

**Fuel the Fire Within**  
**Remarks by**  
**ATD Chairman Kyle Treadway**  
**to the**  
**2010 ATD Convention**  
**April 24, 2010**  
**Orlando**

Good afternoon. Thanks for joining us again at the premier gathering of truck dealers, OEM's and suppliers. We hope you find value in your time together here in Orlando – the happiest place on earth.

Twelve months ago I stood before you to encourage hope in the midst of a pretty dismal situation. I talked about the glass-half-full approach to life and encouraged you to look to the fundamentals of business in approaching these trying times.

One year later most of us are still here after even more challenges, layoffs, and write-offs. Heavy and medium-duty truck sales have now declined 55 percent since the industry peaked in 2006. The number breaks out to be a 47-percent decline for classes 3 through 7, and a walloping 66 percent for Class 8. Surprisingly, only 123 dealer “rooftop locations” have closed as a result – that represents 4.5 percent of the combined dealer body.

Our customers not only parked many of their trucks, but cannibalized those chassis to keep their aging fleet operating. Over 4,000 fleets with 10 or more trucks filed bankruptcy in seven calendar quarters. Large fleets – of more than 100 trucks – downsized an average of 9 percent.

Those numbers represent 160,000 trucks sidelined, repossessed and/or sold – many by us. No small wonder, because inventories declined by more than \$100 billion per quarter for three straight quarters last year, according to Longbow Research.

The entire world watched as our fellow car dealers experienced a 21-percent decline in vehicle sales last year. And very publicly saw their ranks trimmed by over 10 percent.

But while I'm looking for the pony in the pile of manure here, let's acknowledge something very significant: Dealers spoke up and made themselves heard on a national scale. Not only did our elected leaders in Washington experience some backlash, but the media and the public learned how significant we dealers are to the national and local economies.

Taking a page from the successful “Cash for Clunkers” program, our legislative office has been hard at work crafting similar legislation for truck dealers, and pulling together a coalition of stakeholders to ride this wave of dealer empowerment. You'll hear more details in the weeks ahead as we ask you to help lobby your legislators to support this key legislation.

As I pondered lessons learned this past year, I remembered the story of a dealer who chose to “push through the pain,” without the advantage of knowing it would add up to 24-plus months of downturn, doubt and discouragement.

The U.S. struggled through a political crisis; international posturing and accusations are replaced with troop activations, invasions and world fears of conflagration beyond the mid-east region. The price of fuel skyrockets and all sectors of the North American economy are reeling from the ripple effect.

The trucking industry, of course, feels the immediate impact and panic ensues. It doesn't help that independent of this political/economic debacle, our nation's leaders are following through on an earlier decision to change fundamental regulations governing the trucking industry.

Not only is the volume of freight falling like a lead balloon, now truck owners and operators are adrift in a confusing swirl of a new regulatory environment. Trucks and trailers are idled by the tens of thousands. Trucking companies begin failing at an alarming rate.

New truck sales evaporate, and the flood of idled equipment not only decimates used truck values, it cripples an already stressed financial sector. Truck owners are forced to pirate components and parts off their surplus chassis, rather than purchase replacement parts or pay dealers to perform repairs and maintenance.

The truck dealer felt the full brunt of the recession: as a second generation dealer he was well aware of the statistics dooming family businesses passing from parent to child. He'd stepped into the dealer principal role only eight years earlier, upon the death of his father.

Those first few years had been important for him to prove to his bank, his OEM and himself that he was a worthy leader. Enough time had passed and the dealership was doing well: adding locations, growing sales, building a reputation. As the old song goes, the future was so bright “he had to wear shades.”

Maybe those shades kept him from seeing the collision heading his direction? In what seemed a fortnight, he had to lay off 30 percent of his employees, repossess over a hundred trucks from a customer whom he counted among his closest friends, scramble to replace a flooring source that decided to exit the market . . . It seemed inevitable the dealership would have to file bankruptcy.

The dealer called together his management team to discuss the options. After hours, behind closed doors, the seasoned veterans wracked their brains trying to understand what happened – how did it all turn on a dime? Were they really bleeding millions of dollars? Had the bank truly disowned them and demanded on all the notes? Was there any hope?

“Yes,” said the dealer in his best Jimmy Stewart moment. “We know this industry: we understand the needs of the customer, and how best to help *them* succeed. As salespeople we need to have confidence in ourselves, and sell that confidence to everyone else.”

The dealer asked his team to have faith and confidence, and rally behind him as they plotted their pathway to recovery. That path required some hard choices and sacrifices: the dealer went without a salary, key managers took pay cuts, two of the four branches would have to be closed, new credit lines and part returns negotiated. Every step was an exercise in humility, requiring endurance and diplomacy. Many valuable customers and employees did not survive the transition.

But like survivors emerging from a bomb shelter, the dealer and his team faced a new world head-on. Recovery was slow; many of the rules of the game changed. The wheel turned and the economy began to stabilize. Old customers resurfaced and new ones appeared on the scene. All of them were stunned and looking for answers.

Lessons were learned while together everyone recovered and rebuilt the industry. It took a long time to pay off obligations and reestablish relationships. But eventually the determination paid off, and the dealer could proudly say to his team, “We did it. We’re still here and we’re wiser for it.”

Many of you may recognize pieces of your story in this one. While it could easily describe what many, if not most, of us have gone through since November 2007, it actually took place 30 years ago. And the dealer was my father.

He sheltered me from much of it at the time, but the past three years have truly been a déjà vu for our family and our dealership. I don’t have the benefit of asking dad how to navigate the current recession, because he passed away 10 years ago, but I take strength in knowing that it can be done.

Like the small team he assembled in 1980, I’ve relied on key managers to help me guide our way through some muddy water. Together we have the experience and skills necessary to muster the confidence, and sell it to everyone around us. I’m preaching to the choir, because all of you have been through the same waters and know what I’m talking about.

We’re here today because each of us learned over the past three years to assess the situation, inventory our resources, prioritize the needs and plan accordingly – while hopping on one foot and patting our head!

That entrepreneurial spirit is challenged by a host of serious issues: none more important than the devalued used truck market. Commercial lenders have been reluctant to put marginal customers out of business for fear of being saddled with more repossessed used trucks.

Mike Iannelli, managing director of investment banking firm Lincoln International, describes the catch 22: as used equipment values improve there could be a rush of repossessions and forced sales and lenders seeking to recover funds from companies in arrears. The average gap between a truck’s market value and the amount owed exceeds \$25,000.

Credit markets also loom large on our radar screen. Like my father scrambling to line up a new flooring source in 1980, we face a small pool of lenders who are themselves under assault. We face critical needs for not only operational and flooring lines, but retail credit for our customers.

Marginal fleets have spent the last three quarters exhausting potential sources of cash. With typical expenses exceeding 98 percent of freight revenues, there are few places to go. And Dan Clark of GECC Transportation Finance sees demand continuing to increase through this year and into 2011.

The third biggest issue rising to the top of the pile is Customer Expectations for productivity. Freight rates for survivors will improve in the second quarter, but according to Andrea Fischer, Information Technology & Logistics Council at ATA, “The ability to provide real-time information to customers has rapidly become the currency of freight hauling – information delivery is a hallmark of surviving trucking operations, and they will need IT even more in the competition to come.”

Economist Noel Perry agrees, saying, “IT will really be the next frontier for productivity. This trend will span the breadth of our business, extending from vehicle diagnostics to front-office transactions.”

Our customers are on the vanguard, and expect us to keep up the pace: the commercial aspects of social media continue to unfold. Twitter and Facebook pages are being used by major fleets to network and recruit drivers.

Brokers are using getloaded.com to match loads with drivers. OEMs are experimenting as well with outreach on Facebook and LinkedIn. What propels everyone to jump on the bandwagon? Apart from the magnetism of “Star Trek” futurism, it’s the emphasis on community and productivity.

Our community is right here, in this room: It’s the dealers, the suppliers, the manufacturers, together with the customers in the world out there. And *your* trade association is working to help you pull it all together. From the peer interaction and educational workshops at this convention, to the many programs offered throughout the year and industry leading advocacy, the board and staff of ATD are working hard to help you understand and navigate these challenging times.

Our most recent initiative is the launching of NADA-ATD University. “NADA U” brings together in one place a lot of the great resources you’re already familiar with – plus some new ones. The four main centers comprise Dealer Academy, which features the ATD Truck Dealer Academy as well as the Dealer Executive Education at Babson College.

Second is Learning Hub, where you’ll find online courses, convention workshops, seminars, Webinars, and much more. One of the six Learning Hub courses offered to ATD members at no charge is Cash Management for Heavy Truck Dealerships. All ATD convention workshops, which include a medium-duty track this year, will be available through Learning Hub and you can register for the Advanced Heavy Truck Service Management Seminar scheduled for August at NADA.

20 Group, the third center, continues to grow and has recently added an All-Makes Truck Group. Be sure to stop by the NADA at the booth in the Exposition and pick up the ATD Performance Guide and Best-of-class Recaps.

Finally, the Resource Toolbox is the online "library" portion of NADA University and is where you'll find the Driven management guides, archives of MarketINSIGHT and NADAPERKS and the online version of the ATD Performance Guides.

The launch of NADA University is just the beginning – it will continually grow with more courses, more online resources, and more of what you need to build a winning dealership team. Just like your key managers, ATD and NADA are anxious to help your business survive and thrive.

Remember, it's our incredible entrepreneurial spirit as truck dealers that has seen us through this time. It did so before and will do so again. Our job is to Fuel that Fire Within all our employees, suppliers and customers.

You know as well as I do that attitude is the catalyst that can change problems into opportunities. So get creative – it's a new world out there. How are you going to change it today?

Best of luck to you and have a great convention!

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