

The Vitran Voice

THE OFFICIAL NEWSLETTER OF VITRAN CORPORATION.

SPOTLIGHT

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Business heating up for Vitran Logistics and Don Park Inc.

Vitran Logistics Canada is growing again. A recent spring 2004 partnership with new customer Don Park Inc. prompted Vitran's expansion into a 64,000 square foot building on Airport Road in Toronto. Don Park Inc., a leading manufacturer and supplier of products to the heating, ventilation and air conditioning industry, will occupy 20,000 square feet of the facility, with other Vitran Logistics' customers utilizing the remainder of the space.

Vitran Logistics provides a full distribution solution for Don Park, including receiving products, as well as picking, replenishment, and transfers using GERS, a computerized inventory management system. The biggest challenge, says Bernie Reid, Vitran Logistics' Vice-President of Operations, is the two-shift, seven-days-a-week operation that requires all products to be delivered to Don Park locations by 11:00 a.m. Products such as hot water tanks, air conditioning units and sheet metal duct work are then delivered to Don Park locations in the greater Toronto area and Ottawa. As well, hot water tanks are also shipped to new home building sites in Toronto.



Paul Bruce, Warehouse Supervisor, scans Don Park products.

Jack VanBeurden, Vice-President of Don Park, says that the partnership with Vitran came about because of Vitran's strong and

dependable presence in the marketplace. "They were able to match the hours we needed and all of our service requirements," Jack says.

The Airport Road facility is the fourth Vitran Logistics' facility in Toronto. There are also distribution centers in Vancouver, B.C. and in Chicago, Illinois, bringing the total square footage to well over 300,000 square feet.

Michael Glodziak, who recently joined Vitran Logistics as Vice-President, with responsibility for business development and operations, believes that Vitran Logistics' knowledge and experience of the retail sector is helping to drive growth of the division. "We understand this market and can provide solutions on a long-term basis for companies such as Mark's Work



Vitran Logistics Canada's new 64,000 sq. ft. facility in Toronto

Warehouse and Don Park Inc.," Michael says. Bernie agrees, pointing to the fact that many companies are concerned about making major investments in their distribution and transportation operations, concentrating instead on what they do best—providing quality products and services to satisfy their customers.

One of the key issues for Vitran Logistics in the days ahead is to manage growth, at the same time to satisfy customer expectations and service requirements. "We want to focus on dedicated client solutions," Michael says. "Longer-term partnerships are an excellent way for us to grow with our customers, to be able to become an integral part of their business. It all comes down to providing the right people, the right technology, and a cost-effective strategy that keeps our customers happy."

ROUND UP

Vitran Express Canada adds to fleet

Vitran Express Canada is currently taking delivery of a total of 95 new 53-ft. domestic containers. Of these containers, which are earmarked for long distance line haul use, 55 are classified as dry (i.e., standard) units. The remaining 40 units are insulated with heaters, designed to protect shipments from freezing. "These new units will help us to keep up with the growing demand in our national service," says Tony Trichilo, President of Vitran Express Canada.

New Quick Claim service a hit

Let's face it. No one wants to talk claims. Vitran Canada, through dedication and prevention practices, works hard at trying to reduce loss and damage but claims sometimes happen. Customers especially dislike dealing with claims because the paperwork can be tedious and time-consuming. Enter Vitran Canada's **Quick Claim**, an online service that speeds up processing time and can virtually eliminate paperwork.

"Claims, unfortunately, are a part of this business," says Rod Mowat, Vitran Canada's General Manager of Claims and Insurance. "But as long as we look after them fairly and quickly, customers are usually pretty satisfied in the end."

Quick Claim, which was introduced in February 2004, is, Rod believes, "perhaps the first interactive, live claim filing site of any Canadian carrier". The service was created because customers were demanding simplicity and a more streamlined process for filing and handling claims. "We would often lose up to three weeks' time just in the mailing process," says Rod.

Now claimants simply visit www.vitran.com, click on the Vitran Canada image and select **Quick Claim Filing**. From there they can either file a claim, or if they are first-time users, they can choose to review the step-by-step **Quick Claim Tutorial**. Upon submitting an electronic claim, customers are immediately provided with a receipt in the form of a claim invoice identified by the customer claim reference indicating their claim has been received by Vitran Canada. Generally



Oliver Wong and Helen Tarai process customer claims using Vitran Canada's Quick Claim service

customers receive an e-mailed claim acknowledgment from Vitran Canada within 24 hours of receipt of the claim. At that time, Vitran may request further documentation, if needed. Receipts and acknowledgements can be saved in a "Vitran Claims" folder on the customer's computer without creating a paper file.

One of the great customer benefits of **Quick Claim** is its online tracking feature, says Nelson Lau, Manager of Information Systems for Vitran Canada. "Just by entering the Vitran Claim Number and pro number, customers can instantly find out the status of their claim," he

explains. Claim status may also be tracked directly from the e-mail acknowledgement simply by clicking on the Claim Status query line.

To date, **Quick Claim** has been a great success with customers. As of the end of February, 18 percent of claims presented for handling were done via **Quick Claim**; that grew to 35 percent by April, and Rod sees exponential growth in the next few months.

Vikki Perkins, Logistics Administrator at Mark's Work Wearhouse, and a Vitran customer, is very pleased with the new system. "Considering that a claim is inherently a negative encounter with a service provider, the new **Quick Claim** service creates a positive experience for us," Vikki says. "From the initial report from our store to claim resolution, we have gone from 30-plus minutes per claim to about 10 minutes. One of our key time savings comes from no longer needing to retrieve paper invoices—instead, providing EDI invoices via e-mail as proof of value."

PRESIDENT'S MESSAGE



In our last newsletter, I indicated that there were signs emerging that 2004 may be the year that the economy starts to turn, particularly in the United States. Indeed, half way through the first quarter, the signs became more apparent and the North American economy, especially in the United States, has begun to take off. At this point, none of us is quite smart enough to predict how long this improvement will last but it's imperative that we all do the right things to ensure this turnaround continues.

We said that *density*—that being more business in our existing infrastructure—was the next key to improving returns. With this density improvement comes many opportunities and many challenges. The opportunities are obvious: our ability to become more productive, to better utilize our assets, and as a result, to expand our margins.

One of the positive outcomes of improved returns is our ability to add to and upgrade our fleet. I am pleased to announce that during the last half of the year, we will be adding approximately 100 new tractors and 300 new trailers and containers to our operations throughout North America.

The challenges? This is a time when we must really focus on service levels. As capacity tightens throughout the industry, it's easy for all of us to become more casual from a service perspective. We must recognize this danger and take the lead in continuing to maintain—and yes, even improve—our high standard of service. This is a tough road as sometimes the two issues of expanded margins through improved productivity and asset utilization exert pressure on service quality. Let's take the lead. Let's make sure the Vitran team balances these two items impeccably.

Regardless of what the rest of the year holds in store for us, let's stick to our principles of continuous improvement in all areas of our business.

Rick E. Gaetz
President & Chief Executive Officer

2Q Flash

Amounts quoted in U.S. Dollars

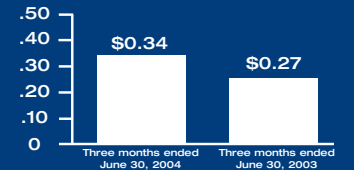
Revenue (in millions of dollars)



Net Income (in millions of dollars)



Earnings per Share



Driver training program reduces collisions



Vitrان Express U.S. drivers have shifty eyes. It's not that they're trying to hide anything; instead they're practicing one of the 5 keys of Smith System® Advanced Driver Improvement training. This safety key advocates keeping your eyes moving, with mirror checks every few seconds, simply to make sure that you're aware of what's happening around you at all times.

James Crouse, Director of Risk Management for Vitrان Express U.S., explains that Vitrان drivers are undergoing Smith System® training because its proven methods reduce collisions. Vitrان regional safety managers were certified in February and are now in the process of training drivers across the Vitrان network.

All Smith System messages are designed to increase space, time and visibility for drivers, in order to avoid accidents. The system pokes holes in some commonly held driving myths, such as the notion that leaving too much distance between your vehicle and the one ahead results in other drivers cutting in, forcing you to constantly slow down. In fact, even if this happened 100 times a day (highly unlikely) the total time added to driving time would only be 100 seconds (less than two minutes)—not something any of us would notice.

Larry Eltzroth, a Vitrان Express driver in the Indianapolis Service Center, recently completed the four-hour course. Larry spent one hour in the classroom, going over the 5 keys. Then, an instructor performed a “demonstration” drive with running commentary for Larry and the other students, followed by a “coaching” and “critique” drive. “The training has really sharpened my skills,” Larry says. “If you put this to work every day, you're not going to have an accident.” Larry, like many of the drivers, was surprised to learn that leaving more following distance had little or no impact on how quickly he arrived at his destination. “The good thing about knowing this fact is that it reduces your stress and anxiety level,” he says. “That alone makes you a calmer and safer driver.”

As with any skill, practice and follow-up is crucial to maintaining the new habits. James says that regular “check rides” will be scheduled once drivers have completed the training.

“Beyond collision reduction—and the Indianapolis Service Center has already experienced more than a 50 percent decrease in accidents—James says that the program will also decrease vehicle maintenance and fuel consumption costs, and liability insurance rates may ultimately be reduced. “Safety is always our top priority,” James says. “With a program like this, we can't think of any better way to protect our most important assets—our associates.”

Smith System's 5 Keys

- * Aim high in steering®
- * Get the big picture®
- * Keep your eyes moving®
- * Leave yourself an out®
- * Make sure they see you®

ON THE ROAD

Trans-border business booming

From Minneapolis, Minnesota to Winnipeg, Manitoba, the trans-border business is booming. Those two Vitrان hubs have seen healthy increases in traffic over the past several years, says Rob Cobban, Vice-President, Western Region of Vitrان in Canada. “In every month of 2004, we've seen significant double-digit increases over 2003 in the number of shipments moving north from Minneapolis to Winnipeg,” Rob says. In total, the two-year growth in volume from spring 2002 to spring 2004 is over 200 percent. The increase in traffic from Winnipeg to Minneapolis, although not as spectacular, is still significant, says Daniel Kravetsky, Manager of the Winnipeg terminal.



“What's the reason for all of this trans-border activity? Tom Nagel, Vice-President of Vitrان Express U.S., attributes the increase partly to Vitrان's unique position in the marketplace. “We are a Canadian-owned company with a strong operating presence in both the U.S. and Canada,” he says. “Our competitors don't always have the familiarity with the Canadian market and we've taken the opportunity to make our sales team comfortable with the demands of cross-border business. A lot of account managers can be timid about dealing with those complexities.”

The work of Vitrان sales teams on both sides of the border isn't the only reason for the increase. Vitrان offers a seamless, almost invisible service crossing the border, unlike many competitors that hand off the business to another regional carrier. The ability to use the same pro number, plus the fact that customers can track their shipments online using Vitrان's Vitrان system gives them invaluable peace-of-mind, Tom explains.

Good service is another reason that makes Vitrان an easier sell to trans-border customers. Both Winnipeg and Minneapolis teams make sure there are as few customs glitches as possible. Mike Drew, Minneapolis Service Center Manager, explains: “Carrie Dacus in our office makes sure every shipment gets across the border quickly and efficiently. She faxes paperwork to the customs brokers, calls them and essentially babysits the shipment through so that nothing gets put into bond,” Mike says. “If the broker is having a problem, then we hold the shipment, contact the shipper and get the problem corrected before it's released. That saves time and money by keeping the shipment out of bond and moving to the customer.” At the same time, the Minneapolis team is also in constant communication with their counterparts in Winnipeg to head off any concerns. Daniel adds that an integral part of Vitrان's service is the team work, from the local pick-up and highway drivers to the dispatchers, dock workers and administrative people who stick handle the paperwork.

“We believe that there is still a tremendous amount of potential in the market,” Rob says. “With globalization and free trade, many companies are looking beyond their borders for opportunities,” he continues. “We'll be right there to meet their needs.”