

Associates Council Conference Call Meeting Notes
Friday, November 7, 2008
2:00 PM ET

The Associates Council

Composed principally of business representatives that identify themselves as members of the motorcoach industry supply chain, including the bus manufacturers, hardware suppliers, and suppliers of other maintenance and support services.

Mr. Patrick Scully, Chief Commercial Officer of Daimler Buses North America, called the meeting to order and led the meeting on behalf of the ABA Board Council and its members Gaetan Bolduc (President & CEO of Prevost Car), Dane Cornell (President & CEO of ABC Companies), Rick Manna (Sales Manager of ZF Industries), and Tom Sorrells (President & CEO of Motor Coach Industries).

The meeting began with a brief introduction of the participating members on the conference call, which included representatives from motorcoach manufacturers, seating providers, and other associated services.

Mr. Scully provided an overview of the ABA Board Council, its recent activities, and a recap of their most recent meeting during the ABA Fall Board meeting in Washington DC in September.

Participants were referred to review the attachments sent to all individual company representatives in ABA's database in a message announcing the meeting agenda. The attachments were germane to a discussion of ABA's Product Pavilion and included: a Marketplace and Product Pavilion floor plan, a schedule of events, and a listing of committed exhibitors during the Product Pavilion. The Product Pavilion is a one-day trade show exhibition event, scheduled for January 11 from 12-6 pm at the Charlotte (NC) Convention Center. There are currently 45 booths and displays currently committed for the 2009 show, and 10 more are expected to be secured before the end of the year. The group also discussed the physical layout and cross promotion of this year's event as well as the expected attendance from motorcoach operators due to the mid-show scheduling slot of the Product Pavilion. There was an inquiry as to whether ABA would require motorcoach operators to meet with Product Pavilion exhibitors similar to how Gray Line and UMA have implemented such a requirement. ABA President & CEO, Peter Pantuso asserted that ABA would explore a tracking system that determines the extent of participation, and that because of the orientation of the Product Pavilion relative to the Marketplace Business Floor, all of the operators will be funneled through the Product Pavilion at the end of their morning business session and will have the opportunity to meet with exhibitors as there will be a networking reception hosted within the Product Pavilion booth area.

ABA's Vice President for Regulatory and Industry Affairs reported to the group on the activities related to bus occupant protection being pursued under the direction of the National Highway Traffic Safety Administration (NHTSA). These activities have included motorcoach crash testing (frontal, rollover, roof crush, sled-based seat testing), a

passenger evacuation study, a bus fire causation study, and an assessment of motorcoach window design. As a result of the data being collected, a notice of proposed rule making (NPRM) is expected that could among other things mandate 3-point seatbelts in motorcoaches. The NPRM is expected to be published by NHTSA in the spring of 2009. There are also several motorcoach and commercial motor vehicle safety bills circulating in Congress, meaning that this issue will very likely be included in the discussions and negotiations related to the Highway Reauthorization legislation. Mr. Scully asserted that the industry has strongly advocated for enhancing motorcoach safety, but as long as the standards being developed are based on sound scientific testing. All involved recognize the pressure from customers and some state legislatures and the marketplace as some operators have voluntarily installed new passenger safety systems, but the hope is that the federal government will implement a rule that builds upon the results of their testing and discourages states from establishing their own differing rules that may result in decreased effectiveness or unintended consequences. The Society of Automotive Engineers (SAE) is looking to possibly work with NHTSA on finalizing its new standards, which could help lend them some instant credibility. Transport Canada is also working on a similar motorcoach testing program, which has been operating on a parallel track to the testing efforts that NHTSA has been pursuing in the US. It is likely that the US and Canada will have similar motorcoach safety standards. There was also discussion on the findings in a new NHTSA rulemaking requiring 2-point seatbelts on existing school buses and not requiring seatbelts on large school buses, instead reiterating the benefits of compartmentalization. Funds will be made available through state highway safety funding to provide grants to school districts to make any necessary adjustments to comply with the newly issued rule. The group expressed hope that a similar grant program opportunity would be created for the private motorcoach industry, if additional passenger safety devices were mandated in the anticipated NHTSA rule.

Mr. Scully asked the group for their impressions and experiences with the realities of the economic downturn that has been extolled in the media. All participating on the call said that they hadn't seen an appreciable effect on their bottom lines. Credit funding is still available for the motorcoach industry. Big-ticket purchasers have tended to extend their decision making time period, which will periodically slow down sales, but the total volume is comparable to recent years. The fuel price increases have hurt operators overall, but some operators are doing much better financially due to increased commuter transportation and decreased reliance on cars for travelers. There have been some interesting negotiations on interest rate terms and more selective loan qualification as lenders look to decrease their risk and exposures. The volatility in the foreign exchange markets and the resurgence of the US dollar against the Euro and Asian currencies has led to a slight decrease in foreign inbound travel.

The group also discussed the wide ranging implications of compliance with the Environmental Protection Agency's (EPA) 2010 emission requirements for heavy duty diesel engines. There was discussion of more ultra low sulfur diesel fuel (ULSD) being made available for consumption, and the majority of the 2010 compliance benchmark resting in the remanufactured fuel. The group anticipates that the transition to the 2010 series engines will be smooth, as it was similarly smooth for the transition from the 2004 engines to the 2007 series. The engine manufacturers have differed on their approach to

reducing nitrous oxide emissions, some adopting the selective catalytic reduction technology and others going in a different direction with a combined fuel-air management system. It is not anticipated that there will be a significant weight increase as a result of the 2010 series engines, any weight increases would likely come from modifications related to complying with any new NHTSA safety rules that would require retrofitting. The group also discussed compliance efforts related to recent regulations published by the California Air Resources Board (CARB) that are somewhat beyond the 2010 requirements. The group expressed considerable concern in the potential compliance costs for the industry if this regulation stays in effect. A retrofit kit may be needed, and at this point the major manufacturers have no plans to provide such a kit. Currently several third party providers are offering a retrofit kit that provides limited solutions to the CARB regulations. There is hope that the efforts of the California Bus Association will have an effect on the implementation of the CARB rule.

Under other business, the group discussed ABA's outreach efforts planned for the incoming administration and new Congress. ABA is holding internal meetings with staff and industry lobbyists, identifying potential committee assignments for the new Congress, access points and potential appointments in the new administration. The staff is also putting together a schedule to canvas the new members of Congress and introduce ABA to them as well as our reauthorization priorities. ABA will continue to partner with TIA and NTA on other travel industry initiatives, and will offer any requested resources on either the future White House Office of Tourism initiative or the Department of Travel and Tourism initiative.

The meeting adjourned following a brief discussion of ABA's electronic communications, their effectiveness and the results of ABA's fall membership survey.