



David L. Miller
President

May 15, 2007

Mr. Arnold L. Punaro
Commission on the National Guard and Reserves
2521 S. Clark Street, Suite 650
Arlington, Virginia 22202

Dear Mr. Punaro,

On behalf of Con-way Freight Inc., I would like to thank you for the opportunity to provide some insight on the impacts to our organization in support of our citizen soldiers that are called to duty to serve our country. It is our hope that the information provided will help the Commission on the National Guard and Reserves have a better understanding of the impacts that businesses, like Con-way, must overcome when their citizen soldiers are called to duty.

Con-way Freight is a subsidiary of San Mateo, California-based Con-way Inc. (NYSE: CNW), a \$4.2 billion freight transportation company with businesses in less-than-truckload (LTL) and full truckload (TL) freight services, expedite, brokerage, contract logistics, warehousing, supply chain management and trailer manufacturing. The company and its subsidiaries operate across North America and in 20 countries.

Con-way Freight currently has twenty-eight (28) employees called to active duty and deployed, and we have a minimum of 92 employees in total that are current members of the Guard or Reserve. Even with this small number of deployed employees from a company of thousands, we have employees that represent almost every job classification in our company from driver sales representative (DSR) to a service center manager (SCM). In every situation, Con-way must take action to replace those employees. The following describes the impact on our business in the efforts to replace those positions to provide service excellence that our customers and shareholders demand.

The fact that we are a freight transportation company finds that the vast majority of our employees are Commercial Driver License (CDL) and Hazardous Materials qualified employees who drive our tractor-trailers picking up, delivering in city operations, and moving freight via our linehaul system throughout North America. In most cases, we have the capacity to replace driver employees who are deployed out of the work environment by other employees at the service centers who are on a flex-board. *The flex-board is made up of employees who do not have a set daily schedule and are on call reacting to the needs of the operation. These employees are called to work to cover absences, customer requests, and spikes in business levels.* There are situations in many of our smaller service centers that may not have the flexibility of our larger operations and have a minimum number of employees that are assigned the flex board. In these situations, the service centers are required to hire other drivers to fill the need in the operation when employees in the Guard or Reserve are activated. The cost to hire and

train a DSR is approximately \$4,000. This figure does not take into account the increased overtime pay paid to employees to cover the operational needs during the staffing shortage. The greatest hurdle we must overcome when there is a need to hire a replacement driver is the short time frame between receipt of the deployment notice to the employee and employer and the date the employee is required to deploy, and the uncertainty of the duration of the activation.

We have also have employees who are mechanics that work in our shops maintaining our large fleet. Our mechanics are important and valuable employees to our operations and for the service product our customers purchase. When mechanics are called to duty, Con-way is forced to recruit and hire a qualified mechanic to support the needs of the operations. We do not maintain a flex-board for mechanics, and there is not a surplus of qualified mechanics in the marketplace. The cost to Con-way to recruit and train a replacement mechanic is close to \$4,000. We are again forced to increase overtime costs with other employees or resort to sending equipment to outside vendors to make timely repairs. In both cases, Con-way experiences an increased cost to conduct business. Con-way would have the ability to reduce costs if there was additional time between when a duty activation notice was received by the employee and employer and when the activated employee had to report for duty.

Con-way is also impacted when our frontline supervisors are called to duty. Our freight operation supervisors (FOS) and quality control supervisors (QCS) lead our day-to-day operations from managing dock operations and dispatching, to working directly with our customers to meet their needs. These employees control the pulse of our operation, and when they are out of the work place, it is necessary to replace them immediately. Con-way often promotes from within to fill these positions but at times must hire from the outside to fill the needs for the operation. In either case, our operations are impacted by the loss of seasoned employees who have the experience to manage the operation efficiently. When replacing these employees, Con-way must bring in additional management people from different shifts or locations to assist these new employees in their first weeks on the job to help reduce the time of their learning curve. Con-way is exposed to additional cost when management employees return to the work force. Different from a returning DSR or mechanic, who can be easily placed back into the operation due to the consistent need, our management positions are replaced and often there is not a vacant position to be filled at the original operation. Con-way will return that employee to their previous duties at their original location, or seek other opportunities at facilities that are located nearby. These situations cause an overlap of supervision until we can adjust the workforce through promotion or attrition. We are also exposed to the cost of relocating eligible employees at times in order to accommodate their return to work.

When a service center manager (SCM) is called to duty, Con-way is dramatically impacted. Our SCMs are the persons held responsible for each location's overall management. When a SCM is out of the work place, it requires Con-way to replace the position immediately. When we have vacant SCM positions, candidates are considered from around the company. In almost every case, Con-way provides relocation benefits to that employee and their family to move to the area to assume their new role.

Understanding that we promote from within, when SCMs are promoted to fill vacancies created when Guard or Reserve duties arise, vacancies are created from the location from which the promotion was made, and again Con-way must replace those vacant positions, too. An example of replacing a manager of a mid-size service center finds Con-way experiencing the cost associated with four (4) promotions - two (2) typically requiring relocation and two (2) will be promoted from within a region or hired from the outside. Once the back-fills are complete and our people are trained, Con-way still has cost associated with the returning veteran once their tour of duty is completed. In the case of service center managers, we will look for opportunities for that employee at their location once they return but more often than not, the company ends up offering a SCM position at a different location. In that case, Con-way once again has the cost associated with the relocation of that employee and family to their new assignment. Con-way relocation costs range from \$54,000 to \$100,000 (depending upon the tenure and grade of the individual employee involved).

Con-way recognizes the sacrifices our citizen soldiers make and the security they provide to our country. In return, Con-way goes beyond the minimum Federal Law and Regulation for these team members, providing security to their families while they are out of the work place on military leave. Con-way continues to provide full benefits to their families back home. Our coverage includes health care, emergency care, vision, dental, prescription drugs, and employee assisted programs. The cost associated with this plan is approximately \$13,104 to each family. As well, we make up the difference in pay between what the employee would have made had they continued to work every day for Con-way versus the amount of pay provided by the Military. Here is a quick estimate of the annualized costs that we incur supporting our citizen soldiers:

Monthly Plan Rates 2004 (100% Actuarially Calculated)

Coverage Level	Monthly Premium
Family	\$1,044.89

Monthly Plan Rates 2005 (100% Actuarially Calculated)

Coverage Level	Monthly Premium
Family	\$1,102.08

Monthly Plan Rates 2006 (100% Actuarially Calculated)

Coverage Level	Monthly Premium
Family	\$1,130.43

Over a three year period, Con-way's total expenditure for benefits was \$1,218,672.

Military Differential Paid

Year	Total Paid – All	Avg. Per Employee
2004	\$250,712.68	\$3,173.58
2005	\$243,393.30	\$3,925.70
2006	\$231,717.84	\$4,137.82
Average (2004-2006)	\$241,941.27	\$3,745.70
2007 YTD	\$76,911.39	\$2,746.84

If the Department of Defense (DOD) moves forward to change the overall make up of our armed forces (as rumored) to reduce the number of active-duty military personnel to rely more fully on the capabilities of the Guard and the Reserve, then the costs that the private sector would be expected to pick up must be offset by Tax Credits. This action may negatively impact the total cost reductions that the DOD would project from that action, but in our opinion, this must be done to get the support of private employers and to provide the necessary support system for our citizen soldiers. We have proposed this in past communications through the U.S. Chamber of Commerce and when we engaged with the DOD when it last conducted its Quadrennial Review.

Recognizing the sacrifices that our citizen soldiers make when they leave on active duty to protect our country's freedom, Con-way will continue to do our best to support these employees into the future. Although the cost is high, the freedoms we all enjoy due in large part to the efforts of individual Guard and Reserve members sacrifices far out weigh the cost.

Sincerely,

Con-way Freight-Central



David L. Miller
President