FINAL TRANSCRIPT

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SWFT - Q3 2011 Swift Transportation Co Earnings Conference Call

Event Date/Time: Oct. 21. 2011 / 5:00PM GMT

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator

My name is Jamaria and I will be your conference operator today. At this time, I would like to welcome everyone to the Q3 2011 earnings conference call. All lines have been placed on mute to prevent any background noise.

(Operator Instructions)

I would now like to turn the call over to Mr. Jason Bates, Vice President of Finance and Investor Relations Officer. Sir, you may begin your conference.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Thank you, Jamaria. Good afternoon, everyone. We would like to welcome you to our third-quarter 2011 earnings question-and-answer session. I'm joined today in the room by Jerry Moyes, our Chief Executive Officer; Richard Stocking, our President and Chief Operating Officer; and Ginnie Henkels, our Executive Vice President and Chief Financial Officer.

Based on feedback we've received from many of you and as noted in our press release on October 6, we have changed the format of our earnings release and conference call. We released our financial results for the third quarter shortly after market close on Wednesday in the form of a letter to stockholders.

This single document contains the information which was previously disclosed in 4 separate documents, our earnings release, 8-K, earnings call slides, and earnings call script. The purpose for this change was to simplify the dissemination of information. We then encouraged all interested parties to review the material and submit questions in the form of e-mail to investor_relations@swifttrans.com.

On the call today, we will respond to as many of the previously submitted questions as time allows. The letter to stockholders and the webcast of this Q&A session are available on our investor relations website found at ir.swifttrans.com. We will be posting a transcript of this Q&A session to our IR site as well.

We'll start things off today by sharing our forward-looking statements disclosure. This call, including documents which are incorporated by reference and accompanying comments may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include but are not limited anticipates, believes, estimates, plans, projects, expects, intends, will, could, may, optimism for strengthening demand, or similar expressions which speak only as of the date the statement was made.

Such forward-looking statements are inherently uncertain, are based upon the current beliefs, assumptions, and expectations of Company management and current market conditions, which are subject to significant risks and uncertainties as set forth in the risk factor section of our 10-K. You should understand that many important factors in addition to those listed above and in our filings with the SEC could impact us financially.

As a result of these and other factors, actual results may differ from those set forth in the forward-looking statements and the prices of the Company's securities may fluctuate dramatically. The Company makes no commitment and disclaims any duty to update or revise any forward-looking statements to reflect future events, new information or changes in these expectations.

So with that out of the way, we'll now get to the questions that each of you have previously submitted. Due to the significant volume of the questions we received, we have tried to organize them by topic and we'll address them in that fashion today on the call. So we will start off today with a few questions on industry trends.

QUESTIONS AND ANSWERS

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

First, what are your thoughts on the hours of service regulations, specifically with regard to the timing of potential enforcement?

Jerry Moyes - *Swift Transportation Co - Founder and CEO*

Jason, I'll take that. All indications are that the rules are going to be coming out over the next 60 days, and it's probably very likely that it will be contested resulting in more litigation. And this thing could stretch out for another 2 or 3 years.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Great. Can you give us an update on your electronic on-board recorder, EOBR implementation and comments on the potential delays for required implementation?

Richard Stocking - *Swift Transportation Co - President and COO*

Yes, sure. Even though there may be a delay with the required implementation of the EOBRs by the courts, we are continuing with our Company's plan and our implementation plan. We have about 9,000 completed to date and hope to complete by the end of the year or the first part of next year. Some of the strays may filter into January, but we feel like we'll get that done soon.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

How has CSA 2010 impacted you and how does it continue to rollout in your view?

Richard Stocking - *Swift Transportation Co - President and COO*

It's impacted us, we're actually the beneficiary of a couple of different scenarios. We are green in all 7 categories, the 5 that are public and the 2 that are not, but we have found drivers that are migrating to our schools and to our Company because of our being green in those categories. Our pipeline is full and that pipeline is from the schools or the academies to first dispatch as well as volumes have increased for us as customers shift freight to green carriers and we believe that, that increases as hard enforcement increases. I will also say we're very proud to be green in those categories. Our safety department has several initiatives that have been underway for the last couple of years through our risk analysis system of each driver that we grade in those categories. We have a very aggressive approach. If they start to gain points in that system, we look very closely at our frequency and severity, the accountability and recognition that we've rolled out to the drivers has been well received as well

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as our IT portion of that, when you look at our stability it control and our hard breaking. So we're very proud of our Company's efforts on the safety front and our programs that are in place.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Great. With nearly every other mode seen at deceleration in volume growth in recent months, trucking activity has held up relatively well. From your perspective, are there specific markets within the truckload industry such as geography, customer segment, et cetera that are stronger than others? If not, what do you see as driving the strengthen volumes?

Richard Stocking - *Swift Transportation Co - President and COO*

From a geographical perspective it has been inconsistent throughout the quarter. Certain markets will be overbooked for a couple of weeks and then soften up the next couple weeks. And those locations experiencing this dynamic have changed throughout the quarter. From a customer segment perspective, the retail and discount retail groups have been consistently strong. Customer -- or consumer products and food and beverage segments are also showing favorable trends.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

What do you feel explains the disconnect between the weak west coast container import figures we have seen for the third quarter and the improving freight demand in September? Is there another source of volume, warehouse providers, other beneficial owners that are driving the volumes?

Richard Stocking - *Swift Transportation Co - President and COO*

Keep in mind only a small portion of the fray that we haul at Swift passes through the Port of LA and Long Beach. And in addition to that, we are seeing a slight migration of traffic from LA, Long Beach to the other ports around the country.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. Can you comment on the freight trends you've experienced through the third quarter and thus far in October? And additionally, what is your expectation for a peak season this year?

Richard Stocking - *Swift Transportation Co - President and COO*

As we spoke the last quarter, we're seeing more seasonally trends relative to the mid-90s, and that continued in the third quarter, seasonally soft in July and built into the months of August and September. October has been up slightly on a year-over-year basis, and we anticipate volumes increasing from here through the first part of the first half of December. We expect that there will not be a major peak but rather a gradual increase in volumes which should build throughout Q4. Most of our customers feel good about their opportunity in Q4 in addition to that.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Great. So we received several questions about Swift's specific trends in the quarter as it relates to utilization, deadhead, and rate per mile. So you noted in your letter to stockholders that your weekly trucking revenue per tractor exceeded $3,000 for the second consecutive quarter. Is $3,000 the peak or do you look to increase that to a figure in the mid-3,000s and at what point is it necessary to think about adding capacity?

Richard Stocking - *Swift Transportation Co - President and COO*

That's a great question and an exciting one for us to answer. We believe that there is still significant opportunity to improve our revenue per truck week through various initiatives. We talked about the Plus One which is adding a load per truck per week. Our drivers are utilizing the extra buffer time in the order and so we're focused on the order velocity as well as the dispatch and planning processes, and really getting our drivers to accept and trust in our technology. We're stacking freight as well. We're working with our teams to make sure they're hauling team business and not being firefighters and hauling 600 or 700 mile length hauls, as well as Pony Express shuttles. We're adding to those where it makes sense. And in addition, we made mention earlier in the year about a family plan so the drivers have more flexibility. So we can keep our trucks running more efficiently as well. And then finally our network engineering as we grade each piece of business, each lane in 5 categories and constantly improving the quality of our business and freight mix. And we should be able to add several hundred dollars per truck per week before we need to add substantial additions to capacity.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Great. Can you provide some color as to the specific rate and utilization trends throughout the third quarter?

Jerry Moyes - *Swift Transportation Co - Founder and CEO*

We're encouraged for the trends that we've experienced in the quarter related to our rate per mile. They've gradually improved each month throughout the quarter. From a volume perspective, each month was up on a year-over-year basis with August being the strongest.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. There were also a number of questions about the Wal-Mart business that was previously discussed. Can you give us a little color on how that business is coming along? When did it start up? Is it fully implemented? How is it running? Were there any start up costs, et cetera?

Richard Stocking - *Swift Transportation Co - President and COO*

Good questions. It started off the first 2 weeks of September. We took 1 facility on the 7th and the other 3 on the 12th and was fully implemented during the month of September. The start up from the very get go has been smooth and successful. Wal-Mart and Swift both are excited about that. We did have additional start up costs associated with the new business, which is customary with new dedicated accounts. We provided trucks early and training for drivers so on and so forth, but we do not anticipate any ongoing start up expenses.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, you've been guiding to a flat operational fleet count in the fourth quarter. Do you believe that utilization, miles per tractor, could improve on a year-over-year basis following the start up of these 4 new Wal-Mart facilities in the third quarter?

Richard Stocking - *Swift Transportation Co - President and COO*

We do expect to see sequential utilization improvements in the fourth quarter. While we expect that Wal-Mart will contribute, we believe the primary driver for the improvements will come from various initiatives that I previously mentioned in our utilization.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. You realized a great sequential improvement in deadhead, something very few of your peers can claim. What were the factors that contributed to this improvement?

Richard Stocking - *Swift Transportation Co - President and COO*

We have various internal initiatives associated with our network engineering teams and believe that we continue to drive this metric in the right direction. We're very excited about it, obviously there's a potpourri different levers we're pulling to drive that down. And then secondly, demand played a factor in our improvement as well. We're loading our trucks where they land.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. On the rate side, we noticed that rate per mile decelerated a little bit in the third quarter when compared to the second quarter. What is the reason for that slight deceleration and is that a trend that we should expect to continue into the fourth quarter?

Richard Stocking - *Swift Transportation Co - President and COO*

As we've stated in the past, our rate improvements began last year in Q3 of 2010. So on a year-over-year basis this quarter marks the beginning of the more difficult comps, but having said that, we still feel comfortable with the guidance we've given all year long with our full year 2011 finishing with approximately 4% improvement on a year-over-year basis.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

And when we think about rates going into 2012, what are your expectations for contract rates in that environment?

Richard Stocking - *Swift Transportation Co - President and COO*

Yes, this is interesting. Customers realize how fast capacity leaves the market when the volumes increase and that's happened several times, therefore there are still concerns over capacity for availability for 2012. They want us to partner up and there's more core care programs, more taking advantage of our service offerings. So we expect a rate opportunity there. And if we experience a similar economic environment, we would expect similar results for '12.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. Real quick on fuel surcharges, have you been receiving any pushback from customers on the program?

Richard Stocking - *Swift Transportation Co - President and COO*

No.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, so with that, we're going to shift gears a little bit and spend some time addressing our Intermodal offering. We had several questions on the break down of revenue between our trailer on flat car, which is our TOFC, and our container on flat car, our

COFC businesses, as well as various questions on their respective margins. Unfortunately, we don't disclose that level of information. So at this point we won't be able to address those specific questions, but there were several other questions related to the Intermodal business that we do want to address.

The first, it appears the net addition of Intermodal containers was only 142 in the third quarter. I believe you were originally planning on having 6,200. One, did that plan change? And I would assume you would want to get them in time for peak shipping season? And then finally, how has the utilization been on the new boxes that have entered into service?

Richard Stocking - *Swift Transportation Co - President and COO*

Well Jason, we had roughly 5,900 at the end of September and we do expect to have 6,200 containers by the end of the year with the majority coming in October and November. The slight delay was due to the fact that we couldn't get additional shipping slots in the Q3, And even with the addition of the new containers, relative to the utilization, the utilization of the entire fleet has been better in August and September than it has been all year, and that's a trend that we expect to continue in Q4.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, so what about 2012? What are the container plans for 2012?

Richard Stocking - *Swift Transportation Co - President and COO*

We plan to add -- to continue to add containers based on the market demand, which we are winning business and we are competitive, and could add anywhere from 1,000 to 2,000 by the end of '12.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, how much of the 14% year-over-year growth in the COFC segment was volume compared to price?

Richard Stocking - *Swift Transportation Co - President and COO*

It was primarily volume driven, however, we did have a slight rate increase, but primarily it was the volume.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

When do you lap the significant decline in TOFC revenue, given the noise in the other revenue line, how should we think about the scale of growth in the fourth quarter?

Richard Stocking - *Swift Transportation Co - President and COO*

Well, it's important to keep in mind that the TOFC product is a very small component of our entire business, and having said that, we expect TOFC business to lap 2011 some time in the first part of 2012. We are gaining business back in that segment.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

So on the COFC side, where have the volumes been coming from? Did you see any effect from the LA Long Beach ports being down 9% year-over-year in September, and then how has it been trending in October?

Richard Stocking - *Swift Transportation Co - President and COO*

As a rule, demand has been strong throughout the US and Mexico, the new business that we've recently started up. We have not experienced a decline in our west coast business. In fact, in October, we've seen significant increases in our volumes.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

And then you mentioned something earlier about this, but there were some questions about how Swift's Intermodal pricing compares to the other big players. And what is the value proposition to customers for selecting Swift Intermodal as opposed to someone else?

Richard Stocking - *Swift Transportation Co - President and COO*

We are competitive with those folks from a pricing perspective. The value proposition to our customers is the ability that we have to leverage our entire suite of services, which allows us to provide best-in-class transportation solutions to our customer and their supply chain.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. Again shifting gears a little bit, there were a lot of questions about fleet growth and the owner operator program. What can you tell us with regard to Swift's plans in these 2 areas?

Richard Stocking - *Swift Transportation Co - President and COO*

Assuming a similar economic environment, our plans for the fourth quarter and 2012 are to maintain our total operational truck count flat. Having said that, we do have flexibility if we need to shrink or grow the fleet in that matter, but our goal is to remain flat. We want to -- it's important to reiterate that our intention is to do more with less. We believe we can add significant volumes to our existing fleet when you look at our internal network engineering programs and processes, we're comfortable with growth without adding trucks or trailers. In 2012, we may continue to experience a mixed change between our owner operators and our Company fleet, potentially between 300 units to 400 units over the course of the year.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, great. So I guess we're going to shift gears now and address a number of questions around operating expenses, so there were various questions about driver increases and how the Street should be thinking about that on a go forward basis. Your thoughts?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

As we've talked about, we had originally planned a couple of increases for 2011, but that did not end up happening because our driver turnover remains respectable and relatively low compared to some historical years. So we are expecting that the driver market will continue to be tight and will tighten in 2012 and so we are expecting that at some point in 2012, we will need to give an increase. When we do so, it will not just be a general increase across the board based on tenure. It will be incentive based according to our driver ranking program, and we do expect at that time we would increase -- or give an increase to our owner operators as well.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

So why did salaries, wages, and benefits drop sequentially from the second quarter of 2011 to the third quarter even though trucking revenues went up?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Between Q2 and Q3, as Richard was talking about, we did have a mix shift between our Company drivers and owner operators, meaning we decreased the number of Company drivers and increased the number of owner operators. Therefore the miles driven by the Company drivers decreased, while the miles driven by our owners had increased. So this caused a shift between our salary and wages and benefits and purchase transportation where the pay to owner operators comes through our P&L. So our salary, wages, and benefits decreased and purchase transportation increased.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Great. What were the major drivers of the fuel trend year-over-year and sequentially?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

So sequentially, between Q2 and Q3, net fuel expense decreased as a percent of net revenue from about 8.5% to 8% as we discussed in the letter. But this decrease was driven by the mix change between the Company drivers and owner operators I just discussed as well as the decrease in deadhead, or the empty miles driven by Company trucks. On a year-over-year basis, our net fuel expense as a percent of net revenue increased due to the higher cost of fuel. The DOE was up almost $1 per gallon year-over-year, and therefore we had less effective recovery in the quarter. July was a very poor recovery month due to the DOE trends but August and September were better and closer to our average norms.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

So there were a lot of questions on the insurance and claims line item with regard to the trends and more specifically, with regard to sustainability. Can you provide some color on what those year-to-date trends are and what people should be expecting going forward?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The simple answer at this point is that we expect our insurance and claims to be roughly between 3.8% and 4% in the fourth quarter and probably a similar number in 2012. The rationale behind that answer is a lot longer, so bear with me. As we discussed in the past, our insurance and claims expense related to our auto liability has 3 primary components. The first is the premiums for excess insurance layers which is generally consistent throughout the year. The second is the accrual for the current year loss pick, and the third is the true-ups for the prior year loss layers. So at the beginning of the year, the current year loss pick is based on actuarial models that include 7 plus years of history. Since our experience in the past few years has been better than the longer history and due to the safety programs that Richard mentioned, the loss pick at the beginning of the year has started at a higher level and then has trended down from the second half of the year as our actual experience during the year is incorporated into the models. So not only has our frequency of accidents been improving, meaning our accidents per million miles have been trending down, but our severity has been improving as well. A few years ago, we had more than 25 claims reserved in excess of $1 million and today we only have 5 or 6.

On the prior year adjustments, they happen when we are able to close out claims for less than the historical actuarial models assumed in the year they were originally accrued. So on a year-to-date basis, we have had about $6 million of prior year favorable adjustments of which 3.6% of that occurred in Q3. And our insurance and claims expense year-to-date September is 3.6% of revenue excluding fuel. Last year through September, we were at about 3.9% and we ended the full year of 2010 at 3.5%.So the fourth quarter of 2012 has some very large favorable adjustments. At this point we don't anticipate the same level of adjustments in the fourth quarter, and therefore, we do not expect the same sequential change between Q3 and Q4. We had several questions on that. It is possible that we could see some favorable adjustments, but it's hard to predict.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, appreciate that color. How should we think about gain on sales going forward? Will tractor sales keep gains elevated over the next few quarters assuming that the used truck market prices remain robust?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The majority of our sleeper trucks are covered by trade agreements with our OEMs, therefore we depreciate them according to the negotiated residuals that we have, and we typically do not have large gains or losses on those particular trucks. As we talked about on the mid quarter call, in the third quarter, we disposed of quite a few trucks that were not subject to these trade agreements, and with the robust used truck market we actually experienced larger than normal gains. Going forward, we don't expect the gains will continue at the Q3 levels and they will vary by quarter depending on the amount of uncovered trucks that are sold in the amount of trailers that are sold in any one particular quarter. For the fourth quarter, we are expecting to be closer to $1 million gains on sales based on what we know today.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. Talking a little bit about debt and covenants. How much debt do you anticipate being able to repay during the next couple of years?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The amount of debt we will repay each year will vary depending on our CapEx needs and a multitude of other factors, but as we've stated, our goal is to continue to repay debt with a targeted minimum reduction of $50 million to $100 million per year. It could be more than that depending on the situation, but that is our goal.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, and then on the debt covenant side, can you walk us through which ones are the important covenants for the fourth quarter and to think about in 2012?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Right. We have 3 financial covenants. One is a maximum capital expenditure number, another is a maximum leverage ratio, and then we have a minimum interest coverage ratio. And at the end of September, we had over 25% cushion in these ratios. And they don't -- the ratios themselves or the actual calculations don't change as we go forward. The minimum and the maximums do but not the ratio -- or not the actual covenants.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. On the share count side, there were some questions about what caused the diluted share count to go down on a sequential basis. Can you provide some color there?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The variable component of our share count is related to our stock options which can vary based on forfeitures as well as the dilution associated with the treasury method of accounting. So with the drop in our share price in the quarter, many of our options were out of the money resulting in less dilution.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

So there were a lot of questions related to the fourth quarter as well as 2012. For example, what were some of the unusual items that were in the fourth quarter of 2010 and do we expect to see those recur this year?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

In the fourth quarter 2010, we had a true-up in our workers comp expense which is part of the salaries, wages and benefits line item and that was $5 million to $7 million depending on how you calculate that. We also had a favorable true-up on insurance and claims as I previously discussed and that was approximately $10 million depending on how you calculate it. And then we had gains on sale in the fourth quarter of 2010 of $3.3 million. So based on what we know today, we don't expect these items to recur to this extent as we've already discussed, but as I mentioned actuarial results are difficult to predict. We also do have some operational items that occur in the fourth quarter such as repositioning or staging of loads and those are specific to the fourth quarter and are expected to recur on a seasonal basis.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, with regard to adjusted EPS for the fourth quarter, can you provide that number as last year's release was a GAAP EPS figure?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Yes, we took a look at this and the adjusted EPS for the fourth quarter of 2010 will not be comparable to the fourth quarter of 2011 due to the fact that the IPO and the balance sheet recapitalization occurred on December 20 of last year. So therefore, most of the quarter contained the pre-IPO levels of interest, expense, and taxes which were not comparable to today's results.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, Regarding looking forward a little bit more, can you provide any detail regarding specific growth strategies going forward? When considering growth plans, will there be an emphasis placed on any segments which would grow faster than the overall Company?

Jerry Moyes - *Swift Transportation Co - Founder and CEO*

Our growth engines are centered around our Intermodal product, both the COFC and the TOFC. Our Swift Solutions which would be our brokerage and then the freight under management. And then the dedicated as well as Mexico, and that Mexico will be truck and rail. And as you would expect the smaller segments will grow more rapidly on a percent basis.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay. Can you provide any updates to the non-cash adjustments to net income for the next couple of years?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Yes, so we have 2 non-cash adjustments, one is associated with the amortization associated with the swaps that were terminated in December of 2010. That will be $5.3 million for all of 2012. The breakdown by quarter is $2.6 million in the first quarter of 2012, $2.1 million in the second quarter, and then $600,000 in the third quarter. And this particular one will be fully amortized by August of 2012. And the other item is related to the customer intangible amortization associated with the going private transaction in 2007. This one will be $15.3 million in 2012. And the breakdown by quarter is roughly $4 million in the first quarter, $3.9 million in Q2, $3.8 million in Q3, and $3.6 million in Q4.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Great. Can you provide an update on your operating -- or on your expectations for CapEx and leases in the fourth quarter and 2012? With more equipment being brought on through leases, can you explain how this will impact operating expenses as well as your operating ratio on a go forward basis?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Our net cash CapEx for 2011 should be in the range of the guidance we gave in the mid quarter call of roughly $190 million. And for 2012 as we've stated previously, we do have a heavier year planned for 2012 because 2008 was a heavy acquisition year for us and some of those units will be coming of age. So therefore, our current expectation for net cash CapEx in 2012 will be in the range of $280 million, but this number is very flexible. We can cut back if necessary, and it also includes trailers and containers. As for the operating expenses, the cost of the new equipment is more expensive than the equipment we are trading. So we do expect the dollar amounts for rental expense and depreciation to increase, however, as a percent of net revenue our current expectation is that for the full year our combined rental expense and depreciation expense will be up only slightly as we're able to generate more revenue with the same amount of equipment. So our rental expense will likely be up more due to the growth of owner operators and the fact that we generally bring in equipment we leased to them on operating leases, but depreciation -- our current expectation is that will be down a little bit as a percent of net revenue.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

So with these changes, what is the expectation for your fleet age in 2012?

Jerry Moyes - *Swift Transportation Co - Founder and CEO*

Since 2012 is a heavy trade year for us, our fleet age should come down from where it is today. Obviously, the exact dates will depend on how many trucks we end up trading out which is something we're currently in the process of determining.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, so we noticed that you entered several operating leases in the third quarter. What type of interest rate is Swift getting on those operating leases?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

We don't disclose the interest rates we are receiving, but they are a lot lower than our term debt.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

Okay, and what is the ability to release additional restricted cash in the future? Is that an additional source of liquidity?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

The restricted cash we have is in our, the majority of it is in our captive insurance companies and it's reserved for the payment of future claims. With the new structure that we put into place in our captive insurance companies at the end of September, we do expect that the restricted cash will be reduced somewhat in the fourth quarter, as the cash will be used to pay for the settled claims in that particular quarter and we have no additional funding requirements into the captives in Q4. We will continue to work with our regulators to review the structure of our insurance policies going forward to insure we provide appropriate coverage with adequate reserves but to the extent changes are prudent we'll work with them to release any excess collateral.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

So what do you see as uses of free cash flow?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

At this point, we are using free cash flow to pay down debt.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

All right, can you use the general basket of $25 million within the definition of restricted payments to buyback stock?

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Yes, we do have a basket in our credit agreement that allows us to have $25 million of restricted payments and that could be used to buyback stock among other things, but otherwise we are precluded from buying back shares.

Jason Bates - *Swift Transportation Co - VP of Finance and IR Officer*

I believe that is the sum of the questions for today.

Ginnie Henkels - *Swift Transportation Co - EVP and CFO*

Very good. That must conclude our Q&A session for today. We hope you found this new format of our disclosure both comprehensive and informative. As part of our culture we are always seeking feedback so we can continue to improve going forward. So if you have any additional questions or suggestions for us, please contact Jason or I and/or e-mail us at investor_relations@swifttrans.com. Thank you for your time today and for your continued support of Swift.

Operator

This concludes today's conference call. You may now disconnect.
