORACLE TRANSPORTATION MANAGEMENT

- + WEB-BASED WITH THE ABILITY TO EXPORT FROM GRIDS AND REPORT INTO EXCEL
- + SECURITY MANAGEMENT: RUAJN USERS SEE ALL ORDERS, AND CUSTOMERS ONLY SEE THEIR OWN
- + MENU AND SCREEN LAYOUT CHANGES WITHOUT PROGRAMMING

SYSTEM ARCHITECTURE

ORDER MANAGEMENT

CARRIER/RATE MANAGEMENT

RESOURCE ASSIGNMENT/DISPATCH

- + TENDERS CAN BE SENT ELECTRONICALLY (XML/EDI) OR VIA E-MAIL
- + CARRIER PORTAL FOR NON-EDI CARRIERS

EXECUTION

- + STATUS UPDATES VIA EDI OR CARRIER PORTAL

- + INTEGRATION AND MANUAL ENTRY OPEN TO CUSTOMER SPECIFIC RULES
- + ITEM LEVEL SET UP FOR VOLUME, STACKING RULES

OPTIMIZATION AND PLANNING

- + SCHEDULED, AUTOMATED AND MANUAL OPTIMIZATION
- + "BEST" SOLUTION PER "ORDER" MULTI-STOP TL, INTERMODAL CAPABILITIES
- + CARRIER ASSIGNMENT
- + TRANSIT TIMES CALCULATED BASED ON ORDER REQUIREMENTS
- + CAPABILITY TO OPTIMIZE MULTIPLE CUSTOMER ORDERS ONTO THE SAME SHIPMENT
- + 3D CONFIGURATION MANAGER FOR SHARING LOADING INSTRUCTIONS WITH PLANTS

FREIGHT PAY AND AUDIT

CUSTOMER INVOICING

REPORTING ANALYSIS

- + EXCEL REPORTS
- + FUSION BUSINESS INTELLIGENCE

POWERED BY ORACLE

R20

RUAN IMPROVES CUSTOMER EXPERIENCE WITH WEB-BASED ORACLE TRANSPORTATION MANAGEMENT TECHNOLOGY.

As a leader in innovation in the transportation industry, Ruan is always embracing new forms of technology. Ruan offers integrated supply chain software from the leading TMS providers, best-of-breed logistics tools and Ruan's custom intellectual property. Ruan's transportation management technology platform, RTMS2.0, is built upon several leading supply chain technologies, including Oracle Transportation Management (OTM), which is consistently rated as the industry leader. This web-based platform delivers on several core capabilities: system architecture, order management, optimization and planning, freight pay and audit, report analysis, onboard technology, a warehouse management system and more.

Hearth and Home, Arctic Cat, MGP Ingredients, Lennox and Safelite are among the many valued customers that benefit from Ruan's Integrated Solutions offering. The most popular uses of RTMS2.0 for these customers are planning for distribution centers, order planning, freight payment and business intelligence capabilities.

During implementation, Ruan manages the complex issues by making the process as seamless as possible so that our customers can focus on their core business activities. By relying on Ruan, companies avoid having to make additional expensive software investments, yet they gain numerous valuable benefits.

"RTMS2.0 is favored by our customers because it is web-enabled, incredibly user-friendly and easy to customize," said Graham Page, Ruan's director of Integrated Solutions.

With industry-leading optimization capabilities, RTMS2.0 simplifies many essential transportation management requirements such as choosing the right mode or carrier. Ruan uses these capabilities, along with our team's expertise, to meet each customer's unique challenges. Also, the rules are easily adaptable to each client's changing supply chain needs.

A common customer concern is that their team spends more time gathering data rather than analyzing data. By using RTMS2.0, data collection is streamlined with personalized dashboards and Key Performance Indicators (KPIs). These allow customers and Ruan experts to easily drill down data and identify the root causes of logistics issues.

Rate auditing is an additional strength of RTMS2.0. Rating is inherent to the planning process in RTMS2.0, so costs are known up front and then audited against carrier invoice amounts. This eliminates the issue some clients face when invoices are approved without knowing if their carrier invoices are accurate. Another function that clients value is RTMS2.0's 3D Load Configurator, which optimizes pallet and trailer utilization while simultaneously producing efficient routes and making mode selection decisions. As Ruan's use of specialized software expands, so does our need for highly trained employees. In order to address this need, Ruan formed a partnership with

Oracle, Mavenwire and Iowa State University (ISU) to bring the software to students. As part of our partnership investment in OTM, Oracle agreed to pursue the first-ever academic license for the software, making Iowa State the first academic licensor of OTM. Ruan developed the concept for the OTM academic program, providing course materials and training. In turn, Mavenwire provides Iowa State with hosting for OTM and co-sponsors a student scholarship with Ruan. The program began in the 2014 fall semester, and the first student to benefit from this partnership was hired by Ruan in January 2015 as a business analyst intern.

"WE CHOSE RUAN BECAUSE THEY ARE AN ASSET-BASED 3PL WHO UNDERSTANDS OUR BUSINESS AND PAY ATTENTION TO OUR GOALS," SAID LENNOX INTERNATIONAL NATIONAL TRANSPORTATION MANAGER KATE PISON. "WE CONTINUE TO GROW WITH RUAN. THEY ARE A GOOD FIT FOR US, AND WE'VE BUILT A STRONG PARTNERSHIP."

"My experience with OTM in the classroom greatly prepared me for my internship. The learning process at Ruan was a lot quicker for RTMS2.0 due to the knowledge I attained in the classroom, so I was able to start working on projects and daily tasks sooner. Having an awesome team in Ruan's Integrated Solutions group has also really enhanced my experience with RTMS2.0," said Jason Sadowski, business analyst intern. "This partnership is extremely beneficial for Ruan, Mavenwire and Iowa State. It allows for students at ISU to come into the logistics community with an edge over students from other schools who graduate and enter the logistics field without ever seeing OTM. This partnership allows ISU students to see and utilize the application in depth."

Consistently rated as the industry leader in TMS by multiple agencies, there is no doubt that OTM is the software of choice upon which to build a custom platform. Ruan has made the necessary investments in people, technology and resources to ensure the smooth transition to RTMS2.0 for our customers and to position the innovative software as a highly desirable offering for potential customers.

Safety Focus

1



Our Guiding Principles

People First

2



Customer Satisfaction

3



Exceptional Performance

4



Continuous Improvement

5



A Long History of Ruan Family Leadership Continues



John Ruan
Founder



John Ruan III
Chairman



Ben McLean
President and CEO

Ruan's Leadership and Culture Evolve

On January 1, 2015, Ben McLean—part of the third generation of the Ruan family—took the helm as CEO of Ruan Transportation Management Systems following the retirement of CEO Steve Chapman. John Ruan III remains chairman of the company.

Since joining Ruan in 2007, McLean has prepared for this position by succeeding in a variety of executive responsibilities. Most recently, he served as executive vice president. In that role, he provided oversight of Ruan's western operations and information technology, maintenance, assets and legal teams. Now, as CEO, he adds oversight responsibility for 5,400 team members and 270 Ruan locations nationwide.

As the leadership of Ruan evolves, our direction does also. This includes Ruan's Guiding Principles—the very essence of what drives the company each day. Our Guiding Principles set high expectations for how we do our jobs, how we behave as a group and how we should treat each other. In short, it's how we set our priorities, both personally and professionally.

For many years, Ruan was guided by a strong mission statement, as well as a vision statement. We also strove to uphold our four Core Values: Integrity, Dedication, Teamwork and Enjoyment. While we continue to stand by these values, recent changes were made to better reflect the goals of Ruan today and for the foreseeable future.

Now we are directed by one simple value statement: **We are committed to acting with integrity in everything we do.** Our overall expectation is that Ruan people be honest and

ethical—in everything we do. **Our five Guiding Principles are: Safety Focus, People First, Customer Satisfaction, Exceptional Performance and Continuous Improvement.**

And our mission statement remains the same: **Employ the best team in the industry to move our customers' business safely, efficiently and on time, every time.**

Our Guiding Principles not only define what we must do to be successful—they are written in order of importance. Because we believe we must prioritize safety first. If what we do isn't done safely, it has no value.

"Being driven by safety means starting and ending all that we plan and do by asking: Is it safe?" said Vice President of Safety Lisa Gonnerman.

Next, we must focus on the people around us, treating them with respect and recognizing the contributions they make.

"We know every team member brings something unique to the table," said Erin Peterson, manager of organizational development. "We not only accept the differences between us, but we appreciate them and seek them out. Diversity of thought makes us better."

Third, we must develop strong partnerships with our customers, apply our expertise and ensure they are satisfied with our service.

"It's the combination of having expertise and knowing how and when to best apply it that adds value for our customers," said President of Dedicated Contract Carriage Ralph Arthur.

Next, we must ensure exceptional performance in everything we do—holding each other to the high standards of taking ownership for what we do, acting with a sense of urgency and taking responsibility for results.

And finally, we must deliver continuous improvement in all of these areas.

"If we aren't changing and improving, we are standing still," said Vice President of Human Resources Ron Hanson. "Transportation organizations cannot stand still."

While Ruan continues to proudly hold on to our heritage and founding legacy, we are growing and changing quickly, and many new team members join Ruan each month. Our Guiding Principles will provide additional foundation and alignment for growth and successful change going forward.

With McLean at the helm of our organization, we will honor our past while moving Ruan into the future.

DEDICATED CONTRACT CARRIAGE

CERTIFIED BROKERAGE SERVICES

LOGISTICS MANAGEMENT

FREIGHT AUDIT AND PAYMENT

CONSOLIDATION AND CROSS DOCKING

MODE, ROUTE AND LOAD OPTIMIZATION

VALUE-ADDED WAREHOUSING

BULK TRANSPORTATION

Strengthen your supply chain with the *power of &*.

Connect every detail with Ruan, an asset-based 3PL. Strengthen your supply chain by harnessing the power of *&* with Integrated Solutions from Ruan. As an asset-based 3PL, we provide Dedicated Contract Carriage and Supply Chain Solutions — from logistics and warehouse management to certified brokerage services and optimization and planning. And more. Ruan designs unique solutions

for your specific needs — whether that means using many of our services or just a few.

We manage every detail of your supply chain — fleet ownership, driver management, regulation monitoring and compliance, safety initiatives, innovative technology. And more. That means you can focus on your core business. And we'll handle the rest.

To start taking advantage of the *power of &*, call (866) 782-6669 or visit www.ruan.com.

