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Knight Transportation, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes, sir. Thank you. (Operators instructions)

Our first question comes from Tom Wadewitz from JP Morgan.

Kevin Knight

Hey, Tom.

Thomas Wadewitz – JP Morgan

Hey, Kevin. Hey Dave. Let's see thanks for the slides that was very helpful and well put to get the presentation as helpful to -- and if you go to the story and drivers. I want to get your sense, I guess, first (inaudible) and feel and in terms of what is within the quarter, what is efficiency if you can (inaudible) that out cause perhaps that would ongoing? And how if you have gallons of fuel paid, something like that. First, is what was the timing benefit and then on the surcharge and I have one follow-up.

Kevin Knight

I would say when you take all things into consideration Tom that we control. I would say that probably a double digit is the stock with draw, maybe in the 10% to 15% range, and I would say the balance would come as a result of fuel. Now when you look at fuel on our income statement, one of the things you have to recognize is that in purchase transportation we pay our brokerage carriers. There are fuel surcharge and our own operators their fuel and that goes out on the purchase transportation line that the actual fuel charge gets the credit that do our fuel surcharge lines. So it's not the easiest thing to understand and sometimes it understates fuel a little bit in terms of true percentages.

I think the other thing Tom, when you look at fuel, we are fuel cost if we're doing a good job should be roughly 10% to 11% give or take. So, when you think about things -- last year we had fuel prices that were overstated, (inaudible) sales were overstated, but higher than they should have been. This year we have fuel prices that are lower than they should have been. And awfully, that number probably belongs in that with the amount of purchase transportation that we have in that 10% to 11% range is what I would say.

Thomas Wadewitz – JP Morgan

Okay, great. That's helpful. And I guess that, to follow on is it just your view on the bid season that sounds like this fanatic pace with a bit activity going on and what do you think that this ability to capacity reduction comes in quickly and opt to avoid the reduction in wage or what do you think that, you know maybe have to take some pains for a little while on lower rates before that capacity rationalization really start to benefit you.

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