MARKET TRENDS
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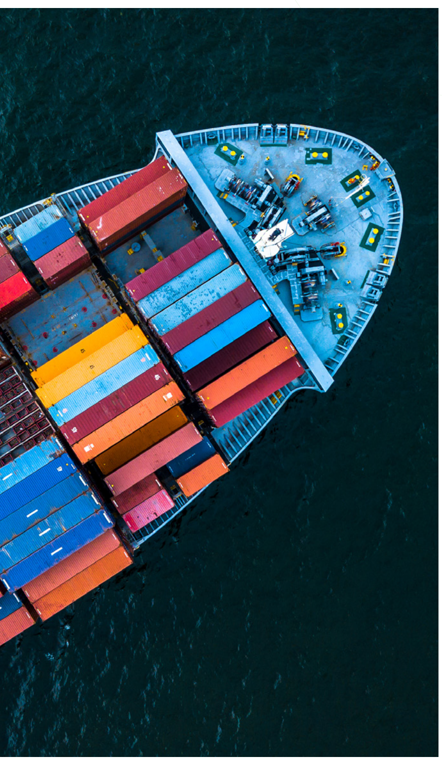

Market Trends & Analysis

Market Trends - Aftermath of West Coast Congestion

As of Friday, February 20, the Pacific Maritime Association and the International Longshore and Warehouse Union finally came to an agreement on a five year contact. Since then, the west coast labor union has been hard at work reducing congestion. The number of vessels docked has significantly reduced. As recently as March, there were up to 25 vessels docked and that number has dwindled closer to seven. However, there is now a backup for containers and product waiting to leave the ramp. This is due to the limited number of chassis and congestion inland with truck and rail. Congestion is expected to clear up by the beginning of peak season in July.

Current east coast pricing has shown a $300 - $400 increase over last year due to the increase in traffic. On the west coast, the spot market pricing is low compared to the past couple of years. This is also a great time for BCOs who are currently getting special rates that are much lower than expected.

Due to the congestion on the west coast, we saw a large increase in business going to the east coast. We could start seeing more of this movement towards the east coast once the Panama Canal opens up to larger vessels in April 2016. As these opportunities open up in the east coast we can expect rates to go down in the long term.

International Experts

BNSF Logistics has an International Team with the staff talent, experience and expertise that rivals any provider in the market. Their in-depth knowledge of international logistics coupled with a wide service offering make BNSF Logistics your one stop for any mode of transportation around the globe. Most importantly, BNSF Logistics and our international experts hold commitment to integrity, corporate compliance and Foreign Corrupt Practices Act requirements to the highest regard. Get to know some of our experts:

Wolfram Zeppenfeld, VP International Branch Operations, is a 25-year veteran in the International General Cargo sector, joined BNSF Logistics in December of 2012 and was promoted to Vice President International Branch Operations in 2013. After beginning his career as a Steamship Merchant in Bremen, Germany, he held leadership positions in sales, operations and management across Germany, the USA and Hong Kong.

Mike Lancaster, VP International Sales, a 36-year industry veteran, has served in senior leadership positions for the international division since joining BNSF Logistics in 2008. Prior to joining BNSF Logistics, he held numerous senior leadership positions with Diversified Freight Logistics, Circle International, and Burlington Air Express/Bax Global.

Bob Ryan, Director, Customs Compliance, is a 40-year veteran of International Freight, Customs Brokerage, Federal Maritime NVOCC Compliance and Overall International Compliance, and a Licensed Customs Broker since 1976. He joined the company in 1980 serving in various capacities involving international transportation and head of Customs Brokerage.

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Brian Genjian, Director Ocean Products, has over 34 years of experience working in International Supply Chain. Prior to joining BNSF Logistics, he held key positions for shippers, steamship lines, 3PL-forwarders, software and consulting companies. His experience brings expert knowledge in market pricing, value added services, supply chain bundling services and onboard implementation processes.

FMCSA Regulations Update

The Hours-of-Service of Drivers Final Rule was effective as of February 27, 2012 with a compliance deadline of July 1, 2013. The goal of the HOS regulations was to reduce the possibility of driver fatigue. This in turn would reduce the risk of crashes and chronic health conditions associated with a lack of sleep.

On December 16, 2014 the FMCSA suspended two components of the HOS rules until the FMCSA can conduct further studies of the safety benefits. The suspended components include the requirement that drivers must log two consecutive periods of off-duty or sleeper berth time between 1 a.m. and 5 a.m. for a qualifying 34-hour restart and the requirement that drivers wait 168 hours between restarts, as well as select which 34 hour restart they want to accept. The suspension will be lifted on September 30, 2015 or upon submission of the FMCSA's final report, whichever comes last. Until the suspension is lifted, operators will continue to operate under the restart provisions that were in effect on June 30, 2013.

In addition to the regulations on HOS, there have been regulations regarding electronic logging devices. On March 13, 2014, the FMCSA issued a proposal to mandate that electronic logging devices be installed in interstate commercial trucks and buses to improve compliance with the safety rules that govern the number of hours a driver can work. "The requirement would help enforce hours of service rules, reduce paperwork burdens on carriers, and ensure that drivers are not harassed," said the FMCSA. The mandates on Records of Duty Status (RODS) say that drivers who are required to keep RODS for eight or more days out of every 30 days must use an electronic logging device (ELD). Drivers that fall under the HOS exemption (i.e. short haul drivers operating within a 100-mile radius or non-CDL drivers operating within a 150-mile radius) are not required to have an ELD. However, according to the FMCSA, the mandate is estimated to affect approximately 3.1M trucks and 3.4M drivers. The FMCSA does not expect to publish its final rule mandating the use of ELDs for carriers until September 30, 2015. The rule would not be effective until two years after it is finalized.

The cost and time to implement ELDs would be hard on small and medium sized trucking companies resulting in many of these smaller companies exiting the market. Unfortunately, this exit from the market could result in increased constraint on capacity. However, for trucking companies that stay, this implementation would provide real time visibility for carriers, thus helping long term efficiencies.