

# Intersections

Third-quarter 2009 global transportation and logistics industry mergers and acquisitions analysis

Climate change: Shifting the business environment beyond corporate responsibility



Welcome to *Intersections*, PricewaterhouseCoopers' quarterly analysis of mergers and acquisitions (M&A) in the global transportation and logistics industry. In addition to a detailed summary of M&A activity in the third quarter of 2009, we supplement this issue with a special report addressing the impact that prospective energy and climate policies may have on business transactions. Included is a discussion around the role of cap-and-trade in climate change legislation, how the deal market is responding, and brand and reputation considerations.

## Special report: Sorting out the carbon effect on deal activity

Until recently, the impact of climate change on the deal market was barely on the radar of most businesses. But as national policy action on greenhouse gas (GhG) emissions begins to take shape, transportation and logistics (T&L) companies must pay closer attention to the economic consequences of the proposed legislation when planning and executing deal strategy. They also must think about how competitors working in unregulated countries could affect their businesses. In our recently published report “Transportation & Logistics 2030” ([www.tl2030.com](http://www.tl2030.com)), we surveyed a global group of experts from 20 countries and found out that they view the measurement and evaluation of carbon emissions as likely and desirable. Moreover, they believe that transport emissions will be a greater challenge to T&L companies than the supply of energy.

Regardless of the ultimate policy design, the fact remains: When greenhouse gases (GhGs) are regulated, the cost of carbon will have a measurable impact on business decisions, from capital allocations to mergers and acquisitions strategy. Although significant uncertainty exists about the final format of the proposed environmental policies, constraints on GhG emissions are likely to be imposed on businesses operating in the United States.

If a cap-and-trade system is implemented, it will have a direct impact on financial statements by requiring companies to measure and account for their GhG emissions and credits. T&L companies will need to inventory their carbon footprint and learn how to manage carbon to minimize the impact of any resulting liability or maximize the value of any resulting asset. They will need to be able to identify what will be financially material and what they will need to disclose. They also will need to be able to distinguish a risk from an opportunity.

T&L companies that participated in the 2009 Carbon Disclosure Project (CDP) noted several climate change legislation opportunities that could help solidify competitive advantages for companies that take early-mover actions. The Carbon Disclosure Project is an independent, not-for-profit organization that acts on behalf of a consortium of institutional investors (banks, pension funds, insurance companies, etc.) to inform a fact-based dialogue about the implications of climate change for both companies and stakeholders.

However, by requiring companies to limit carbon dioxide emissions or pay new fees, the climate change legislation also could increase the cost of fuel. Fuel already is one of the industry’s highest expenses, and for example, the American Trucking Association reports that a one-cent increase in the average price of diesel costs the trucking industry \$390 million a year<sup>1</sup>. In the recently released Global 500 CDP report, companies also noted the risk that climate change, in the form of extreme weather conditions, poses to infrastructure. In particular, damage to roads and bridges could prevent transportation companies from delivering service and result in lost revenue.<sup>2</sup>

Regardless of what happens to climate change policy, many T&L companies have started to take action to minimize their carbon footprint and capitalize on opportunities. By embarking on “no regret” initiatives — initiatives they would want to complete regardless of whether the action is mandated — T&L companies will be prepared to deal with possible reporting, compliance, and audit requirements relating to carbon emissions. No regret initiatives include voluntary company actions, such as trimming energy costs or improving process efficiencies, that have the added benefit of reducing pollution.

<sup>1</sup> First Research, October 5, 2009

<sup>2</sup> Carbon Disclosure Project 2009 S&P500 With Industry Snapshots

## Will cap-and-trade be a part of climate change legislation?

On June 26, 2009, the House of Representatives approved the American Clean Energy and Security Act of 2009 (known as the Waxman-Markey Bill), which features a cap-and-trade program. The bill faces opposition in the Senate, where strong geopolitical concerns from both Democrats and Republicans may have a significant impact on its requirements. Additionally, the recent emphasis on US healthcare reform along with a persistent weakness in the labor market has shifted the focus away from climate change legislation.

As interest in climate policy wanes, the public concerns about the environment continue to grow. The Obama administration is also under pressure to offer some form of “green” legislation to the United Nations Framework Convention on Climate Change in Copenhagen, Denmark, in December 2009.

Meanwhile, in September 2009, Senators John Kerry and Barbara Boxer introduced a bill that includes a cap-and-trade system that would require a 20 percent reduction from 2005 emissions levels, compared with a 17 percent cut included in the Waxman-Markey Bill.

The Environmental Protection Agency (EPA) also is taking steps toward greenhouse gas regulation. In March 2009, the EPA set in motion a rule that would require certain companies — including suppliers of fossil fuels and industrial chemicals; manufacturers of motor vehicles and engines; T&L companies, and other large, direct emitters — to report their greenhouse gas emissions regularly beginning in 2011. The EPA administrator signed the final Mandatory Reporting of Greenhouse Gases Rule on September 22, 2009, and sources of GhGs must begin their monitoring on January 1, 2010.

Additionally, the EPA’s endangerment finding<sup>3</sup> proposed this year ensures that legislative inaction by the Senate on a cap-and-trade bill does not preclude mandates to reduce greenhouse gases. However, PricewaterhouseCoopers believes T&L companies may find cap-and-trade legislation a solution preferable to the EPA regulation of greenhouse gases under the Clean Air Act. In our view, an EPA regulation has the potential to require companies to meet specific performance standards on emission controls based on the best available technology. In contrast, a cap-and-trade system could allow participants to seek the most cost-effective measures to reduce carbon, which could lower compliance expenses in aggregate.

## Climate change legislation can be a driver behind deal valuation

Although pending climate change legislation needs to be considered in any deal, it is becoming one of the drivers behind certain valuations — especially in heavy-emitting sectors — in anticipation of demand for alternative energy and regulation to reduce emissions. The impact of climate change legislation on the valuation of a company must be properly assessed during due diligence to understand possible future climate change compliance costs and benefits resulting from credit trading.

Understanding how a target’s business is affected by climate change should be an integral part of an acquirer’s risk management strategy and due diligence. When deciding whether to provide financing, financial institutions have started assessing the possible effects of climate change policy on a business. Companies looking to complete an acquisition should do the same. In more and more deals, the potential impacts of climate change legislation on earnings, cash flow, and target valuation, as well as any opportunities for cost reductions through synergies, should be thoroughly evaluated.

<sup>3</sup> US Environmental Protection Agency, April 2009

## A climate change call to action

In addition to assessing the effect of climate change on valuations, companies must consider reputation, branding, and stakeholder interest. While climate change affects various companies in different ways, all organizations are impacted by environmentally aware stakeholders including investors, communities, employees, and nongovernmental organizations. Because the democratization of information has the ability to rapidly influence public perception of a company's brand, devising an effective strategy on climate change appears to be essential in managing company reputation.

The challenge for T&L companies is to anticipate how they will operate in a carbon-constrained environment by discerning whether their service offerings are right, assessing to what degree those services will be exposed to climate change regulation, and developing a least-cost compliance strategy.

Companies also will need to consider changes in consumer demand and the interplay between airlines and surface-based transportation. According to the Carbon Disclosure Project report, a shift is possible away from air transport and toward rail for certain freight moves.<sup>4</sup>

To T&L company executives and corporate development teams, climate change is not about the science; it is about the need to appreciate how climate change regulation affects their businesses and the information they report, as well as the impact it may have on deal value.

<sup>4</sup> Carbon Disclosure Project 2009 S&P500 With Industry Snapshots

## Perspective: Thoughts on deal activity in the third quarter of 2009

Welcome to the third-quarter 2009 edition of *Intersections*, our global analysis of mergers and acquisitions activity in the transportation and logistics sector. The overall pace of deal activity in the sector has increased, driven by passenger air consolidation and transactions in the Asia and Oceania region. Financial investors also began to reassert themselves on a limited basis, helped by tenuous improvements in the credit markets.

Two large deals topping \$1 billion were announced this past quarter, the first such activity since 2008. These large deals, the acquisition of Shanghai Airlines by China Eastern and the bid for National Express Group by an investor group, both involved distressed targets. They also followed several other distressed transactions announced earlier this year, including the Air France-KLM minority stake purchase in Alitalia and the Republic Airways acquisition of Frontier Airlines out of bankruptcy. This confirms our expectation that deals of necessity would become more common in what has been a challenging operating environment for sector constituents.

We have indicated in previous reports that acquirers were likely to favor transactions within their local market over those outside national borders, a trend that held true in the third quarter. This preference can be ascribed to a desire for near-term cost-reduction opportunities that are more likely to

be generated from deals for companies with assets or networks that overlap those of the acquirers. In addition, we also that developing-markets acquirers have been relatively active in recent quarters. The rationale for local-market deals in developing markets remains strong because of high fragmentation and the favorable long-term growth prospects of these nations.

Looking forward, we are cautiously optimistic about the recovery in transportation and logistics deal activity. Though transactions involving distressed targets are likely to continue to contribute significantly to overall deal totals, we expect to see an increase in announcements from financially strong acquirers that desire to engage in transactions prior to a substantial recovery in valuations, as was the case with the Burlington Northern Santa Fe announcement by Berkshire Hathaway (this deal was announced in November and will be reflected in the fourth quarter report). In addition, a recovery in global equity markets could provide more valuable currency for deals.

We do note, however, that any recovery in the level of M&A is at best indeterminate until sustained improvement in passenger and freight volumes takes hold in the sector. Such an improvement could encourage acquirers to focus less on the cost reduction, liquidity improvement, and balance sheet deleveraging that have been of paramount concern in recent periods.

# Commentary

## Third quarter sees number and value of deals pick up

Although the pace of transportation and logistics deal activity announced in the third quarter remained below the pace of 2008, the pace of deals increased over the course of 2009. Twenty deals with a total value of \$6.2 billion were announced during the third quarter for transportation and logistics targets, which compares with 31 deals announced with a value of \$5.4 billion in the first half of 2009. The improvement in the rate of deal announcements can be attributed to passenger air deals, several of which involved entities in the Asia and Oceania region, as well as smaller deals involving US entities.

The trend in announced deal value benefitted from the resumption of large deal activity for transportation and logistics targets. In fact, the first two large deals this year were announced during the third quarter. As noted later in this report, deal activity in this sector has historically increased following recessionary periods. As there are some indications that economic output is improving, this activity could portend the beginning of the next up cycle in transportation and logistics M&A activity.

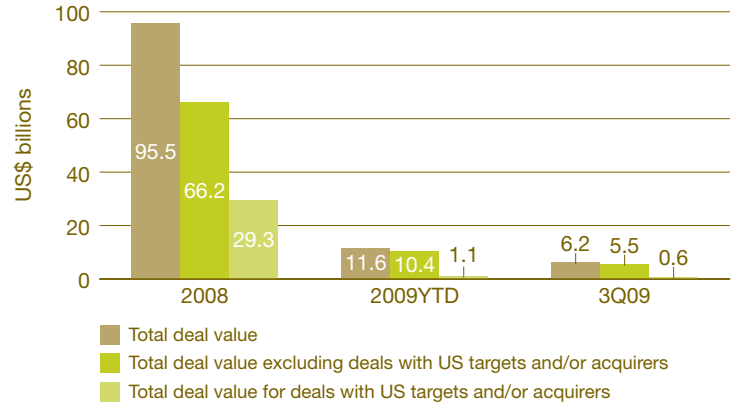
### Deal activity by number of deals

Measured by number of announced deals worth \$50 million or more



### Deal activity by total deal value

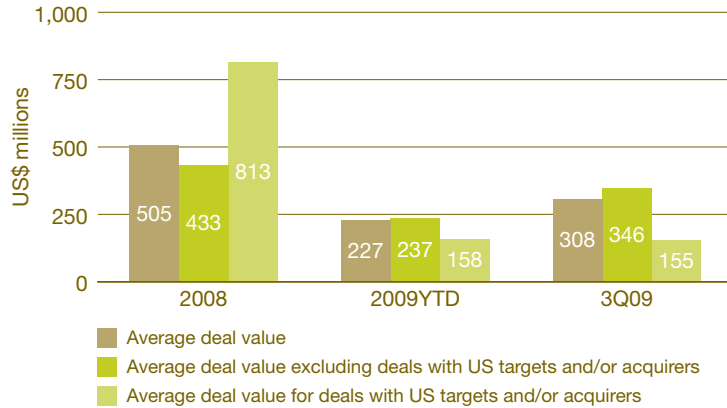
Measured by value of announced deals worth \$50 million or more



Note: Figures may not sum due to rounding.

### Deal activity by average deal value

Measured by value of announced deals worth \$50 million or more



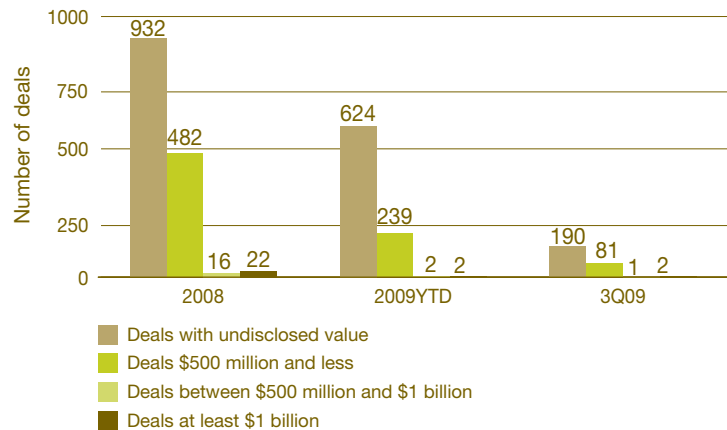
### Large deals spur brighter numbers in latest quarter

The aforementioned resumption of large deal activity during the third quarter is the primary antecedent of the improvement in average deal value for the quarter. The average value of deals announced during the third quarter was \$308 million, which compares with \$227 million for 2009 year to date. For 2008, the large average value of deals that involved at least one US entity was primarily driven by the announcement of a winning bid of \$12.8 billion in the Pennsylvania Turnpike concession. This bid was later withdrawn because enabling legislation was not enacted.

Notwithstanding the resumption of large deals in the third quarter, most activity remains concentrated in smaller deals and those with undisclosed values. In upcoming quarters, the proportion of M&A activity attributable to larger deals is likely to gradually improve as credit markets recover and rising stock markets provide strategic acquirers with the financing necessary to engage in larger deals.

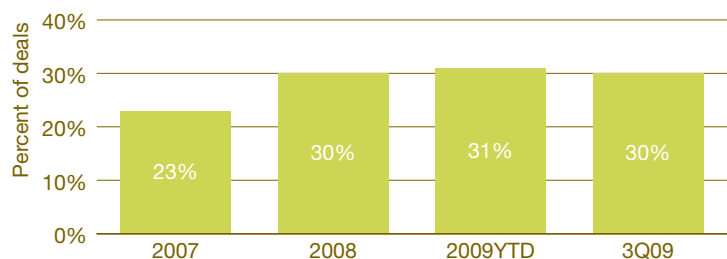
### Deal activity by number and range of deal value

Measured by number of announced deals



### Minority stake purchases

Measured by percent of deals worth \$50 million or more for <50% ownership



### Interest remains steady in acquiring minority claims in companies

The level of minority stake purchases, which increased to 31 percent in 2009 from 30 percent in 2008, remained elevated in the latest quarter. In 2007, only 23 percent of transportation and logistics deals were for minority stakes. This demonstrates that, though there has been a marginal easing of credit, capital constraints during this downturn have kept acquirers focused on deals that do not involve a controlling interest.

## Passenger transportation companies are focus of highest M&A values

The proportion of passenger air deal value increased sharply in the third quarter. This was primarily driven by consolidation among airlines in China, in particular the \$1.1 billion China Eastern acquisition of Shanghai Airlines and the \$948 million incremental stake in Cathay Pacific by an Air China-led group. The latter transaction will increase Air China's stake in Cathay Pacific to just below the 30 percent threshold that would require a mandatory takeover offer from Air China. These transactions are noteworthy because they may better position the companies, based in China and Hong Kong, for a likely rebound in regional traffic.

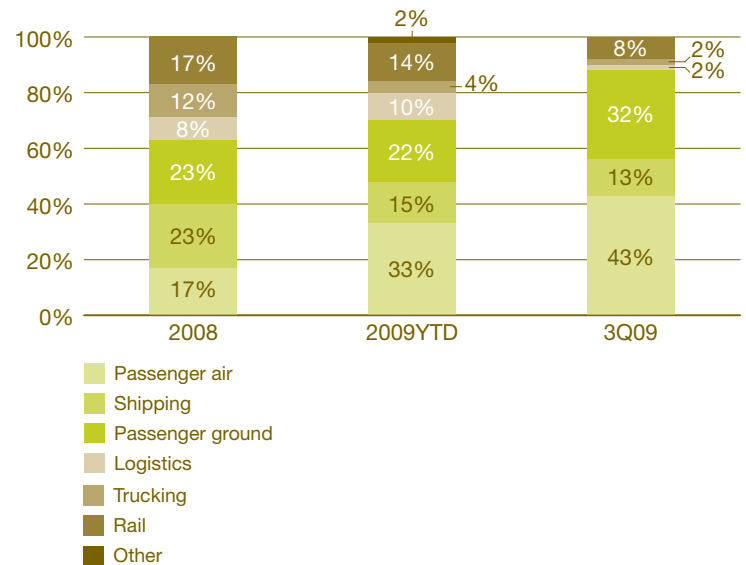
These deals may also have implications for the major airline alliances. While Shanghai Airlines is already a member of the Star Alliance, China Eastern is not yet part of a major alliance. It has been rumored that China Eastern will join the SkyTeam alliance and a decision from China Eastern is expected by the end of 2009.

The increasing proportion of deal value for passenger ground activity in the third quarter compared with all of 2009 was primarily driven by a bid for British bus and rail company National Express Group PLC by the Luxembourg-based investment company CVC Capital Partners and the Cosmen family. Though CVC Capital Partners decided not to move forward with this deal after conducting due diligence, the announcement is emblematic of an interest in the market for deals this year fueled by the distressed nature of targets; National Express has been challenged by high leverage related to previous acquisitions of Spanish bus operators Alsa and Continental Auto.

Passenger airline targets will likely account for a significant proportion of transportation and logistics deal value in future quarters. In the near term, this should be driven by acquisitions of distressed targets, as was the case with the Air France-KLM minority stake acquisition in Alitalia and the Republic Airways purchase of Frontier Airlines earlier this year. However, the significant regulatory barriers to transactions in the mode may somewhat limit these deals.

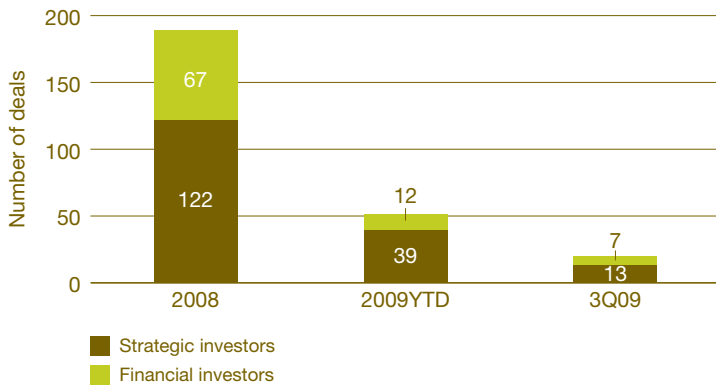
## Deals by transportation and logistics mode

Measured by value of announced deals worth \$50 million or more



### Deal activity by investor group

Measured by number of announced deals worth \$50 million or more



### Financial investing in sector picks up for quarter

The proportion of deals announced by financial investors for transportation and logistics targets increased in the third quarter compared with the first half of 2009 and approximated the proportion of deals announced in 2008. This trend has been supported by the beginning of an improvement in credit market liquidity.

Specifically, global debt underwriting has increased and risk premiums have begun to decline. This should continue to make it easier for financial investors to reassert themselves, to a certain degree, in the transportation and logistics deal market, although it is likely too early to talk about a “comeback” by financial investors.

### Sector sees return of \$1 billion-plus activity

The large deal table for 2009 shows the resumption of large deal activity during the third quarter. This was led by the National Express Group bid by an investor group and China Eastern’s acquisition of Shanghai Airlines. Both deals could be thought of as distressed, although the latter one is also strategic in nature because it will give the two passenger carriers an approximate market share of 50 percent in the Shanghai hub and allow the combined entity to compete more effectively against rivals Air China and China Southern Airlines.

Large deal activity should continue to increase because transportation and logistics constituents have had time to focus on balance sheet deleveraging and cost reduction, leaving them better positioned to resume external strategic actions. However, the pace of these deals is likely to remain somewhat subdued in comparison with the “leverage bubble” of 2006 and 2007, a period during which large deal activity was particularly manifest in the sector.

## Large deals in 2008 (deals with a disclosed value of at least \$1 billion)

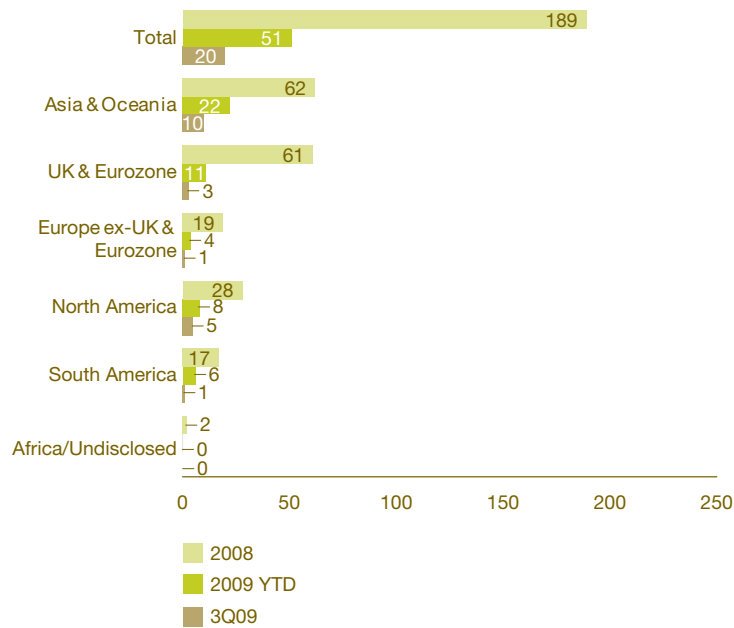
Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
May	Pennsylvania Turnpike	United States	Investor group	Spain	Withdrawn	12.80	Passenger ground
Jun	Angel Trains Ltd	United Kingdom	Investor group	Australia	Completed	7.01	Rail
Oct	Hapag-Lloyd AG	Germany	Albert Ballin GmbH & Co KG	Germany	Completed	4.70	Shipping
Jan	Korea Express Co Ltd	South Korea	Investor group	South Korea	Completed	4.33	Logistics
Oct	Porterbrook Leasing Co Ltd	United Kingdom	Investor group	Germany	Completed	3.11	Rail
Apr	Northwest Airlines Corp	United States	Delta Air Lines Inc	United States	Completed	2.96	Passenger air
Aug	Asciano Group	Australia	Asciano Group SPV	United States	Withdrawn	2.68	Rail
Sep	Midway International Airport	United States	Investor group	United States	Withdrawn	2.52	Passenger air
Apr	Prosafe SE-FPSO Business	Cyprus	Shareholders	Cyprus	Completed	1.66	Shipping
Jan	Quintana Maritime Ltd	Greece	Excel Maritime Carriers Ltd	Greece	Completed	1.63	Shipping
Sep	Smit Internationale NV	Netherlands	Koninklijke Boskalis Westminster NV	Netherlands	Withdrawn	1.55	Shipping
Feb	Japan Airlines Corp	Japan	Investor group	Japan	Completed	1.48	Passenger air
Jan	Cia de Distribucion Integral Logista SA	Spain	Imperial Tobacco Group PLC	United Kingdom	Completed	1.40	Logistics
Sep	Alitalia Linee Aeree Italiane SpA-Passenger Assets	Italy	Cia Aerea Italian Srl (CAI)	Italy	Completed	1.31	Passenger air
Oct	Hapag-Lloyd AG	Germany	Albert Ballin GmbH & Co KG	Germany	Intended	1.24	Shipping
Mar	Rodoanel Oeste	Brazil	Integracao Oeste	Brazil	Completed	1.18	Passenger ground
Jun	XB Luxembourg Holdings 1 SA	Luxembourg	DSV Air & Sea Holding A/S	Denmark	Completed	1.17	Logistics
Oct	Dom Pedro I Highway	Brazil	Integracao Dom Pedro I	Brazil	Pending	1.14	Passenger ground
Jan	LLX Logistica SA	Brazil	Shareholders	Brazil	Completed	1.12	Logistics
Dec	Los Lagos	Chile	Atlantia SpA	Italy	Pending	1.06	Passenger ground
Mar	Global Ship Lease Inc	United Kingdom	Marathon Acquisition Corp	United States	Completed	1.03	Shipping
Mar	Groupe Eurotunnel SA (GET SA)	France	Goldman Sachs Group Inc	United States	Pending	1.02	Rail

## Large deals in 2009 (deals with a disclosed value of at least \$1 billion)

Month announced	Target name	Target nation	Acquirer	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Jul	National Express Group PLC	United Kingdom	Investor Group	Spain	Withdrawn	1.24	Passenger ground
Jul	Shanghai Airlines Co Ltd	China	China Eastern Airlines Corp Ltd	China	Pending	1.10	Passenger air

### Regional distribution of all deals by target region

Measured by number of announced deals worth \$50 million or more



### Asia and Oceania region dominates; local-market preference continues

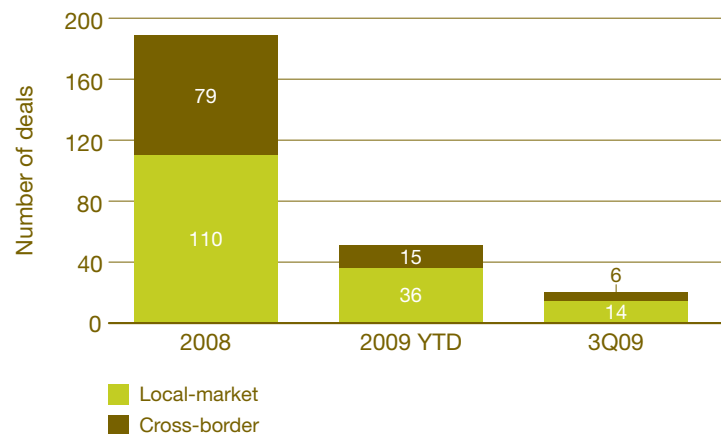
Acquirers and targets in the Asia and Oceania region dominated deal activity in the third quarter, whether measured by the number of deals or their total value. The regional distribution indicates that the Asia and Oceania companies accounted for a greater proportion of all deals announced during the third quarter and the first three quarters of 2009 compared with 2008.

Deals for targets in China received a relatively high amount of attention. Local-market consolidation in South Korea, led by National Pension Service's pending acquisition of road operator Seoul Beltway Corp., also contributed significantly to deal totals in the region.

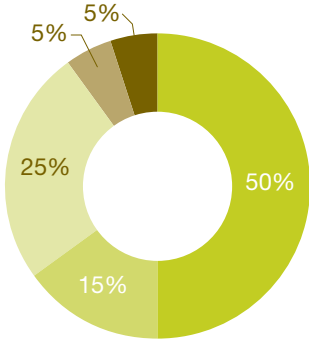
The breakdown of local-market versus cross-border deals, regardless of nation, indicates that acquirers continued to focus on local-market transactions, likely because of the rationale for saving costs and building scale. It is expected that an increase in the proportion of cross-border deals will accompany a sustained rebound in transportation and logistics activity as acquirers become more willing to engage in the risks involved in attempting to grow their foreign-market presence.

### Local-market vs. cross-border deals (all nations)

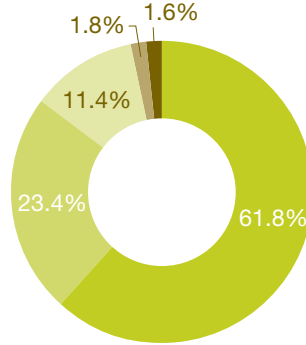
Measured by number of announced deals worth \$50 million or more



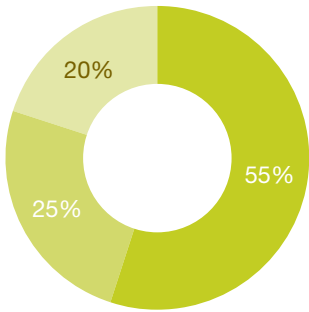
**Regional distribution of deals by target region**  
 Measured by number of deals worth \$50 million or more (3Q09)



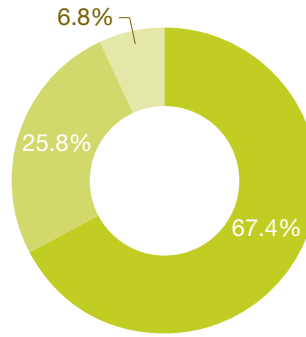
**Regional distribution of deals by target region**  
 Measured by value of deals worth \$50 million or more (3Q09)



**Regional distribution of deals by acquirer region**  
 Measured by number of deals worth \$50 million or more (3Q09)



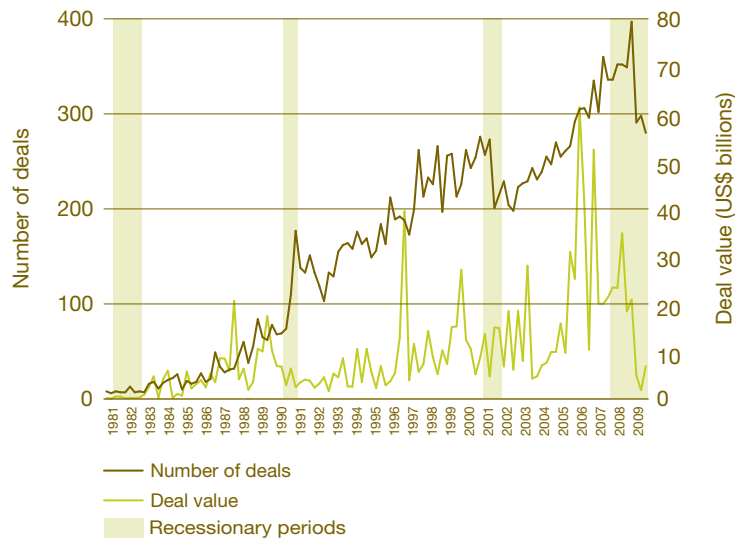
**Regional distribution of deals by acquirer region**  
 Measured by value of deals worth \$50 million or more (3Q09)



■ Asia & Oceania   
 ■ UK & Eurozone   
 ■ North America   
 ■ Europe ex-UK & Eurozone   
 ■ South America   
  Africa/Undisclosed

### Historical transportation and logistics deal activity and the business cycle

Measured by number and value of all transportation and logistics deals (1981 - 3Q09; quarterly observations)



### Historically, M&A boost comes after recession

The historical pattern of global transportation and logistics M&A activity coming out of two of the past three US recessions has been one of general improvement. Activity as measured by both the value and number of announced deals increased following the 1981-1982 recession, and the deal value also increased following the 2001 recession. The exception to this pattern was the 1990-1991 recession, which was followed by a longer decline in deal totals.

It is difficult to forecast with certainty whether M&A activity could soon resume its upward trend given the depth of this recession and the overhang related to years of significant balance sheet leveraging. However, it is reasonable to believe that as demand improves and excess transportation capacity is reduced, acquirers will become more emboldened and likely to engage in deals to improve their competitive positioning.

## Preparing your company to manage carbon as an asset

Although the United States has not yet passed comprehensive climate change legislation, 23 US states are either active in cap-and-trade systems or working to design them. Numerous bills have been introduced in Congress, with the most recent narrowly approved by the House of Representatives in June 2009.

Any system that places a monetary value on carbon requires companies to consider carbon management in their corporate objectives and growth plans. Whether organizations are directly or indirectly affected by comprehensive climate change regulation, they need to take practical steps to get ready. A good first step is to ensure internal financial teams understand the financial impacts of participation in cap-and-trade systems as part of setting a clear strategy that accounts for changes in climate laws and energy policy.

### What are the required first steps to prepare for a GhG cap-and-trade system?

- It is imperative to know your carbon footprint. Companies that have not done so should identify the sources, types, and magnitude of GhG emissions they produce and compare them with those of their industry peers. As outlined in *The Greenhouse Gas Protocol*<sup>5</sup>, developing a measure of your carbon footprint includes addressing the following:
  - Setting organizational boundaries. This relates to determining what approach to take when accounting for emissions from joint ventures, subsidiaries, and other organizations.
  - Setting operational boundaries. Companies need to determine the scope of emissions they will include in their reporting. *The GhG Protocol* divides these into Scope 1 (direct emissions), Scope 2 (indirect emissions, such as from purchased electricity), and Scope 3 (other indirect emissions, accrued via employee travel, waste, contractor vehicles, product use, etc.).
  - Determining a base year for carbon footprint reporting. This includes determining the timing of when a company should recalculate its emissions because of business changes (e.g., acquisitions or divestitures, new calculation methodologies, etc).
  - Identifying and calculating GhG emissions. This covers inventorying emissions sources, defining calculation methods and approaches, collecting data, selecting emissions factors, applying the calculation methods, and compiling the emissions data at the corporate level.
  - Addressing footprint quality. Companies should address issues such as quality/control and management review, as well as implementation of robust processes and controls for routine data collection and compilation.
- Companies should consider conducting an assessment that includes all direct and indirect carbon emissions to understand where the best opportunities to reduce emissions may lie, and to determine whether your role in carbon trading will be that of net buyer or seller.

### Why is this issue so important?

The value of transactions can be significantly influenced by environmental factors, accounting issues, and broader issues relating to corporate responsibility. Buyers and sellers need to understand the environmental, social, ethical, and economic risks related to their transactions that can impact operating costs, compliance, and financial reporting. Sustainability-related financial accounting and reporting issues are increasingly a part of deals, e.g., accounting of emissions-reduction credits.

We believe carbon assets and liabilities will grow in value and will be linked to financial reporting and financial audit systems so that information is consistently and accurately reported and costly restatements, penalties, or reputational concerns are avoided. With this expectation, our view is the best way to manage carbon as an asset is to start now.

### Our approach

PwC's Transaction Services group undertakes a systematic review of the risks and liabilities arising from a transaction and assesses their financial reporting impacts. This includes risks related to operational environmental performance, legal compliance, reputation, and stakeholder pressures. PwC also provides ongoing support in transaction negotiations and in the development of systems to manage significant risks and liabilities. In addition, we advise companies on sustainability and climate change-related financial accounting and reporting issues.

<sup>5</sup> World Resources Institute and World Business Council for Sustainable Development, *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (March 2004): [www.ghgprotocol.org/files/ghgprotocol-revised.pdf](http://www.ghgprotocol.org/files/ghgprotocol-revised.pdf).

# Specialty case study: Climate change strategy analysis

Client: A major  
US-based  
international airline

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Client issue	A major US-based international airline wanted to study the potential impacts of the Kyoto climate change treaty to restrict greenhouse gas (GhG) emissions from the airline industry.
Approach	<p>PricewaterhouseCoopers (PwC) performed a climate change strategy analysis for the airline. The developments and consequences of global aviation GhG reduction activities and initiatives were evaluated. The firm collected and analyzed airline operations data and information pertaining to specific emissions-reduction approaches, including emissions trading, to assess the potential competitive implications of these approaches.</p> <p>PwC also interviewed representatives from selected companies across several industries and government and nongovernmental organizations, all perceived to be engaged in this area, to prepare a benchmarking analysis of proactive steps employed toward reducing GhG emissions.</p>
Impact	<p>GhG emissions by the aviation sector have been under increased scrutiny in recent years, and numerous initiatives have been proposed to reduce these emissions. The proposed constraints would have a significant impact on various aspects of the airline's overall business strategy. The climate change strategy analysis provided a realistic assessment of the type of outcome most likely to emerge from the ongoing international negotiations and initiatives, outlined the competitive implications of this outcome and provided recommendations on possible next steps in the areas of business operations strategy and external policy development.</p> <p>The benchmarking study provided an outline of the type of emissions-reduction strategies that have proved effective at other companies.</p>

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# PricewaterhouseCoopers' transportation and logistics experience

## Deep transportation and logistics experience

PwC continues to have the leading Fortune Global 500 market share in the industry. Our Transportation and Logistics practice is composed of a global network of more than 4,400 industry professionals who provide assurance, tax, and advisory services to public and private transportation and logistics companies around the world. Central to the successful delivery of our services is an in-depth understanding of today's industry issues, in addition to a wealth of specialized resources and "best practices" that help in solving complex business challenges. Our highly skilled team encourages dialogue on top-of-mind trends and issues through active participation in industry conferences and associations, such as the American Trucking Association, the Air Transport Association, the American Railroad Association, and the European Logistics Association. To address your industry needs wherever they arise, our professionals are concentrated in areas where the transportation and logistics industry operates today and in the emerging markets where it will operate in the future.

## Quality deal professionals

PwC's Transaction Services practice, with more than 3,800 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on factors that could affect a transaction, including market, financial accounting, tax, human resources, operating, information technology, and supply chain considerations. Teamed with our Transportation and Logistics industry practice, our deal professionals can bring a unique perspective to your transaction, addressing it from a technical as well as industry point of view.

## Local coverage, global connection

In addition to having more than 4,400 professionals who serve the transportation and logistics industry, our team is part of an expansive Industrial Products group that consists of 31,000 professionals, including approximately 15,800 providing assurance services, 9,000 providing tax services, and 6,200 providing advisory services. This expands our global footprint and enables us to concentrate efforts in bringing clients a greater depth of talent, resources, and know-how in the most effective and timely way.



# Contacts

## PwC Global Transportation & Logistics practice

PwC's Transportation and Logistics practice provides industry-focused assurance, tax, and advisory services. Through our global network, we can draw upon the in-depth industry experience of professionals in every country in which your company operates. Our people can help you deal with the challenges of today, and they understand the implications for tomorrow.

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## PwC Global Transaction Services practice

PwC's Transaction Services practice offers a full range of tax, financial, business assurance, and advisory capabilities covering acquisitions, disposals, private equity, strategic M&A advice, advice on listed company transactions, financing, and public-private partnerships.

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# Methodology

*Intersections* is an analysis of mergers and acquisitions in the global transportation and logistics industry. Information was sourced from Thomson Reuters and includes deals for which targets have primary NAICS codes that fall into one of the following NAICS industry groups, NAICS industries, or national industries: scheduled air transportation; nonscheduled air transportation; rail transportation; deep-sea, coastal, and Great Lakes water transportation; inland water transportation; general freight trucking; specialized freight trucking; urban transit systems; interurban and rural bus transportation; taxi and limousine service; school and employee bus transportation; charter bus industry; other transit and ground passenger transportation; support activities for air transportation; support activities for rail transportation; support activities for water transportation; other support activities for road transportation; freight transportation arrangement; other support activities for transportation; postal service; local messengers and local delivery; general warehousing and storage; refrigerated warehousing and storage; other warehousing and storage; and process, physical distribution, and logistics consulting.

This analysis includes all individual mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of

remaining interest announced between January 1, 2007, and September 30, 2009, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, unconditional (i.e., initial conditions set forth by the acquirer have been met but deal has not been completed), withdrawn, seeking buyer, or seeking buyer withdrawn. The term deal, when referenced herein, refers to transactions with a disclosed value of at least \$50 million unless otherwise noted.

Regional categories used in this report approximate United Nations (UN) regional groups as determined by the UN Statistics Division, with the exception of the North America region (includes North America and Latin and Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups), and Europe (divided into United Kingdom, plus Eurozone and Europe ex-UK and Eurozone regions). The Eurozone includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovenia, and Spain. Oceania includes Australia, New Zealand, Melanesia, Micronesia, and Polynesia. Overseas territories were included in the region of the parent country, and China, when referenced separately, includes Hong Kong.

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