

Intermodal Growth: Evolving Opportunities

October 28, 2008

Presented by: Michelle Crompton-Renda

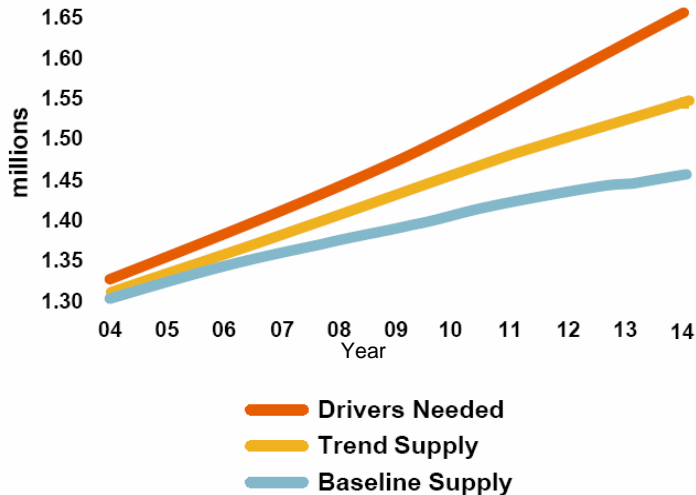


PACER INTERNATIONAL, INC.



The Need: Over-the-road has significant long term constraints

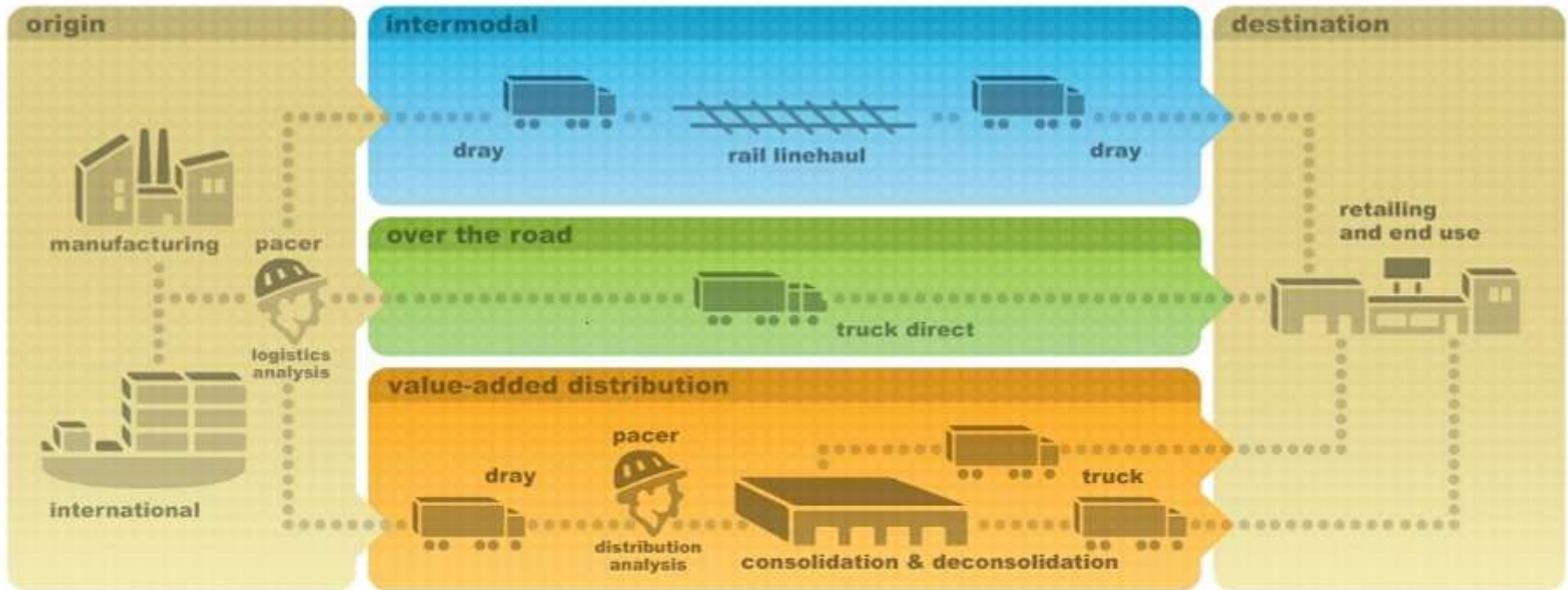
Driver Supply & Congestion



- ▶ The current **driver shortage** is expected to continue beyond 2014
 - ▶ **TWIC Cards and Clean Trucks** requirements
- ▶ **Hours of service regulations** have resulted in reduced driver satisfaction & efficiency
- ▶ **Increasing traffic congestion** has resulted in reduced driver satisfaction & efficiency
- ▶ **Stricter environmental regulations** have increased tractor costs and lowered mileage
- ▶ **Higher fuel, insurance and liability expenses** have reduced over the road margins

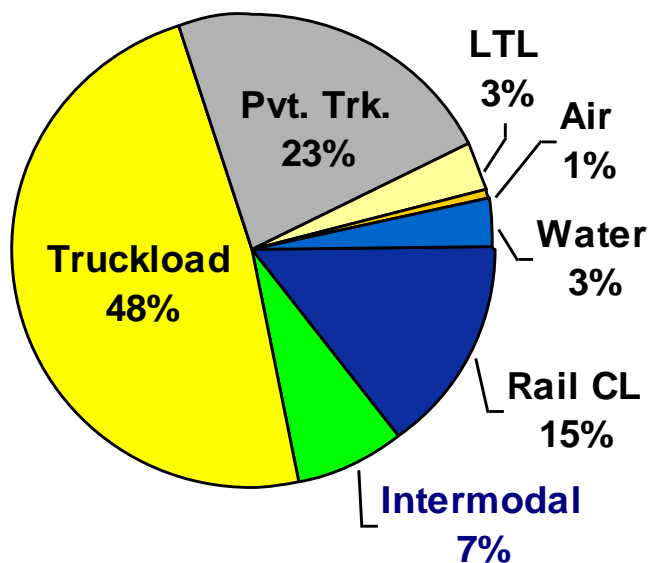
Education: The Intermodal Solution

- Efficient, cost effective long-haul capacity
- Comprehensive North American network
- Over 144,000 unit dedicated container fleet



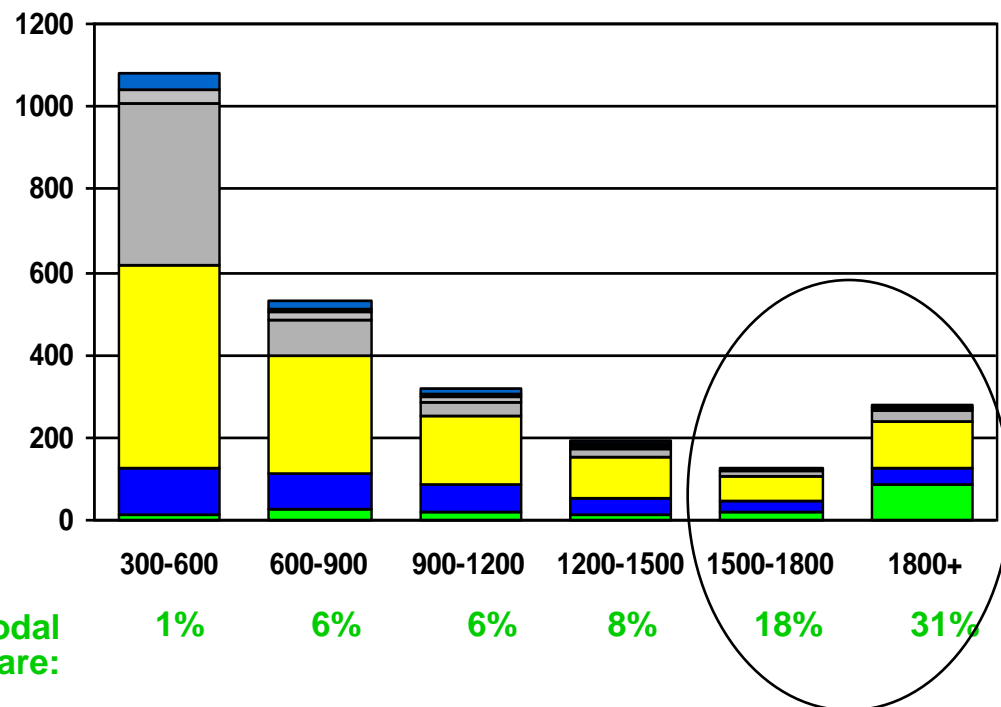
Proof Statement: Intermodal Has Gained Significant Market Share in Long-Haul Markets

**Domestic Freight Tons by Mode
Total Over 300 Miles**



Source: Transearch; Norbridge analysis

**Domestic Freight Tons by Mode
Over 300 Miles, By Mileage Block**



**Intermodal
Share:**

Game Changing Innovation: The Double-Stack Innovation Significantly Improved Asset Utilization and Reduced Costs



vs.



- ▶ Specially designed railcars provide needed height clearance and a highway like ride
- ▶ Two containers in the same space as one trailer reduces costs and increases capacity
- ▶ Greater cargo security by cradling lower containers preventing doors from opening
- ▶ Double-stack intermodal market share has climbed to over 70% since its 1984 inception
- ▶ Use of double-stack reduces environmental impacts versus transportation modes
- ▶ Many Pacer employees instrumental to this innovation continue to lead Pacer today

Why is Intermodal more Green than Truck?



Why is intermodal green?

- Published RR statistics show that a single intermodal train can remove up to several hundred trucks off the highways
- On average railways are three times more fuel efficient than trucks
- The RR's have added over a thousand new fuel efficient locomotives and are overhauling thousands of their current fleet to improve their environmental friendliness
- According to the EPA, locomotives on average emit about three times less nitrogen oxide and particulates into the atmosphere
- A gallon of diesel fuel carries a ton of freight nearly 423 miles on the rail system
- The seven largest RR's are members of the EPA's SmartWay program

(Source: American Association of Railroads)



Domestic Intermodal is moving into high gear...even with the economy and imports stuck in neutral

Domestic Intermodal container volume is increasing; While international container volume is decreasing

INTERMODAL OUTLOOK

Economics & Freight

Description	QUARTER			YEAR		
	2008'Q1	2008'Q2	2008'Q3	2007	2008	2009
Imports of Goods ¹	-3.6%	0.8%	-2.2%	1.6%	-1.1%	-0.2%
Exports of Goods ¹	1.5%	2.9%	2.1%	7.9%	5.5%	3.5%
Truck Loads (Y/Y ²)	-2.4%	-2.2%	-3.5%	0.0%	-2.8%	-0.2%
Class 8 Capacity In Use	86.4%	85.1%	85.1%	87.0%	85.5%	86.0%
Intermodal Loads (Y/Y ²)	-2.4%	0.0%	-0.3%	-1.1%	-0.4%	2.7%
-International (Y/Y ²)	-5.2%	-4.6%	-4.3%	-2.0%	-4.0%	4.1%
-Truckload (Y/Y ²)	4.9%	9.7%	7.8%	4.0%	7.2%	2.7%
-LTL/Parcel/Mail (Y/Y ²)	-8.6%	-3.3%	-1.7%	-11.0%	-4.0%	-6.2%

Notes:

¹ SAAR - Seasonally Adjusted Quarter to Quarter Changes at Annual Rates.

² Y/Y % Change - Current quarter vs. same quarter one year ago.

Sources: GTC, ETSO Report

Source: FTR/Gross Intermodal Market Trends IANA Data

International = 20', 40', 45' ocean containers

Intermodal = trailers & containers, 48' & 53", US, Canada and Mexico Southbound, (does not include Mexico Northbound)

LTL/Parcel/Mail = 20', 28', 40', 45' & 48' trailers

U.S. Container Fleet - Steady Growth

U.S. Container Fleet Comparison - 3 Year Trend									
<i>Updated: July 18, 2008</i>									
	EOY 2006	% chg prior Yr	% share of fleet	EOY 2007	% chg prior Yr	% share of fleet	FCST EOY 2008	% chg prior Yr	% share of fleet
Pacer Stack	28,550	1.4%	22.0%	28,000	-1.9%	20.4%	29,150	4.1%	20.2%
RR fleet total	45,550	-15.6%	35.2%	42,250	-7.2%	30.8%	43,250	2.4%	30.0%
BiModal total	41,300	42.7%	31.9%	52,200	26.4%	38.0%	55,700	6.7%	38.7%
IMC fleet total	14,100	27.0%	10.9%	14,900	5.7%	10.8%	16,000	7.4%	11.1%
Total Fleet	129,500	6.0%	100.0%	137,350	6.1%	100.0%	144,100	4.9%	100.0%

Western Ports – Imports Declined, Exports Increased; Eastern Ports – Imports Increased, Exports Increased

Port Activity by Region - Continental United States
Container TEUs (Twenty-Foot Equivalent Units)

Region		Apr 2008	Mar 2008	M-o-M % Change	Apr 2007	Y-o-Y % Change	Rolling 12 Months	Rolling 12 Months % Change
Los Angeles / Long Beach	Total	854,643	788,781	8.3%	889,414	-3.9%	10,712,800	0.5%
	Imports	581,432	511,779	13.6%	676,653	-14.1%	7,727,151	-6.9%
	Exports	273,211	277,002	-1.4%	212,761	28.4%	2,985,649	26.1%
Pacific Ports, Excluding L.A. / Long Beach	Total	341,422	326,209	4.7%	340,884	0.2%	4,189,652	4.0%
	Imports	191,549	167,650	14.3%	210,837	-9.1%	2,424,014	-3.3%
	Exports	149,873	158,559	-5.5%	130,047	15.2%	1,765,638	16.1%
Northeast Ports	Total	575,056	554,895	3.6%	519,845	10.6%	6,874,444	9.5%
	Imports	340,337	322,446	5.5%	328,821	3.5%	4,256,081	1.9%
	Exports	234,719	232,449	1.0%	191,024	22.9%	2,618,362	24.4%
Southeast Ports	Total	438,709	441,127	-0.5%	418,956	4.7%	5,274,899	8.5%
	Imports	214,549	211,469	1.5%	214,937	-0.2%	2,651,450	1.3%
	Exports	224,160	229,658	-2.4%	204,019	9.9%	2,623,449	16.7%
Gulf Coast Ports	Total	185,560	177,940	4.3%	184,308	0.7%	2,231,943	9.7%
	Imports	77,432	75,939	2.0%	81,005	-4.4%	948,230	-2.8%
	Exports	108,128	102,001	6.0%	103,303	4.7%	1,283,713	21.2%
Total Continental United States	Total	2,395,390	2,288,951	4.7%	2,353,408	1.8%	29,283,738	5.1%
	Imports	1,405,299	1,289,282	9.0%	1,512,254	-7.1%	18,006,926	-3.0%
	Exports	990,091	999,669	-1.0%	841,154	17.7%	11,276,812	21.2%

Sources: GTC, PIERS Port Rankings Report



Evolving Market Trends Conclusions

- Domestic Intermodal growing more rapidly than International intact/IPI (export factor)
- IMC intermodal share is declining (non-equipment providers)
- Bimodal market share growing (Intermodal/Truck)
- OTR constraints favors long term intermodal growth
- Short term, OTR excess capacity slows IM growth



Intermodal Infrastructure

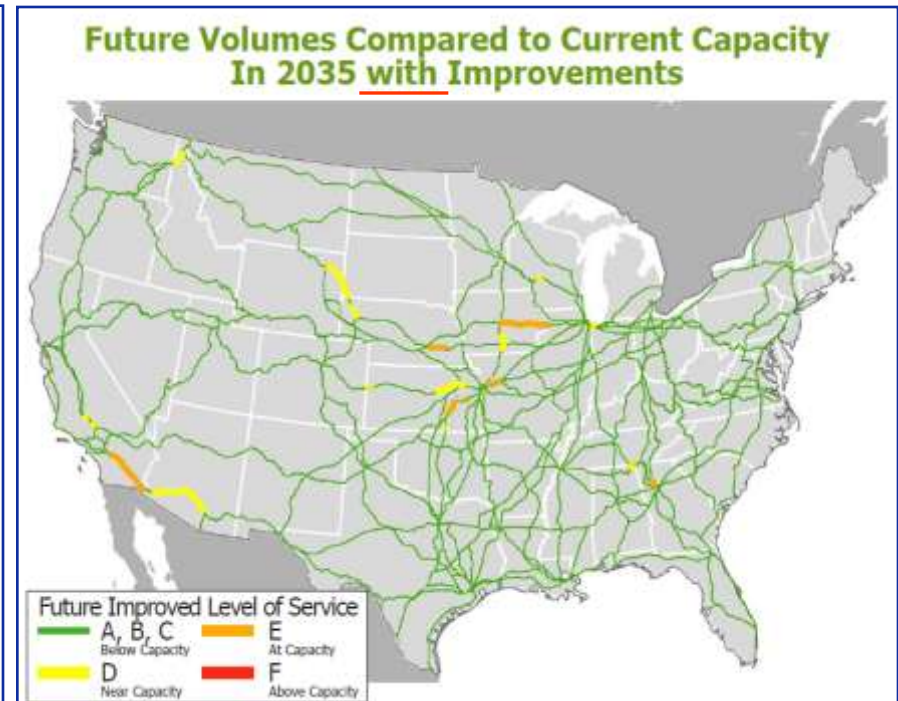
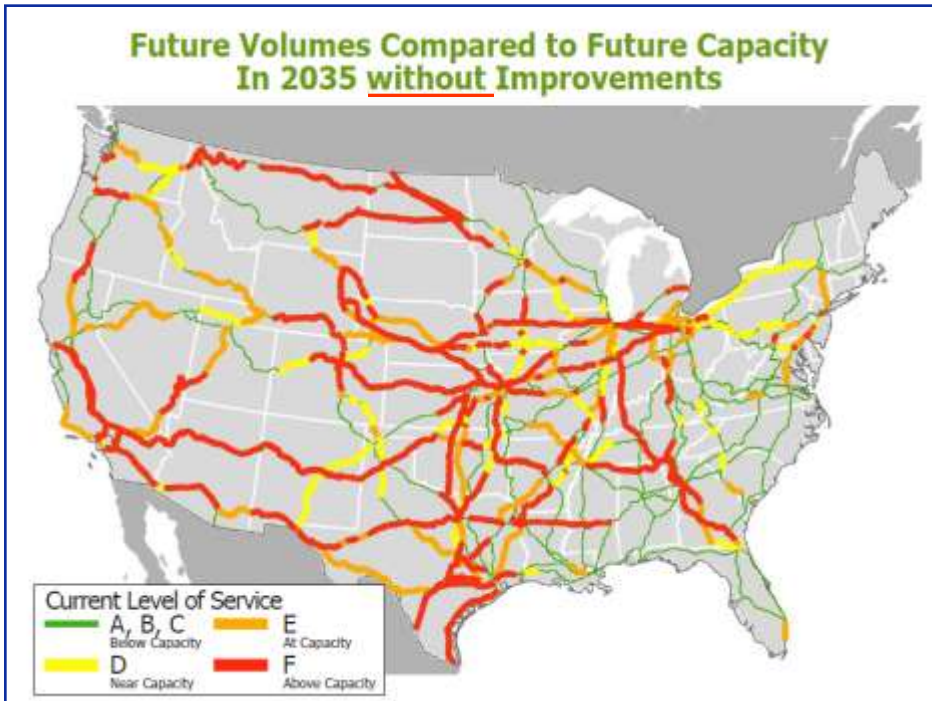
As oil prices increase and road congestion clogs key highway arteries, investment in intermodal infrastructure will be required.

Intermodal: Major Infrastructure Issue

The National Rail Freight Infrastructure Capacity and Investment study estimates:

- The projected 88 percent increase in demand for rail freight transportation in 2035 will require an investment in infrastructure of *\$148 billion (in 2007 dollars) over the next 28 years.*
- Class I railroads' share is projected to be \$135 billion, with \$13 billion projected for short line and regional freight railroads.

2035 Capacity Outlook



IF we make needed investments in rail infrastructure!

Intermodal: Major Infrastructure Projects Currently Underway

- **CREATE (The Chicago Region Environmental and Transportation Program)**
- **The National Gateway – CSX**
- **Heartland Corridor - NS**



CSX – National Gateway

The National Gateway is a plan:

- To create a more efficient rail route linking Mid-Atlantic ports with Midwestern markets
- Improve the flow of rail traffic between these regions by increasing the use of double-stack trains.
- Supported by a public-private partnership - expected to cost \$700 million -- will upgrade tracks, equipment and facilities, and provide clearance allowing double-stack intermodal trains



Ohio Governor Ted Strickland and CSX CEO Michael Ward arrive at Pacer Global Logistics in Dublin, Ohio and are escorted around the state-of-the-art logistics facility.

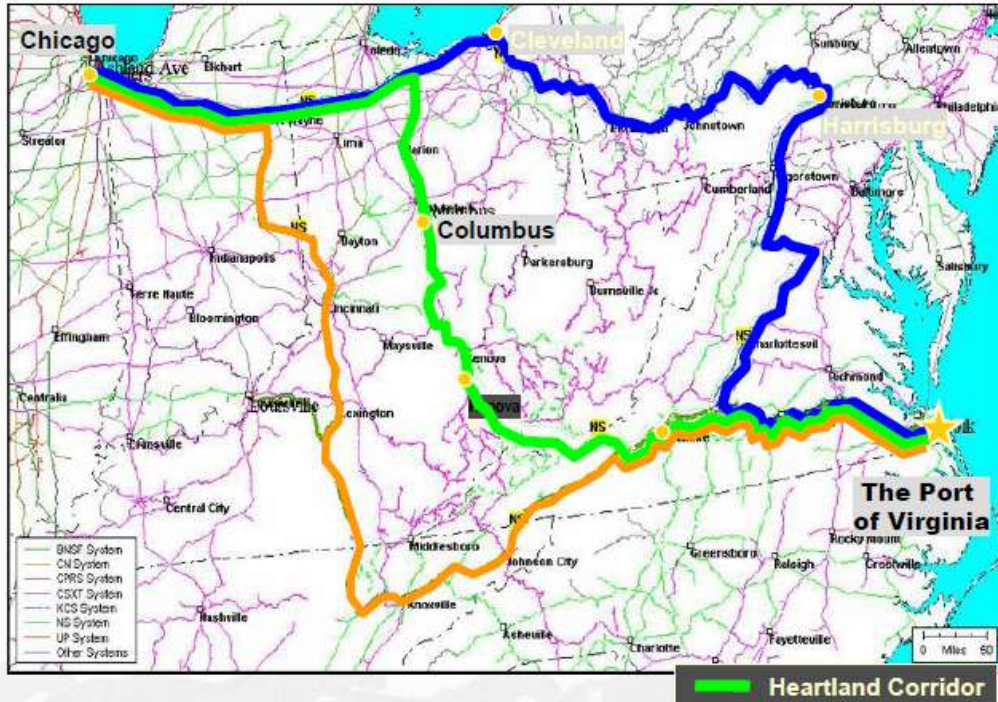
CREATE – Chicago a Key Gateway

A project of national significance, CREATE will invest \$1.5 billion in critically needed improvements to increase the efficiency of the region's rail infrastructure and the quality of life of Chicago-area residents.

Program Goals:

- Reduce rail and motorist congestion
- Improve passenger rail service
- Enhance public safety
- Promote economic development
- Create jobs
- Improve air quality
- Reduce noise from idling or slow-moving trains

Norfolk Southern – Heartland Corridor



The Heartland Corridor is a three-year railway improvement project scheduled to be completed in 2010 that is expected to significantly increase the speed of containerized freight moving in double-stack trains between the East Coast and the Midwest.

Currently, double-stack trains must take longer routes by way of Harrisburg, Pa., or Knoxville, Tenn. The Heartland Corridor goes across Virginia, through southern West Virginia and north through Columbus.

Wrap Up and Questions



PACER INTERNATIONAL, INC.[®]

**Pacer Stacktrain, Inc. | Pacer Cartage, Inc. | Pacer Rail Brokerage | Pacer Global Logistics, Inc.
Pacer Transport, Inc. | Ocean World Lines, Inc. | RF International Ltd. | Pacer Distribution Services, Inc.**

