SAIA INC
Form 10-K
February 28, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 0-49983

Saia, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**48-1229851**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*
11465 Johns Creek Parkway, Suite 400	**30097**
Johns Creek, Georgia	*(Zip Code)*
(Address of Principal Executive Offices)	

(770) 232-5067

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Names of each exchange on which registered**
Common Stock, par value $.001 per share	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of June 30, 2013, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $718,817,151 based on the last reported sales price of the common stock as reported on the National Association of Securities Dealers Automated Quotation System National Market System. The number of shares of Common Stock outstanding as of February 26, 2014 was 24,478,544.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement to be filed within 120 days of December 31, 2013, pursuant to Regulation 14A under the Securities Exchange Act of 1934 for the Annual Meeting of Stockholders to be held April 24, 2014 have been incorporated by reference into Part III of this Form 10-K.

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SAIA, INC. AND SUBSIDIARIES

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PART I.

Item 1. *Business*

Overview

Saia, Inc. through its wholly-owned subsidiaries, is a transportation company headquartered in Johns Creek, Georgia providing a wide range of less-than-truckload, non-asset truckload, expedited and logistics services across the United States.

We are a single segment company with four operating subsidiaries, Saia Motor Freight Line, LLC (Saia LTL Freight), Saia TL Plus, LLC (Saia TL Plus), Saia Sales, LLC (Saia Sales) and Saia Logistics Services, LLC (Saia Logistics Services) (Saia, Inc. together with its subsidiaries, the Company or Saia). We serve a wide variety of customers by offering regional and interregional LTL, truckload, guaranteed, expedited and logistics services. None of our approximately 8,400 employees is represented by a union. In 2013, Saia generated revenue of $1.14 billion and operating income of $74.4 million. In 2012, Saia generated revenue of $1.10 billion and operating income of $58.7 million.

Saia LTL Freight

Founded in 1924, Saia LTL Freight is a leading multi-regional LTL carrier that serves 34 states in the South, Southwest, Midwest, Pacific Northwest and West. Saia LTL Freight specializes in offering its customers a range of regional and interregional LTL services including time-definite and expedited options. Saia LTL Freight primarily provides its customers with solutions for shipments between 100 and 10,000 pounds, but also provides selected guaranteed, expedited and truckload services.

Saia LTL Freight has invested substantially in technology, training and business processes to enhance its ability to monitor and manage customer service, operations and profitability. These data capabilities enable Saia LTL Freight to provide its trademarked Customer Service Indicators® (CSI) program, allowing customers to monitor service performance on a wide array of metrics most important to them. Customers can access the information via the Internet (www.saia.com) to help manage their shipments. The CSIs measure the following: on-time pickup; on-time delivery; claim-free shipments; claims settled within 30 days; exception free delivery; and invoicing accuracy. The CSIs provide both Saia LTL Freight and the customer with a report card of overall service levels.

As of December 31, 2013, Saia LTL Freight operated a network comprised of 150 service facilities. In 2013, the average Saia LTL Freight shipment weighed approximately 1,376 pounds and traveled an average distance of approximately 741 miles.

Industry

The trucking industry consists of three segments including private fleets and two for-hire carrier groups. The private carrier segment consists of fleets owned and operated by shippers who move their own goods. The two for-hire carrier groups, truckload and LTL, are based on the typical shipment sizes handled by transportation service companies. Truckload refers to providers generally transporting shipments greater than 10,000 pounds and less than truckload, or LTL, refers to providers generally transporting shipments less than 10,000 pounds. Saia LTL Freight is primarily an LTL carrier.

LTL transportation providers consolidate numerous orders, generally ranging from 100 to 10,000 pounds, from businesses in different locations. Orders are consolidated from individual locations at carrier-operated service facilities within a certain radius and then typically transported from the origin service facilities to the destination service facilities and then to the ultimate destination. As a result, LTL carriers require expansive

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networks of pickup and delivery operations around local service facilities and shipments are moved between origin and destination often through an intermediate distribution or breakbulk facility. Depending on the distance shipped, the LTL segment historically was classified into three subgroups:

Regional Average distance is typically less than 1,200 miles with a focus on one- and two-day markets. Regional transportation companies can move shipments directly to their respective destination center which increases service reliability and avoids costs associated with intermediate handling.

Interregional Average distance is usually between 1,200 and 1,500 miles with a focus on serving two- and three-day markets.

National Average distance is typically in excess of 1,500 miles with a focus on service in three- to five-day markets. National providers rely on intermediate shipment handling through hub and spoke networks, which require numerous satellite service facilities, multiple distribution facilities and a relay network. To gain service and cost advantages, they occasionally ship directly between service facilities reducing intermediate handling or utilize the rail system.

Over the last several years, there has been a blurring of the above subgroups as individual companies are increasingly serving multiple markets. For example, a number of companies are focusing on serving one- and two-day lanes, as well as serving three and more day markets between adjacent regions. Saia LTL Freight operates as a traditional LTL carrier with ability to focus in all three areas.

The truckload segment is the largest portion of the for-hire truck transportation market. Truckload carriers primarily transport large shipments from origin to destination with no intermediate handling. Although a full truckload can weigh over 40,000 pounds, it is common for carriers to haul two or three shipments exceeding 10,000 pounds each at one time making multiple delivery stops.

Because truckload carriers do not require an expansive network to provide point-to-point service, the overall cost structure of truckload participants is typically lower and more variable relative to LTL service providers. However, the lack of a network subjects their drivers to extended periods away from home thus resulting in high driver turnover and periodic shortages. The truckload segment is comprised of several major carriers and numerous small entrepreneurial players. At the most basic level, a truckload company can be started with capital for rolling stock (a tractor and a trailer), insurance, a driver and little else. As size becomes a factor, capital is needed for technology infrastructure and some limited facilities. Saia LTL Freight participates in the truckload market as a means to fill empty miles in lanes that are not at capacity. Saia Sales sales representatives also sell truckload and expedited offerings of Saia TL Plus.

Capital requirements are significantly different in the traditional LTL segment versus the truckload segment. In the LTL sector, substantial amounts of capital are required for a network of service facilities, shipment handling equipment and revenue equipment (both for city pick-up, delivery and linehaul). In addition, investment in effective technology has become increasingly important in the LTL segment largely due to the number of transactions and number of customers served on a daily basis. Saia LTL Freight picks up approximately 25,000 shipments per day, each of which has a shipper and consignee, and occasionally a third party, all of whom need access to information in a timely manner. More importantly, technology plays a key role in improving customer service, operations efficiency and compliance, safety and yield management. As a result of the significant infrastructure required to operate an LTL carrier, the LTL segment is more concentrated than the truckload segment with the largest players in the national and regional markets. Driver turnover in the LTL sector is low relative to the TL sector. Midsize niche carriers serve the regional markets.

Business Strategy

Saia has grown historically through a combination of organic growth and the integration or tuck-in of smaller trucking and logistics companies. Saia integrated WestEx and Action Express in 2001. WestEx operated in California and the Southwest and Action Express operated in the Pacific Northwest and Rocky Mountain

states. Saia acquired and integrated Clark Bros. in 2004, a Midwestern LTL carrier serving 11 states. Saia integrated this company which had contiguous regional coverage with minimal overlap. Saia acquired and integrated The Connection in 2006 which operated in Indiana, Kentucky, Michigan and Ohio which was contiguous and had no overlap. Saia acquired and integrated Madison Freight Systems in 2007. Madison Freight operated in all of Wisconsin with limited coverage in Illinois and Minnesota. In 2012, Saia acquired Robart Transportation, Inc. and its subsidiary, The RL Services Group, LLC (the Robart Companies) which provide customers with non-asset truckload full service and logistics solutions. Effective October 1, 2012, the Company rebranded Robart Transportation, Inc. as Saia TL Plus and The RL Services Group, LLC as Saia Logistics Services, LLC. See Note 11 of the accompanying audited consolidated financial statements for further information on the acquisition of the Robart Companies.

Key elements of our business strategy include:

Continue to focus on operating safely.

Our most valuable resource is our employees. It is a corporate priority to continually emphasize the importance of safe operations and to reduce both the frequency and severity of injuries and accidents. This emphasis is not only appropriate to protect our employees and our communities but with the continued escalation of commercial insurance and health care costs is important to maintain and improve stockholder returns. Management expects governmental safety regulations and related enforcement initiatives to increase in the future.

Manage yields and business mix.

This element of our business strategy involves managing both the pricing process and the mix of customers freight in ways that allow our network to operate more profitably. Due to overcapacity in the industry, the pricing environment became very challenging in 2009 but eased gradually during 2010 as the economy showed early signs of recovery. The improvements in the economy coupled with the tightening of available capacity in the industry over the last several years allowed the Company to implement numerous pricing initiatives to increase yield significantly.

Increase density in existing geographies.

We gain operating leverage by growing volume and density within existing geography. Depending on pricing and the specific lanes, we estimate the potential incremental profitability on growth in current markets can be 20 percent or even higher. This improves margins, asset turnover and return on capital. We actively monitor opportunities to add service facilities where we have sufficient density. We see potential for future volume growth at Saia from improvements in the general economy, industry consolidation and strategic acquisitions, as well as specific sales and marketing initiatives.

Continue focus on delivering best-in-class service.

The foundation of Saia s growth strategy is consistent delivery of high-quality service. Commitment to service quality is valued by customers and allows us to gain fair compensation for our services and positions us to improve market share.

Continue focus on improving operating efficiencies.

Saia has operating initiatives focused on continuing to improve efficiency. These initiatives help offset a variety of structural cost increases like healthcare benefits, workers compensation claims, parts and maintenance expense as well as casualty insurance. We believe Saia continues to be well positioned to manage costs and utilize assets. We believe we will continue to see new opportunities for cost savings.

Prepare the organization for future growth.

Our primary focus within organizational development is maintaining strong relationships with our employees. We invest in our employees through internal communication, training programs and providing competitive wages and benefits.

We believe it is also important to invest in technology capabilities and strategic real estate which are designed to position our Company for future growth to meet the increasing demands of the marketplace. We also believe it is important to invest in our tractor and trailer fleet to improve brand image, gain access to new technologies, lower maintenance expenses, achieve improved fuel economy and gain other operating efficiencies.

Expand geographic footprint.

While our immediate priority is to improve profitability in existing geography, we plan to pursue additional geographic expansion because it promotes profitability growth and improves our customer value proposition over time.

In addition to potential direct expansion through opening of new facilities, management may consider acquisitions from time to time to help expand geographic reach and density while gaining the business base of the acquired entity. Management believes integration of acquisitions is a core competency and it has developed a repeatable process from its successful experience, including Saia s 2001 integration of WestEx and Action Express, its 2004 integration of Clark Bros., its 2006 acquisition of the Connection and subsequent integration thereof, and its 2007 integration of Madison Freight. Collectively, these integrations increased Saia s footprint from 12 to 34 states.

Seasonality

Our revenues are subject to seasonal variations. Customers tend to reduce shipments after the winter holiday season and operating expenses tend to be higher as a percent of revenue in the winter months primarily due to lower capacity utilization and weather effects. Generally, the first quarter is the weakest quarter while the second and third quarters are the strongest quarters in terms of revenue and profit. Quarterly profitability is also impacted by the timing of salary and wage increases and general rate increases which have varied over the years.

Labor

Most LTL companies, including Saia, and virtually all truckload companies are not subject to collective bargaining agreements.

In recent years, due to competition for quality employees, the compensation divide between union and non-union carriers has closed dramatically. However, there are still significant differences in benefit costs and work rule flexibility. Benefit costs for union carriers remain significantly above those paid by non-union carriers and union carriers may be subject to certain contingent multi-employer pension liabilities. In addition, non-union carriers have more work rule flexibility with respect to work schedules, routes and other similar items. Work rule flexibility is a major consideration in the regional LTL sector as flexibility is important to meet the service levels required by customers.

Our employees are not represented by a collective bargaining unit. We believe this provides for better communications and employee relations, stronger future growth prospects, improved efficiencies and customer service capabilities.

Competition

Although there has been some limited industry consolidation, shippers continue to have a wide range of choices. We believe that service quality, price, variety of services offered, geographic coverage, responsiveness and flexibility are the important competitive differentiators.

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Saia focuses primarily on regional and interregional business and operates in a highly competitive environment against a wide range of transportation service providers. These competitors include a small number of large, national transportation service providers in the long haul and two-day markets and a larger number of shorter-haul or regional transportation companies in the two-day and overnight markets. Saia also competes in and against several modes of transportation, including LTL, truckload and private fleets. The larger the service area, the greater the barriers to entry into the LTL trucking segment due to the need for additional equipment and operational facilities associated with this coverage. The level of technology applications required and the ability to generate shipment densities that provide adequate labor and equipment utilization also make larger-scale entry into the LTL market difficult. To a lesser extent, Saia also competes with small package carriers, railroads and air freight carriers.

Regulation

The trucking industry has been substantially deregulated and rates and services are largely free of regulatory controls, although federal and state authorities retain the right to require compliance with safety and insurance standards. The trucking industry remains subject to regulatory and legislative changes that can have a material adverse effect on our operations.

Key areas of regulatory activity include:

Department of Homeland Security.

The trucking industry is working closely with government agencies to define and implement improved security processes. The Transportation Security Administration continues to focus on trailer security, driver identification, security clearance and border-crossing procedures. These and other safety and security measures, such as rules for transportation of hazardous materials, could increase the cost of operations, reduce the number of qualified drivers and disrupt or impede the timing of our deliveries to customers.

Department of Transportation.

Within the Department of Transportation, the Federal Motor Carrier Safety Administration (FMCSA) has issued rules limiting the maximum number of hours a driver may be on duty between mandatory off-duty hours. These rules could impact our operations, further tighten the market for qualified drivers and put additional upward pressure on driver wages and purchased transportation costs.

Additionally, the FMCSA s Compliance Safety Accountability Program (CSA) could adversely affect our results and ability to maintain or grow our fleet. Under CSA, carriers and individual drivers are evaluated and ranked based on certain safety-related standards. While the ultimate impact of this new carrier safety measurement is not yet known, it is possible that these measurements could adversely impact our ability to attract and retain drivers which would adversely affect our results and cash flows.

In February 2014, President Obama announced that the EPA and the U.S. Department of Transportation have been ordered to propose additional regulations to reduce exhaust emissions and increase fuel efficiency. While the impact of these regulations cannot be ascertained at this time, such regulations could increase the cost of capital equipment and maintenance expenses, which could have a material adverse effect on our financial condition and results of operation.

Environmental Protection Agency.

The Environmental Protection Agency (EPA) issued regulations reducing sulfur content of diesel fuel and reducing engine emissions. These regulations increased the cost of replacing and maintaining trucks.

Our motor carrier operations are also subject to environmental laws and regulations, including laws and regulations dealing with underground fuel storage tanks, the transportation of hazardous materials and other environmental matters. We maintain bulk fuel storage and fuel islands at several of our facilities. Our operations

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involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. We have established programs designed to monitor and control environmental risks and to comply with all applicable environmental regulations. As part of our safety and risk management program, we periodically perform environmental reviews to maintain environmental compliance and avoid environmental risk. We believe that we are currently in substantial compliance with applicable environmental laws and regulations and that the cost of compliance has not materially affected results of operations.

Food and Drug Administration.

As a transportation provider of foodstuffs, we are subject to rules issued by the Food and Drug Administration (FDA) to provide security of food and foodstuffs throughout the supply chain. Congress passed the Sanitary Food Transportation Act (SFTA). SFTA shifted responsibility for the regulation of food transportation from the U.S. Department of Transportation to the FDA. We believe that we are currently in substantial compliance with applicable FDA rules and regulations and that the cost of compliance has not materially affected our results of operations.

Trademarks and Patents

We have registered several service marks and trademarks in the United States Patent and Trademark Office, including Saia Guaranteed Select®, Saia Customer Service Indicators® and Saia Xtreme Guarantee®. We believe these service marks and trademarks are important components of our marketing strategy.

Additional Information

Saia has an Internet website that is located at www.saiacorp.com. Saia makes available, free of charge through its Internet website, all filings with the Securities and Exchange Commission (SEC) as soon as reasonably practicable after making such filings with the SEC.

Executive Officers

Information regarding executive officers of Saia is as follows (included herein pursuant to Instruction 3 to Item 401(b) of Regulation S-K and General Instruction G(3) of Form 10-K):

Name	Age	Positions Held
Richard D. O Dell	52	Effective January 1, 2007, President and Chief Executive Officer, Saia, Inc. having served as President of Saia, Inc. since July 2006. Previously, Mr. O Dell served as President and Chief Executive Officer of Saia LTL Freight since November 1999. Mr. O Dell has been a member of the Board of Directors of Saia, Inc. since July 2006.
James A. Darby	62	Vice President of Finance and Chief Financial Officer of Saia, Inc. since September 2006 having served as Vice President of Finance & Administration for Saia LTL Freight since 2000.
Mark H. Robinson	55	Vice President and Chief Information Officer of Saia, Inc. since August 2005 having served as Vice President of Information Technology for Saia LTL Freight since 1999.
Brian A. Balius	53	Vice President of Transportation and Linehaul of Saia LTL Freight since 2007.
Sally R. Buchholz	57	Vice President of Marketing and Customer Service of Saia LTL Freight since 1999.
Stephanie R. Maschmeier	41	Controller, Saia, Inc. since October 2007. Mrs. Maschmeier, a certified public accountant, joined Saia, Inc. in July 2002 as Corporate Financial Reporting Manager.

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Officers are elected by the Board of Directors of Saia, Inc. (the Board) and serve at the discretion of the Board. With the exception of Mr. O Dell, none of the officers of the Company are subject to an employment agreement with the Company. There are no family relationships between any executive officer and any other executive officer or director of Saia or its subsidiaries.

Item 1A. *Risk Factors*

Saia stockholders should be aware of certain risks, including those described below and elsewhere in this Form 10-K, which could adversely affect the value of their holdings and could cause our actual results to differ materially from those projected in any forward looking statements.

We are subject to general economic factors that are largely out of our control, any of which could have a material adverse effect on the results of our operations.

Our business is subject to a number of general economic factors that may have a material adverse effect on the results of our operations, many of which are largely out of our control. These include recessionary economic cycles and downturns in customer business cycles. Economic conditions may adversely affect the business levels of our customers, the amount of transportation services they need and their ability to pay for our services.

Weakness or a loss of confidence in financial markets could adversely impact demand for our services.

Weakness or a loss of confidence in the financial markets could cause broader economic downturns and impact the ability of our customers to access the capital or credit markets which may lead to lower demand for our services, increased incidence of customers inability to pay their accounts, or insolvency of our customers, any of which could adversely affect our results of operations, liquidity, cash flows and financial condition.

Potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity and letter of credit requirements and our ability to meet long-term commitments which could adversely impact our financial condition and results of operations, liquidity and cash flows.

If internal funds are not available from our operations, we may be required to rely on the capital and credit markets to meet our financial commitments and short-term liquidity needs. Disruptions in the capital and credit markets, could adversely affect our ability to draw on our bank revolving credit facility. Our access to funds under that credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

We are dependent on cost and availability of qualified drivers and purchased transportation.

There is significant competition for qualified drivers within the trucking industry and attracting and retaining drivers has become more challenging. We may periodically experience shortages of qualified drivers that could result in us not meeting customer demands, upward pressure on driver wages, underutilization of our truck fleet and/or use of higher cost purchased transportation which could have a material adverse effect on our operating results. There is also significant competition for quality purchased transportation within the trucking industry. We may periodically experience shortages of quality purchased transportation that could result in us not meeting customer demands which could have a material adverse effect on our operating results.

We are dependent on cost and availability of fuel.

Fuel is a significant operating expense and its availability is vital to daily operations. We do not hedge against the risk of fuel price increases. Global political events, acts of terrorism, federal, state and local regulations, natural disasters and other external factors could influence the cost and availability of fuel. Increases in fuel prices to the extent not offset by fuel surcharges or other customer price increases or any fuel shortages or interruption in the supply or distribution of fuel could have a material adverse effect on operating results. Historically, we have been able to offset significant fuel price increases through fuel surcharges and other pricing adjustments but we cannot be certain that we will be able to do so in the future. In recent years, given the significance of fuel surcharges, the negotiation of customer price increases has become commingled with fuel surcharges. We have experienced cost increases in other operating costs as a result of increased fuel prices; however, the total impact of higher energy prices on other non-fuel related expenses is difficult to determine. A rapid and significant decline in diesel fuel prices would reduce our revenue and yield until we make the appropriate adjustments to our pricing strategy.

Limited supply and increased prices of new revenue equipment and real estate may adversely impact financial results and cash flows.

Investment in new revenue equipment is a significant part of our annual capital expenditures. We may have difficulty in purchasing new trucks due to decreased supply, restrictions on the availability of capital and the price of such equipment may be adversely impacted by future regulations on newly manufactured diesel engines. Our business model is also dependent on cost and availability of terminal facilities in key metropolitan areas. Shortages in the availability of real estate or delays in construction due to difficulties in obtaining permits may require significant additional investment in leasing, purchasing or building facilities, increase our operating expenses and/or prevent us from efficiently serving certain markets. In addition, we may not realize sufficient revenues or profits from our infrastructure investments.

The engines in our newer tractors are subject to new emissions-control regulations which could substantially increase operating expenses and future regulations concerning emissions or fuel-efficiency may adversely impact financial results.

Tractor engines that comply with the EPA emission-control design requirements have been generally less fuel-efficient in the past and have increased maintenance costs compared to engines in tractors manufactured before these requirements became effective. If we are unable to offset resulting increases in fuel expenses or maintenance costs with higher freight rates, our financial condition and results of operations could be adversely affected.

Future strengthening of EPA or other regulatory requirements regarding fuel-efficiency of tractors could also result in increases in the cost of capital equipment and maintenance. While savings on fuel costs resulting from the use of more fuel-efficient equipment could mitigate these additional expenses in part, the impact of future regulations cannot be projected at this time.

Our Company-specific performance improvement initiatives may not be effective.

Operating performance improvement at Saia is dependent on the implementation and/or the continuation of various performance improvement initiatives. There can be no assurance that Saia will be successful in implementing these performance improvement initiatives or that Saia s historical performance trend will be representative of future performance. Failure to achieve performance improvement initiatives could have a material adverse impact on our financial condition and results of operations.

We operate in a highly regulated and highly taxed industry. Costs of compliance with or liability for violation of existing or future regulations could have a material adverse effect on our business.

The U.S. Department of Transportation and various state agencies exercise broad powers over our business, generally governing such activities as authorization to engage in motor carrier operations, safety and financial

reporting. We may also become subject to new or more restrictive regulations imposed by the Department of Transportation, the Occupational Safety and Health Administration or other authorities relating to engine exhaust emissions, driver hours of service, security, ergonomics, as well as other unforeseen matters. Compliance with such regulations could substantially impair equipment productivity and increase our costs. Various federal and state authorities impose significant operating taxes on the transportation industry, including fuel taxes, tolls, excise and other taxes. There can be no assurance such taxes will not substantially increase or that new forms of operating taxes will not be imposed on the industry.

The FMCSA has amended rules on motor carrier driver hours of service which limit the maximum number of hours a driver may be on duty between mandatory off-duty hours. Our operations were adjusted to comply with these rules, and while our base operations were not materially affected, we did experience deterioration in the cost, availability and reliability of purchased transportation. Revisions to these rules, as a result of pending or future legal challenges or any future requirements for on-board recorders, could further impact our operations, further tighten the market for qualified drivers and put additional pressure on driver wages and purchased transportation costs.

The Transportation Security Administration continues to focus on trailer security, driver identification and security clearance and border crossing procedures. These and other safety and security measures, such as rules for transportation of hazardous materials could increase the cost of operations, reduce the number of qualified drivers and disrupt or impede the timing of our deliveries for our customers.

Historically, the EPA has issued regulations that require progressive reductions in exhaust emissions from diesel engines. These regulations increased the cost of replacing and maintaining trucks and increased fuel costs by reducing miles per gallon. These regulations have the potential to reduce availability of fuel and reduce productivity which could have a material adverse effect on our financial condition and results of operation.

In February 2014, President Obama announced that the EPA and the U.S. Department of Transportation have been ordered to propose additional regulations to reduce exhaust emissions and increase fuel efficiency. While the impact of these regulations cannot be ascertained at this time, such regulations could increase the cost of capital equipment and maintenance expenses, which could have a material adverse effect on our financial condition and results of operation.

We are subject to various environmental laws and regulations. Costs of compliance with or liabilities for violations of existing or future regulations could have a material adverse effect on our business. We are also subject to increasing customer sensitivity to sustainability issues.

Our operations are subject to environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks and discharge and retention of storm water. We operate in industrial areas where truck terminals and other industrial activities are located and where groundwater or other forms of environmental contamination may have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous waste disposal, among others. If we are involved in a spill or other accident involving hazardous substances or if we are found to be in violation of applicable laws or regulations, it could have a material adverse effect on our business and operating results. If we fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

In addition, as climate change concerns become more prevalent, federal and local governments and our customers are increasingly sensitive to these issues. This increased focus on sustainability may result in new regulations and customer requirements that could negatively affect us. This could cause us to incur additional direct costs or to make changes to our operations in order to comply with any new regulations and customer requirements. We could also lose revenue if our customers divert business from us because we have not complied with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse effect on our business, financial condition and results of operations.

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CSA could adversely affect our results and ability to maintain or grow our business.

Under CSA, a new carrier safety measurement mandated by the FMCSA, carriers and individual drivers are evaluated and ranked based on certain safety-related standards. It is possible that these new measurements could adversely impact our ability to attract and retain drivers which would adversely affect our results and cash flows.

We operate in a highly competitive industry and our business will be adversely impacted if we are unable to adequately address potential downward pricing pressures and other factors that may adversely affect our operations and profitability.

Numerous competitive factors could impair our ability to maintain our current profitability. These factors include the following:

- competition with many other transportation service providers of varying types including non-asset based logistics and freight brokerage companies, some of which have greater capital resources than we do or have other competitive advantages;

- transportation companies periodically reduce their prices to gain business, especially during economic recessions or times of reduced growth rates in the economy which may limit our ability to maintain or increase prices or achieve significant growth in our business; and

- advances in technology require increased investments to remain competitive and our customers may not be willing to accept higher prices to cover the cost of these investments.

The transportation industry is affected by business risks that are largely out of our control, any of which could have a material adverse effect on the results of our operations.

Businesses operating in the transportation industry are affected by risks that are largely out of their control, any of which could have a material adverse effect on the results of our operations. These factors include health of the economy, weather, excess capacity in the transportation industry, interest rates, fuel costs, fuel taxes, license and registration fees, health care costs and insurance premiums. Our results of operations may also be affected by seasonal factors.

We have significant ongoing cash requirements that could limit our growth and affect profitability if we are unable to generate sufficient cash from operations or obtain sufficient financing on favorable terms.

Our business is highly capital intensive. Our net capital expenditures for 2013 were approximately $122 million. Additionally, we anticipate net capital expenditures in 2014 of approximately $85 million. We depend on cash flows from operations, borrowings under our credit facilities and operating leases. If we are unable to generate sufficient cash from operations and obtain sufficient financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements or operate our trucks and trailers for longer periods. Any of these could have a material adverse effect on our financial condition and results of operations.

Under our current credit facilities, we are subject to certain debt covenants and prepayment penalties. Those debt covenants prohibit the payment of dividends and require maintenance of certain maximum leverage and minimum fixed charge coverage ratios, minimum tangible net worth and a borrowing base, among other restrictions, that could limit availability of capital to meet our future growth.

Our ability to repay or refinance our indebtedness will depend upon our future operating performance which will be affected by general economic, financial, competitive, legislative, regulatory and other factors beyond our control.

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Our credit and debt agreements contain financial and other restrictive covenants and we may be unable to comply with these covenants. A default could cause a material adverse effect on our liquidity, financial condition and results of operations.

We must maintain certain financial and other restrictive covenants under our credit and debt agreements, including among others, a fixed charge coverage ratio, leverage ratio, minimum tangible net worth and a borrowing base. If we fail to comply with any of these covenants, we will be in default under the relevant agreement which could cause cross-defaults under other financial arrangements. In the event of any such default, if we fail to obtain replacement financing, amendments to or waivers under the applicable financing arrangements, our financing sources could cease making further advances or declare our debt to be immediately due and payable. If acceleration occurs, we may have difficulty in borrowing sufficient additional funds to refinance the accelerated debt or we may have to issue securities which would dilute stock ownership. Even if new financing is made available to us, it may not be available on acceptable terms. A default under our credit and debt agreements could cause a material adverse effect on our liquidity, financial condition and results of operations.

Ongoing insurance and claims expenses could significantly reduce and cause volatility to our earnings.

We are exposed to claims resulting from cargo loss, personal injury, property damage, group health care and workers compensation in amounts ranging from $250,000 to $2.0 million per claim. We also maintain insurance with licensed insurance companies above these large deductible amounts. If the number or severity of future claims increases, insurance claim expenses might exceed historical levels which could significantly reduce our earnings. A deterioration in safety experience could cause customers to switch business to competitors. Significant increases in insurance premiums could also impact financial results or cause us to raise our self-insured retentions.

Furthermore, insurance companies, as well as certain states, require collateral in the form of letters of credit or surety bonds for the estimated exposure of claims within our self-insured retentions. Their estimate of our future exposure as well as external market conditions could influence the amount and costs of additional letters of credit required under our insurance programs and thereby reduce capital available for future growth.

Employees of Saia are non-union. The ability of Saia to compete could be impaired if operations were to become unionized.

None of our employees are currently subject to a collective bargaining agreement. We have in the past been the subject of unionization efforts which have been defeated. However, the U.S. Congress could pass labor legislation, such as the formerly proposed Employee Free Choice Act, which could make it significantly easier for unionization efforts to be successful. If this bill or a variation of it is enacted in the future or if federal regulations regarding labor relations are changed, it could have an adverse impact on our business. While Saia believes its current relationship with its employees is good, there can be no assurance that further unionization efforts will not occur in the future and that such efforts will be defeated. The non-union status of Saia is an important factor in our ability to compete in our markets.

If we are unable to retain our key employees, our business, financial condition and results of operation could be adversely impacted.

The future success of our business will continue to depend on our executive officers and certain other key employees who, with the exception of Mr. O Dell, do not have employment agreements. The loss of services of any of our key personnel could have a material adverse effect on us.

Changes to our compensation and benefits could adversely affect our ability to attract and retain employees.

Like other companies, we implemented certain salary and wage cost initiatives in 2009 in response to macro-economic challenges. Such initiatives have been reversed as our financial performance improved. If our salary and wages are not competitive, we may find it difficult to attract, retain and motivate employees and any such difficulty could materially adversely affect our business.

An increase in the cost of healthcare benefits could have a negative impact on our profitability.

We maintain and sponsor health insurance for our employees and their dependents and offer a competitive healthcare program to attract and retain our employees. It is possible that healthcare costs could become increasingly cost prohibitive, either forcing us to make changes to our benefits program or negatively impacting our future profitability.

The legislation on healthcare reform and related regulations could affect the healthcare benefits required to be provided by the Company and cause our compensation costs to increase, adversely affecting our results and cash flows.

The Patient Protection and Affordable Care Act and regulations that interpret the law contain provisions which could materially impact the future healthcare costs of the Company. While the legislation s ultimate impact is not yet known, it is possible that these changes could significantly increase our employee benefits costs which would adversely affect our results and cash flows. Expanded coverage for dependents and elimination of caps on individual maximum expenditures increased the Company s costs starting in 2011 and in each year since.

We rely heavily on technology to operate our business and any disruption to our technology infrastructure could harm our operations.

Our ability to attract and retain customers and compete effectively depends in part upon reliability of our technology network including our ability to provide services that are important to our customers. Any disruption to our technology infrastructure (including services provided to us for use in our business by outside providers), including those impacting our computer systems and web site, could adversely impact our customer service and revenues and result in increased costs. While we have invested and continue to invest in technology security initiatives and disaster recovery plans, these measures cannot fully protect us from technology disruptions that could have a material adverse effect on us.

Our dependence on electronic data storage, automated systems and technology gives rise to cyber-security risks. Although we and our third-party providers have preventive systems and processes in place designed to protect against the risk of system failure and cyber attacks, a security breach of our systems or those of our third-party providers may cause a disruption of our business or the loss of information and could have a material adverse effect on our financial condition, reputation and results of operations.

Certain provisions of our governing documents and Delaware law could have anti-takeover effects.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board of Directors has approved the transaction. Our Board of Directors could rely on Delaware law to prevent or delay an acquisition of us.

Our Restated Certificate of Incorporation and By-laws contain certain provisions which may have the effect of delaying, deferring or preventing a change of control of the Company. Such provisions include, for example, provisions classifying our Board of Directors, a prohibition on shareholder action by written consent, authorization of the Board of Directors to issue preferred stock in series with the terms of each series to be fixed by the Board of Directors and an advance notice procedure for shareholder proposals and nominations to the Board of Directors. These provisions may inhibit fluctuations in the market price of our common stock that could result from takeover attempts.

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We may not make future acquisitions or, if we do, we may not realize the anticipated benefits of future acquisitions and integration of these acquisitions may disrupt our business and management.

We may make additional acquisitions in the future. However, there is no assurance that we will be successful in identifying, negotiating or consummating any future acquisitions. Additionally, we may not realize the anticipated benefits of any future acquisitions. Each acquisition has numerous risks including:

- difficulty in integrating the operations and personnel of the acquired company;
- disruption of our ongoing business, distraction of our management and employees from other opportunities and challenges due to integration issues;
- inability to achieve the financial and strategic goals for the acquired and combined businesses; and
- potential failure of the due diligence processes to identify significant issues with legal and financial contingencies, among other things.

In the event that the integrations are not successfully completed, there could be a material adverse effect on us.

We face litigation risks that could have a material adverse effect on the operation of our business.

We face litigation regarding a variety of issues, including without limitation, alleged violations of federal and state labor and employment laws and accidents involving our trucks and employees. These proceedings may be time-consuming, expensive and disruptive to normal business operations. The defense of such lawsuits could result in significant expense and the diversion of our management s time and attention from the operation of our business. Some or all of the amount we may be required to pay to defend or to satisfy a judgment or settlement of any or all of these proceedings may not be covered by insurance and could have a material adverse affect on us.

The market value of our common stock may fluctuate and could be substantially affected by various factors.

The price of our common stock on the NASDAQ Global Select Market constantly changes. We expect that the market price of our common stock will continue to fluctuate and the fluctuations may be unrelated to our financial performance. Our share price may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include, but are not limited to, the following:

- Actual or anticipated variations in our earnings, financial or operating performance or liquidity, or those of other companies in our industry;
- Changes in recommendations or projections of research analysts who follow our stock or the stock of other companies in our industry;
- Failure to meet the earnings projections of research analysts who follow our stock;
- Changes in general economic and capital market conditions, including general market price declines or market volatility;
- Reactions to our regulatory filings and announcements related to our business;

- Operating and stock performance of other companies in our industry;
- Actions by government regulators;
- Litigation involving our company, our general industry or both;
- News reports or trends, concerns and other issues related to us or our industry, including changes in regulations; and
- Other factors described in this "Risk Factors" section.

Our results of operations and financial condition could be adversely affected by an unfavorable outcome resulting from these risks and uncertainties.

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Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Saia is headquartered in Johns Creek, Georgia and has general offices in Houma, Louisiana and Boise, Idaho. At December 31, 2013, Saia owned 57 service facilities, including the Houma, Louisiana general office and leased 93 service facilities, including the Johns Creek, Georgia corporate office and the Boise, Idaho general office. Although Saia owns only 38 percent of its service facility locations, these locations account for 52 percent of its door capacity. This follows Saia s strategy of owning strategically-located facilities that are integral to its operations and leasing service facilities in smaller markets to allow for more flexibility. As of December 31, 2013, Saia owned approximately 3,580 tractors and 11,160 trailers.

The Company has pledged certain real property, tractors and trailers and personal property owned by the Company to secure the Company s obligations under its revolving credit agreement and long-term note agreement. All service facilities listed in the table below denoted as owned by the Company are subject to liens pursuant to the agreements. See Financial Condition under Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations for more information about the revolving credit agreement and long-term note agreement.

Top 20 Saia Service Facilities by Number of Doors at December 31, 2013

Location	Own/Lease	Doors
Atlanta, GA	Own	224
Dallas, TX	Own	174
Houston, TX	Own	158
Chicago, IL	Lease	154
Garland, TX	Own	