

inside TRALA

Fall 2004

"Bad Medicine: If It Ain't Broke, Don't Fix It"



Dr. Martin Regalia
Chief Economist,
US Chamber of Commerce

Because the economy has become such a focal point of the presidential campaign and the rhetoric surrounding the campaign has been more inflammatory than informative, this may be a good time to take a closer look at exactly how the economy is performing, as well as what the various camps proposed for future economic policy.

The economy, which has been expanding since the fourth quarter of 2001, accelerated sharply in the second half of last year. However, after turning in another quarter of strong growth early this year, the economy hit what Federal Reserve Chairman Greenspan termed a "soft patch" in late spring and early summer. Spiking oil prices, faltering stock prices, and slower job and income growth weakened consumer demand and heightened concern that the expansion might be losing steam. A relentless verbal

assault on the economy by Democratic candidates and some in the media has fed this concern and increased uncertainty.

With most of the negative factors affecting consumption expected to be temporary and business investment strong and getting stronger, most economic forecasters (this one included) expect the economy to regain its momentum in the second half of this year. Even the Federal Reserve's recent decision to continue its policy of "measured" interest rate increases was seen as a vote of confidence by market participants.

Recent monthly data for July are beginning to confirm our faith that the slowdown will be short-lived. Housing starts showed renewed vigor in July, approaching the 2 million unit mark, and permits for future building surpassed 2 million units. Both retail sales and industrial production rose moderately in July, reversing declines in the previous month. Consumer prices fell in July, and core inflation was up a paltry 0.1%. And producer prices for finished goods as well as the core index rose only 0.1%. Both these reports clearly indicate that near-term inflation should not be a problem. **continued on page 3**

TRALA Members Get It

TRALA is not your average trade association and our members prove it every day. After 27 years an organization takes on a certain personality, with indelible characteristics that often mirror the personalities of its membership.



**PRESIDENT'S
MESSAGE**

When I first came to TRALA in 1991, having never worked at a trade association, I was struck by the stark difference in how TRALA functioned as a trade association and how its members operated their businesses. I saw hard-nosed business owners that would never yield an inch on a business deal showing respect, and often support, for the views of competitors only a fraction of their size. It was not at all unusual to see TRALA members vote to provide funding through TRALA to assist competitors in grappling with legislative, judicial or regulatory challenges, even though they were not personally impacted.

In my mind, one of the most memorable examples of industry cohesion came about in the mid 90's when TRALA members were torn over the decision to affiliate or not affiliate with the American Trucking Associations. At the time, there was great concern that even the very loose relationship proposed for TRALA as an "Independent Industry Affiliate" with an entity the size of ATA might detract from the focus and independence of TRALA.

At TRALA's Annual Meeting that year debate and discussion among the Board of Directors showed a fairly even split if the issue came to a vote, which everyone hoped to avoid but seemed inevitable. On the morning of the vote, the late Larry Miller, who represented Ruan on both the ATA and TRALA Boards and was a strong proponent of affiliation, began talking and quickly pulled out a prop from under the table. It was an enormous stuffed gorilla from the hotel gift shop. Larry said: "Guys, look, this is the 500 pound gorilla you're all worried about, it's really soft and fuzzy and won't hurt you." His comments disarmed the group and when the vote took place a few minutes later, the dissenters to affiliation threw their support to Larry, resulting in a unanimous vote. Clearly, the board members knew it was more important to be together as an industry than to win the day individually.

We should never take this unity for granted. I know very well that it does not exist in all trade organizations, and it can disappear quickly if not nurtured. My predecessors within TRALA are largely responsible for the goodwill that exists today and I take the stewardship of this goodwill within our industry very seriously. TRALA's success depends upon the willingness of tough competitors to put aside differences in order to come together for the common good. Our companies are most effective as an industry and individually when actively participating in TRALA, and we need every voice to be heard.

-- Peter J. Vroom

Customer and Employee Loyalty Critical for Service Industries

Allen Serfas has been a member of TRALA's Board of Directors since 2002.

How and when did you start in the vehicle renting and leasing industry?

Intrigued by the opportunity of running my own business like nearly all Enterprise employees, I began working in the vehicle renting and leasing industry in 1990, as a management trainee.

How has the industry changed since you first became affiliated with it?

Enterprise Rent-A-Truck is a relatively new entrant into the market, but I have been in the rental and leasing business for the last 15 years and in that time many things have changed. The economic and political landscape we work in today is very different and continues to change.

That said, I think TRALA has done a great job at identifying those issues that most affect the industry. Certainly those issues include: transportation security, vicarious liability, vehicle rental taxes, primary liability and so on and developing strategies to effectively overcome them will be of great importance as we move forward.

Another vehicle of change to the industry has been the recent and growing trend toward outsourcing, which provides strong growth opportunities for the truck rental and leasing industry. This has been apparent in many business sectors over the last decade or so and companies now understand the value it also brings to their transportation needs.

There have been numerous mergers and acquisitions in the vehicle renting and leasing industry over the past few years. How has this affected the industry? How is Enterprise adapting to the current business climate?

Merging and/or acquiring another company's customer base can create confusion with the customer. At Enterprise, organic growth or building customers one at a time is really our key to developing and maintaining loyalty and sustainable long term growth.

The industry is experiencing numerous challenges at the moment, but we are staying focused on creating our business. It is a straightforward philosophy that has established us as an industry leader in the rental car market and one that we will continue to work very hard at achieving in the commercial truck rental market too.

I think that we as an industry must always focus on the fact that we are in the service business and our customers must be our single greatest priority.

We grow our locations one at a time and empower our employees at the branch level to partner with their customers locally. As our

employees work to make that location successful they are rewarded with further career opportunities. This principle of putting customers and employees first is a simple one, but one that has worked extremely well for us. As you listen carefully to your customers you get a feel for what they really need and are then able to create solutions that best fit their requirements.


Where do you see the greatest opportunities and challenges for the vehicle renting and leasing industry?

Both the car and truck rental industry can continue to strengthen their working relationship together, effectively identifying mutual goals and challenges to better overcome issues and concerns such as vicarious liability. This particular issue will not disappear and we as an industry need to develop a collective response to it.

What can TRALA members do to overcome these challenges?

One of the key factors in overcoming such challenges is building working relationships at all levels of governments (federal, state and local governments). Ensuring there is a face associated with an organization and a strong rapport in place makes for a helpful and much needed advantage when consulting and discussing public policy issues that affect our industry.

A FEW MINUTES WITH...



Allen Serfas

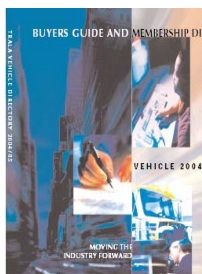
AGE: 37

TITLE: AVP, Enterprise Rent-A-Truck

PERSONAL: Wife Sally, children Madison, Tommy and Jack

EDUCATION: Bachelor's in Finance from the University of Iowa

HOBBIES: Golf



Don't Miss 2004-2005 TRALA Membership Directory

The TRALA Vehicle, the association's official membership directory and buyer's guide, is out, and we greatly appreciate our advertising members, who make it possible to provide the publication at no cost to the membership. This year's advertisers include: Allison Transmission • ArvinMeritor • Bridgestone/Firestone North American Tire • Caterpillar On-Highway Engine Division • Chevy Trucks • Continental Tire • Eaton Corp. • ExxonMobil • Fleet Parts & Services • Fontaine International • Freightliner LLC • General Motors Fleet and Commercial Operations • Goodyear Tire & Rubber Co. • Great Dane Trailers • Harco National Insurance Company • HD America Parts Network • Hendrickson International • Horton • International Truck & Engine Corp. • Johnson Truck Bodies • Mack Trucks • Michelin North America. • Mitsubishi Fuso Truck of America • Morgan Corp. • National Seating Co. • Ottawa Truck • Peterbilt Motors Company • Peterson Manufacturing Company • R. L. Polk & Co. • Richer Systems Group Inc. • Sterling Truck Corporation • Supreme Corp. • Tuthill Transport Technologies - ReycoGranning Suspensions • Volvo Trucks North America, Inc. • Webb Wheel Products.



continued from page 1 While payroll jobs increased a disappointing 32,000 in July, overall household employment increased over 600,000, the unemployment rate fell to 5.5%, the average workweek expanded, and real average hourly earnings rose. These gains in wages and the workweek should keep personal income expanding and help underpin future consumption.

The truth is that this economy is performing reasonably well in all areas. Even the much-maligned payroll jobs numbers show 1.5 million new jobs created since last August. These facts, however, have not stopped Democratic candidates from blasting the economy and proposing broad new economic policy prescriptions to address the perceived economic maladies.

I grew up in a family of pharmacists (father, sister, and brother), and while none of them complained about the legion of hypochondriacs that patronized my father's drugstore, they were not about to tolerate any at home! If you weren't genuinely sick, you didn't need medication (or, for that matter, sympathy). With that advice in mind, maybe we should take a careful look at some of the economic prescriptions proposed for an economy that is not sick.

A central piece of the Democratic economic platform entails significant tax increases for higher-income individuals and for businesses earning profits abroad, while cutting the maximum corporate rate. The proposal also includes a temporary payroll tax credit for manufacturing, small businesses, and businesses affected by outsourcing.

Let's start with the piece of the platform that looks unequivocally positive - the across-the-board cut in corporate income taxes. Reducing corporate taxes is laudable and would help to reduce the multiple layers of taxes on corporate profits. Unfortunately, this proposal is "paid for" by rolling back the Bush tax cuts for upper-income individual filers. Although this "taxing the rich" approach might appeal to some, it ignores the fact that the majority of small businesses - Subchapter S, LLCs, sole proprietors, and partnerships - are all taxed as individuals and the most successful would see their taxes increased. Increasing taxes on the most successful small businesses would not encourage them to create more jobs.

Raising taxes on U.S. companies that do business abroad might seem like a winner as well, but there are problems here too. U.S. businesses that earn profits overseas pay taxes in the foreign countries and pay U.S. taxes again when they bring those profits back to the United States. In contrast, most foreign countries do not tax their corporations on such "foreign source" income. This double taxation makes U.S. firms less competitive with foreign multinationals operating in the same markets. Over the years, a system of credits and deferrals has been cobbled together to partially mitigate this double taxation and to put U.S. firms on a more equal footing with their foreign competitors.

Under the current tax system, a U.S. multinational can defer its U.S. tax until it repatriates its foreign profits. The Democrats' proposal would remove the current system of defer-

als and force companies to pay U.S. taxes on foreign source income when it is earned but would allow deferral of U.S. taxes on income earned by U.S. multinationals on overseas production when it is located there to serve foreign markets. This proposal creates a bigger tax disadvantage for U.S. multinationals, adds to the complexity of the tax code, and increases record-keeping requirements to determine the intended destination of the product - none of which is likely to create more jobs in the United States.

Surely, then, the payroll tax credit is OK? While payroll taxes are "paid" by both employers and employees, economists of all political persuasions have long contended that the "burden" of the payroll tax falls almost exclusively on the employee. This is because businesses take into account total employee cost (including benefits and payroll tax) in their hiring and compensation decisions. If this assumption is correct, then the benefit of any payroll tax cut will accrue to the employee, not the employer. I fail to see how providing a benefit to the employee, especially a temporary benefit, will encourage the employer to create more jobs.

Businesses have been hesitant to hire because they are uncertain about the economy's staying power, and they don't want to incur long-run fixed costs if subsequent weakness will force them to cut back. A better way to encourage job growth might be to stop talking down the economy, especially when such rhetoric doesn't match the facts! *Reprint by permission, uschamber.com, September 2004. Copyright 2004, U.S. Chamber of Commerce.*

NationaLease Marks 60th Anniversary

What began as the National Truck Leasing System with a group of 17 companies in 1944 is now NationaLease, a \$2.4 billion franchiser of truck leasing companies with a combined fleet of more than 80,000 vehicles and 550 facilities in the United States and Canada.



As President and CEO John Grainger says, "NationaLease . . . is quite simply, the largest and oldest member-owned system of interdependent, full-service leasing companies in North America."

NationaLease celebrated its 60th anniversary at its recent national meeting, held September 19-20 in Chicago. Two special proclamations were presented during the festivities. One was given to Tom Brown of Brown NationaLease, commemorating its status as the only remaining founding member of the System and the exceptional leadership exhibited by Tom Brown, its CEO. A second one was presented to International Truck & Engine to mark its 60-year relationship with NationaLease, which began with the then International Harvester's assistance with training leasing personnel.

Congratulations to NationaLease!

Security Remains Top Priority for Our Industry

The ever-present threat of terrorist attacks within the United States and elsewhere means that security issues will remain a top priority for our industry. It is no secret that our industry is under the microscope of government security officials. We must remain vigilant in leading the industry in security preparedness - and we are. TRALA is actively engaged with the nation's leading transportation security officials, both public and private, in developing cooperative industry-wide voluntary security enhancement programs.



Transportation Security Administration

We are involved on an ongoing basis with the Transportation Security Administration (TSA), part of the U.S. Department of Homeland Security (DHS), which is responsible for security issues related to transportation, including trucks and surface transportation. Other federal agencies, such as the Federal Motor Carrier Safety Administration of the U.S. Department of Transportation, as well as the U.S. Congress and state governments, are also focused on security measures affecting the truck transportation industry.

TRALA's Security Task Force assists our members in responding to security issues and in coordinating with government agencies to achieve practical and effective responses in this area. With recent increased security threat levels, TRALA is also sending regular electronic security alerts to our members and



providing posts and information within a separate security section of our website. Additionally, new security publications and guides are being developed to assist members.

TRALA urges you to implement your own security measures with the utmost sense of urgency. Also, please continue to check TRALA's website (<http://www.trala.org/government/security.php>) for the latest DHS and FBI advisories and bulletins aimed at our industry. Most importantly, if you see suspicious activity, are subject to suspicious or unusual inquiries, or if one of your vehicles is missing, please contact the Highway Information Sharing and Analysis Center (ISAC) at 1-877-USA-SAFE (1-877-872-7233) or your local FBI office, which can be located through the following website: <http://www.fbi.gov/contact/fo/fo.htm>.



Bringing Focus to Security Technology Measures

In the first of a series of calls aimed at gaining a wider perspective on critical issues, several regular and associate TRALA members participated in a conference call on September 23 to exchange information on security-related matters affecting the truck renting and leasing industry.

"We want to provide frequent opportunities for interaction between our associate and regular members on key topics," said TRALA President and CEO Peter Vroom. "A number of our associate members have developed or are developing security-related products. We believe it is helpful to have greater insight on the nature of these developments as we plan and make decisions in this area."

An issue of debate on security technology is whether to concentrate technology and equipment development on verifying driver identification information or on tracking truck location and trailer contents. It is important that whatever security solutions are widely implemented throughout the industry that they are practical and effective and have business-related functions as well. As Steve Lawrence of Lawrence National Lease put it, "The renting and leasing segment of the market has long led the trucking industry in putting the newest, safest, best-equipped vehicles on the road. We need to continue that tradition when it comes to security."

If you are interested in participating in upcoming conference calls with regular and associate members, please contact Membership Director Maggie Brown at mbrown@trala.org.

TRALA CALENDAR

 <p>October 13-17, 2004 FALL LEADERSHIP MEETING Southampton Princess in Hamilton, Bermuda</p>	 <p>October 5-9, 2005 FALL LEADERSHIP MEETING The Broadmoor in Colorado Springs, Colorado</p>
 <p>April 6-10, 2005 27TH ANNUAL MEETING Westin La Paloma Resort and Spa in Tucson, Arizona</p>	 <p>March 29 - April 1, 2006 28th ANNUAL MEETING Four Seasons Resort Aviara in Carlsbad, California</p>

Have a question about an event?
Contact Leslie Hummel
at lhummel@trala.org or 703.299.9120.

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Transportation Alliance Bank was established in October 1998 in Ogden, Utah, in an effort to extend financial services to professional drivers and trucking companies beyond the capabilities of traditional banks. As a wholly owned subsidiary of Flying J, every financial product and service that TAB provides is designed to meet the needs of professional drivers and other consumers who spend their time on the road. For information, please contact Howard Stirk at 801.624.4832 or howard.stirk@tabbank.com.

Legal Action Fund Targets 100% Participation

Do you want to make sure that you won't be overburdened by new taxes and regulations? Do you want to escape from unnecessary red tape and undue oversight of your business? Do you want to be able to compete on a level playing field? Then you need to support TRALA's 2004 Legal Action Fund. Over the



past year, TRALA has succeeded in defending our industry from new taxes, fees and regulatory burdens costing millions of dollars. Contributions to TRALA's Legal Action Fund have made these victories possible.

At the state level, we defeated an accelerated lease tax proposal in Minnesota, exempted trucks from accelerated registration fees in New Jersey, defeated a lease tax increase for the Chicago metro area and defeated a vehicle rental tax in Maryland. In addition, TRALA enacted legislation in Alabama to eliminate the state's non-apportioned property tax, and in Rhode Island legislation was approved to extend vicarious liability protection. At the federal level, TRALA's legislation to provide tax credits to truck sellers for unused Heavy Vehicle Use Tax is included in the highway bill pending before Congress, and we continue to pursue elimination of vicarious liability.

When an industry challenge arises, TRALA's Legal Action Fund provides the resources needed to respond aggressively and without hesitation. Being prepared for the unexpected is part of the reason TRALA's advocacy is recognized as second to none. Today's business environment is simply too competitive to allow the enactment of unfair, ineffective, or unnecessarily costly laws and regulations that can severely hamper your business.

**Please make sure your voice is heard and
your business interests are protected.**

Join TRALA's Legal Action Fund today!

To make your contribution, click on
[http://www.trala.org/government/
legalactionfund.php](http://www.trala.org/government/legalactionfund.php).

Apply now for TRALA Founders Scholarship

Founded in 1995, the TRALA Founders Scholarship Fund has raised \$1.75 million and helped 40 students achieve their dream of a college education in the past nine years. The program is open to deserving college students who are dependents of TRALA member companies.



Thanks to the TRALA Founders Scholarship Fund, each year two high school seniors of full-time employees of TRALA members will receive renewable \$5,000 scholarships to pursue a college education at an accredited four year college or university. Scholarships are available only to high school seniors.

Let your employees know about the most generous scholarship program in the trucking industry. January 14, 2005 is the application deadline for the next academic year. Go to <http://www.trala.org/scholarship/application.html> to download the application. Questions? Call 703.299.9120.



Ninth Annual Scholarship Tournament

September 21 dawned clear and beautiful for the 9th Annual TRALA Founders Scholarship Golf Tournament at Kemper Lakes Golf Course in Long Grove, Illinois. One hundred and twenty players competed in the tournament that benefits TRALA's scholarship fund. The winners in the team competition were:

1st place team - Jeff Forbes, Don Zych, Alan Grain and Katherine Wixom

2nd place team - Tim Ryan, Ken Seng, Keith Rymut, and John Cumbee

3rd place team - Mike Colaccino, Mike Hayes, Jack Vandergiesen, and Rick Naylor

Winning the individual competitions were:

Jack Morris for **Closest to the Pin** on Hole 3

Mike Sweeney for **Closest to the Pin** on Hole 17

Mike Colaccino for **Longest Drive** with 309 yards on Hole 9

"We appreciate the support we receive for this event," said TRALA President and CEO Peter Vroom. "It's great when you can support such a worthwhile cause while at the same time having an outstanding day of golf, competition and fellowship."

TRALA Founders Scholarship Fund Contributors

Thanks to their contributions, the TRALA Founders Scholarship Fund is the most prestigious and generous of its kind in our industry.

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Platinum (\$10,000 annually)

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National Truck Leasing System (NationaLease)
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Truck Renting and Leasing Association

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Gold (\$1,250 annually)

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