GATX Corporation

Operator:

Good day, and welcome to the GATX Third-Quarter Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Jennifer Van Aken. Please go ahead, ma'am.

Jennifer Van Aken:

Thanks, Richelle, and good morning, everyone. Thanks for joining us for the third-quarter conference call. With me on the call this morning are Brian Kenney, President and CEO of GATX Corporation, Bob Lyons, Executive Vice President and Chief Financial Officer, and Tom Ellman, Executive Vice President and President of Rail North America. I'll give a brief overview of the results provided in our press release earlier this morning, and then we'll take your questions.

As a reminder, any forward-looking statement made on this call represents our best judgment as to what may occur in the future. We have based these forward-looking statements on information currently available, and disclaim any intention or obligation to update or revise these statements to reflect subsequent events or circumstances. The Company's actual results will depend on a number of competitive and economic factors, some of which may be outside the control of the Company. For more information, refer to our 2013 Form 10-K for a discussion of these factors. You can find this report, as well as other information about the Company on our website, www.gatx.com.

Today, we reported 2014 third quarter net income of $51.3 million, or $1.14 per diluted share. This compares to 2013 third quarter net income of $53.8 million, or $1.15 per diluted share. The 2013 third quarter results include a benefit of $2.8 million or $0.06 per diluted share from Tax Adjustments and Other Items, which are detailed on Page 11 of this morning's press release.

Year-to-date 2014, we reported net income of $146.5 million, or $3.18 per diluted share. For the same period of 2013, we reported net income of $116 million or $2.45 per diluted share, including a benefit of $4.5 million or $0.09 per diluted share from Tax Adjustments and Other Items.

The third quarter results are reflective of the strength in both the tank and freight car markets in North America. Lease rates and terms for our tank car fleet remain at historically high levels. The demand for a broad portion of our freight car fleet is strong, aided by lengthening manufacturing backlogs, increased car loadings, declining railroad velocities, and increasing dwell times.

The following fleet performance discussion excludes GATX's boxcar fleet. At the end of the third quarter, GATX's North American railcar fleet utilization was 98.8%. The renewal rate change of GATX's Lease Price Index was a record 46.9%, and the average renewal term was 68 months. During the quarter, our renewal success rate was very high, at nearly 87%. Customers clearly recognize the railcar supply/ demand dynamics, and are focused on retaining the cars they currently have on lease.

During the third quarter, we continued to focus on improving the performance of the boxcar fleet by placing idle cars on lease and scrapping cars as planned. At the end of the third quarter, utilization on our fleet of approximately 19,000 boxcars was 91.3%. As a reminder, upon acquisition, GATX's boxcar fleet utilization was 78.8%, so we are very pleased at the progress to date.

Rail North America's asset remarketing income in the third quarter was less than $2 million. The relatively light quarter is due to the timing of sales. Demand for railcars in the secondary market remains very strong, and we expect fourth quarter asset remarketing activity to increase materially from the third quarter.

GATX Rail Europe's utilization was 95.1% at the end of the third quarter. GRE's declining utilization over the last few quarters is reflective of continued economic weakness. GRE is investing in new railcars and scrapping older equipment, as customers are seeking newer and more efficient railcars.

The American Steamship Company is operating 15 vessels, and water levels on the Great Lakes are above seasonal norms. Operating conditions are favorable, and customer demand is steady. ASC moved 19.6 million net tons of cargo year-to-date 2014, compared to 20.2 million net tons moved in the same period of 2013. ASC's performance for the remainder of the year will be partially dependent on the weather conditions on the Great Lakes.

The Portfolio Management segment had mixed results in the quarter. Rolls-Royce and Partners Finance, our spare aircraft engine leasing affiliates with Rolls-Royce, performed well, while the ocean-going vessels continue to operate in challenging markets.

During the third quarter, we were active under our $250 million share repurchase authorization. In the quarter, we repurchased approximately 550,000 shares for $36 million, and year to date we have repurchased approximately 1.9 million shares for $124.6 million.

As noted in the press release, we are increasing our 2014 full-year earnings guidance to the range of $4.30 - $4.45 per diluted share. The increase is based on the strength of the railcar market in North America. Utilization is high, lease rates are strong, and the demand for railcars in the secondary market is robust. We plan to continue to capitalize on these conditions. And in doing so, we are embedding a substantial amount of long-term, high-quality cash flow into the Company.

So with that overview, let's go to your questions. Richelle?

QUESTION AND ANSWER

Operator:

(Operator Instructions) We'll first hear from Justin Long with Stephens.

Justin Long:

We've seen some volatility and weakness in oil prices recently, and there seems to be some uncertainty in the energy markets. I know your crude exposure is very small, but could you just talk about the exposure you have to shale-related volumes when you include frac sand and other products? And second to that, have you seen any change in demand from your energy-related customers recently?

Tom Ellman:

This is Tom Ellman. You're correct, first of all, that our exposure to those markets is fairly limited. And the two biggest areas that you see exposure are in small cube covered hoppers, which transport frac sand, and in the tank cars. The way that our model works is, the cars go out on long-term leases. And in this market, one of the things that we've talked about is particularly long-term leases. So, short-term disruptions like you're talking about, we really won't see. As far as inquiry levels go though, both those car types continue to see strong inquiry levels. Perhaps not as strong as at the peak of that market, but still an area that people continue to look for equipment.

Justin Long:

Great, that's helpful color. I appreciate it. Secondly, I wanted to ask about the coal market. You mentioned that was a car type that picked up a little bit in the quarter. What are your latest thoughts on the supply and demand dynamics for coal cars? You've historically talked about this being a market that needs to scrap its way back to equilibrium. What's your best guess at this point on when that happens, and we start to see orders accelerate for this car type?

Tom Ellman:

Actually, right now -- we're getting pretty close. There might be something on the order of 30 idle sets of coal cars in the market. At the peak, it would have been 200 to 300 sets, so significantly down. Jennifer mentioned in her opening comments the strength of the lease renewal rates. A big part of that -- we're seeing that in coal, but it's off a very, very low level. So, lease rates in coal still remain below peak levels, and there still is some idle equipment in the industry. But I think with the continued attrition of the fleet and stockpiles getting lower, we're starting to get pretty close.

One important thing in coal, though, is the railroad congestion issue. Even with stronger demand for coal, it's hard sometimes for railroads to throw more coal cars at the problem. And I think really that's what might prevent us from getting all the way there, more than the fundamentals in the coal market themselves.

Justin Long:

That make sense. I appreciate it. And I'll just ask one more, and pass it along. A question on tank car regulation -- I'm sure I won't be the only one to ask. But the AAR and the API came out with their comments recently, and I was wondering if you could just give an update on the recent discussions you've had with others in the industry? Do you have a good feel for which of the proposed options seem to be the most popular? And any new thoughts on the expected timing of a final rule would be helpful as well.

Brian Kenney:

Sure, it's Brian. Let's take the timing rule first. So the comments were due at the end of September. They received thousands of comments. The final timing of the final rule is anybody's guess, really. I don't think we have good insight into that – obviously, there's a lot of pressure on PHMSA, I think, to do that quicker. But, you really don't know if it's going to happen this year or next.

As far as what the API and AAR came out with versus the other positions in the industry, everybody has a slightly different position here. I would say that the AAR and API proposals aren't that different from the RSI proposal. And that's the Railway Supply Institute where we made our comments as well -- we're a member of the RSI. What the AAR and the API did was, they rejected a notion of this high-hazard flammable train, as far as it determining car design. But, they thought they redefined that a little bit, and applied it to operating restrictions only. So they took what the PHMSA had proposed, and tweaked it a little bit and didn't apply it to car design.

The big difference between their new car design and the one the RSI has out there is the shell thickness of the new car. They're a half an inch, and the RSI's proposal is 9/16 of an inch -- that's the major difference. As far as what ultimately gets passed and put in the final rule, I really don't know. There's so many variations of this out there.

Justin Long:

I can definitely appreciate that, but it's always helpful to get your take. I appreciate the time.

Operator:

And next, we'll move on to Art Hatfield with Raymond James.

Art Hatfield:

Thanks for taking my questions this morning. I'm not going to ask a regulatory question. Thinking about net gains on disposals and what you did in the second quarter, you've had a couple -- actually three or four years of very strong gains. Is that something we need to think about as we go forward that maybe we've been through the peak of that opportunity, or the next couple of years? Should that drop off, or is it still possible we could see very strong levels of disposal gains?

Bob Lyons:

Art, it's Bob. Just to give you a little data point. Through nine months of this year, we're at about $50 million of remarketing and residual share income. So consider that, the gain on sale or other fee income we've received, we were at $71 million last year. We indicated coming into this year, we wouldn't be at the same level as 2013, that it was particularly strong. We'll probably still come in a little bit under 2013 for the full year. But again, a very strong market right now for railcars in the secondary market. We're continuing to see that. The low number in the second and the third quarter was really just due to the timing of sale -- we'll see that pick up in the fourth quarter.

This really comes down to us trying to optimize our fleet, and being thoughtful about the cars that we do put in the secondary market. So I wouldn't count on the same level -- the extremely high level that we saw in '13, but it will be a healthy level going forward. As long as that demand stays out there and the capital markets remain strong, and there's financing available for buyers, there will be demand for railcars.

Art Hatfield:

Couple of other questions. The boxcar fleet, my understanding is, it's pretty much a per diem lease business. That being said, what is generally, if in fact that's the case, what is the holding period that a customer will have on those cars when they take one?

Tom Ellman:

Couple of points to make on that question. First of all, you're right. Historically, it has been primarily a per diem market. One of our objectives when we purchased this fleet was to the extent that the market would accept it -- convert more of it to term type leases. And we've actually been quite successful at that. And in the short time we've owned it, we've converted approximately 30% of those cars already to fixed term leases.

The per diem model that you're talking about generally comes with a contractual term. But it can have situations like pull rights, where if the cars aren't earning up to expectations, you could take those cars back. But the normal contractual term might be something on the order of three years.

Art Hatfield:

Okay, that's very helpful. Finally, more of a longer-term strategic question. The manufacturing -- railcar manufacturers have added a lot of capacity, particularly on the tank car side over the last year. And it looks like that trend is going to more than likely continue. How do you think about investing over the next couple of years, given the fact that we may in the not-too-distant future, see a period of excess supply on the manufacturing side?

Tom Ellman:

I'll start, and then I think Brian might have some additional comments. We've been talking for several calls about the fact that this is a cyclical business, and we've been highlighting exactly what you've been talking about, the increased manufacturing capacity. So we do look for ultimately there to be some level of oversupply. But, one of the areas that you would expect that concentration to occur in is the flammable liquids area that has been most heavily invested. Something else we've also talked about is how we really try to stay disciplined about not over-investing in that segment of the market.

One of the biggest sources of demand for us continually is our own fleet, and attrition in the industry, in general. So while that risk that you're talking about certainly exists, we think there will be investment opportunities for us throughout all cycles.

Art Hatfield:

Okay. Thank you.

Operator:

And next, we’ll move to Steve O'Hara with Sidoti and Company.

Steve O’Hara:

Morning

Brian Kenney/Bob Lyons:

Morning

Steve O’Hara:

I was just wondering if you could maybe talk about your views on maybe where we are in the cycle, and is this maybe an abnormal cycle given what's happened with the shale? And maybe your thoughts longer term there. And then maybe different car types that you're seeing either strength or weakness in as well?

Tom Ellman:

The first thing you have to do is combine your question, and look at cycles by the car types. To start with the tank cars, we clearly are well into the cycle -- I would say, started sometime in 2011, where it started getting strong. So, by historical standards, we're pretty deep into that cycle. The big unknown about how much more legs there are to it ties back to the regulatory issue that Brian commented on earlier. We don't know what the final regulation will be, but it's fairly likely that some component of it will result in increased demand for new railcars. The extent of that is what's difficult to say, and the timing even more difficult.

On the freight car side, we're really more towards the beginning of that cycle with the exception of the small cube covered hopper cars that we talked about, that are used to transport frac sand. That is every bit as mature as the tank car cycle. And we've seen little pauses in that market before, when backlogs get particularly long because people are having to make an estimate quite far in advance about how many cars they'll need. And those people can include railroads, oilfield services company, drillers; so, a variety of people. And we've seen where there’s a little bit of over-estimating of how many cars will be needed, and there's a little pause until demand can catch up again. I think there's a risk of that happening right now because of how long freight car backlogs are.

Most other freight car types are much more demand-driven. The mid-cube covered hoppers that carry grain and other products, that’s a combination of the market that has not been as strong over a period of time -- so, the normal cycle catching up combined with an anticipated strong harvest. And then, we've talked before about plastic pellet cars. That is really the beneficiary of less expensive feedstocks, so that should be early in the process of that market cycle. But one point, and I mentioned it earlier when we talked about coal -- overlaying all of this is some incremental demand that's coming from the railroad congestion. So across a variety of car types, because the system isn't quite as fluid, there's a need to put some additional cars in there. That is going to be most prevalent in a commodity like coal, which gets a great number of turns in a single year. Less impactful on some of the commodities that don't move as quickly.

Steve O’Hara:

Okay. And then just as a follow up, could you just -- your fleet is, I think, an average of 106,000 or so cars. It's been relatively flat, but down over the last couple years, I think. And I'm just wondering, what's a level that you want to stay at? I know you look at it by car type, et cetera, but I think the order with Trinity is coming up, finishing up, I believe, next year. And I'm just wondering maybe a little more color in terms of investment going forward, ex-that order?

Bob Lyons:

See if I can take that, it's Bob Lyons. The order with Trinity is actually in mid-2016 expiry, so we still have just under two years to go with regards the delivery of those cars. So they'll still be coming in through the balance of this year, all of ‘15 and half of ‘16. The total fleet today is about, in North America -- is about 126,000 cars. So with the boxcar addition and overall, we've seen opportunities to continue to add cars to the fleet. But the main point I'd like to make is, we're not fixated on a car count. What we're trying to do is deploy capital in the best economic outcome we can. So we're not fixated on, “fleet has to be 120,000 cars,” or “we need to get to 130,000 cars.” It's where can we deploy capital with the best risk-adjusted return for our shareholder. Really, that's our guidepost and our directional when we think about deploying capital.

Steve O’Hara:

Okay. Thank you very much.

Operator:

And we’ll move on to Mike Baudendistel with Stifel.

Mike Baudendistel:

Thank you. Wanted to ask a question on your exposure to crude. I know -- I think on previous calls you've said something like 4,800 are in crude. But wanted also to dig into, is the number of cars in your portfolio that are maybe competitive with flammable liquid cars or crude cars since the number of tank cars in your fleet are really a wide variety of sizes and features. If half your fleet is tank cars, and how much of that half is competitive? If there's a large degree of flammable liquid cars coming into the marketplace?

Jennifer Van Aken:

So of our total fleet of tank cars, it's about 59,000 cars. We have over 13,000 of those currently in flammable liquid service. And of that, and you asked about crude, we have the 4,900 that you mentioned. That's a number that's both crude and ethanol combined -- so about 2,500 that we have in crude service today.

Tom Ellman:

And then, as far as the way the car types might be substitutes for each other -- the reason we talk about crude and ethanol together is because of the car type that carries those commodities. The biggest piece of that car type moves crude and ethanol, because of the density of the product and the characteristics of the product. That family of car types represents around 6,000 cars in our fleet -- so around 10% of the tank car total. For the rest of the tank car fleet, you really can't substitute in and out of crude or ethanol for those other car types. They're not configured for that commodity, and they're not the right size. So, in thinking about substitutes, you really want to focus on that 10% of the fleet -- of the tank car fleet.

Mike Baudendistel:

Great -- that's very helpful. Also wanted to ask a question on ASC, it looks like from a profitability perspective in ASC it was the best quarter in some time. Was that segment, would you say, essentially running on all cylinders in the quarter, as far as the operating conditions, the full number of vessels deployed, and good utilization, et cetera?

Bob Lyons:

Yes. It was -- the segment profit for the quarter was $15.2 million for ASC. That is the strongest quarter that we've had in a long time, as you noted. Operating conditions were great, water levels are very high which allows us to carry more cargo per trip. And, in general, delays were very reasonable and demand remained solid, so excellent quarter. I would note, as they go into the fourth quarter, typically, this is when we start to see more weather-related challenges. Currently, the weather is pretty good here in the Midwest, at least for sailing, but we'll have to see as the rest of the fall unfolds; but definitely a very good quarter for ASC. And we did bring one additional vessel out into service at the beginning of September, and that was not anticipated at the beginning of the year. So, we've been able to bring that out on a very profitable basis.

Mike Baudendistel:

Great. And my last question is just based on some of the comments from the Class I railroads. A lot of them talked about bringing on locomotives. I guess leasing locomotives, for you, is not a huge part of what you do. But, I was just wondering, with the demand there, is that something that you would grow your locomotive lease fleet?

Tom Ellman:

As you point out, what the Class I railroads are interested in and the type of locomotives in our fleet; there is overlap, but there's a piece of it that we really don't compete in, which is the long-haul, heavy horsepower, six-axle equipment. Our equipment is lower horsepower, four-axle equipment. But across the segment we do compete in, demand exceeds supply right now. There is a shortage of all of that type of equipment, and it's an area that we have focused on growing. The way we grow that fleet, though, is with the purchase of existing equipment.

Mike Baudendistel:

Great, thanks very much.

Operator:

And next, we’ll move on to Doug Dyer with Heartland Advisors.

Doug Dyer:

Good morning. I've got some questions about the big increase in the LPI for the quarter coming in over 46%, that's a five-year high. You'd mentioned earlier in the call that a lot of that was from re-pricing coal cars. But my question is, was there a -- in the denominator a low number that had renewed? So is there something statistically that's making that number jump up, or is there other cars other than rail -- other than coal that made that difference?

Brian Kenney:

I would say it's been pretty consistent throughout 2014, in all the other car types as far as price increases and expiring rates. And coal, although a small percentage of the LPI, had some spectacular increases, as Tom pointed out. For instance, you could have cars that were on $75 leases renewing in the $500s. So, a 600% increase, even though it's a small part of the portfolio, it moves the number. I would say, don't read too much into that. It's still very strong everywhere else, but there isn't anything else standing out in the fleet other than that.

Doug Dyer:

All right. As you look across your fleet now, and taking into account recent inquiries, where would you -- what types of cars would you put money into now to expand your fleet?

Tom Ellman:

We've hit on them as we've talked about the strength of the market overall. Our core strategy is diversification. So we're interested in investing across the fleet.

Doug Dyer:

All right. Thank you.

Operator:

And next, we'll move on to Matt Brooklier with Longbow Research.

Matt Brooklier:

Hey, thanks. Good morning. Can you remind us what percentage of the North American fleet is comprised of coal cars? And then maybe if you could talk to how much of that equipment you were able to place in the quarter, and it sounds like at much healthier lease rates? And then maybe, what's left to go from here?

Tom Ellman:

So the coal fleet overall -- order of magnitude would be 20% of the North American rail fleet. What we've primarily been able to do with our fleet is re-price. Our utilization of that fleet -- is very near 100%. And we've kept it pretty highly utilized throughout the cycle, but what we've more been able to do recently is improve the pricing.

Jennifer Van Aken:

And just to clarify on the number of coal cars that we have in our wholly-owned fleet, it's close to 8,000.

Matt Brooklier:

So I guess the question is less about utilization. You've had those cars on the market earning at least a little bit. So I guess the question is, how much more of the fleet do you think you can re-price at better rates? Do you think you did the predominance of that during third quarter, or do you see opportunities to re-price more of these cars as we move forward?

Tom Ellman:

Yes, there will continue to be additional opportunities to improve the pricing of this fleet. There was nothing out of the ordinary about a particularly large amount of the fleet and the re-pricing in the last quarter.

Brian Kenney:

The thing to add there is -- Tom and his team have kept the coal cars on very short-term leases. So that's why these re-pricing opportunities are there.

Matt Brooklier:

Okay, and then when we look at the increase in guidance, you guys talked to in the press release that the improvement is broad-based across just a generally improving demand environment for cars. I'm just curious as to maybe what are some of the components of that -- of the increase? Is it -- part of it is coal cars, part of it may be also be the improvement in utilization that you're getting on boxes? Maybe if you could just provide a little bit more color in terms of the upward movement in guidance.

Bob Lyons:

Yes, I would say it's really any number of factors in North American rail, including the lease rates we've achieved year to date have been stronger than what had been originally anticipated. We continue to see strong demand and the ability to put cars to work here in the fourth quarter at attractive rates. It's really broad-based, but it's -- North American rail is the big driver.

Matt Brooklier:

Okay, and then, just final question -- were there any incremental costs during third quarter with the boxcar fleet as you were getting them up to GATX standards -- costs that could potentially go away as we move out into fourth quarter?

Bob Lyons:

I wouldn't say there was anything I would point to that's like a one-time expense. Year to date, we've incurred about $14 million of gross maintenance expense on the boxcar fleet. We'll have ongoing maintenance associated with those cars that will be baked into our Maintenance line item. There was definitely some costs associated with bringing some cars out and putting them into service. As you can see, we took a lot of idle cars, and we've been very -- Tom and his team have been very successful in putting those out on rate, and in fact, in many cases on longer term leases. But, nothing material that I would point to and try to carve out of that Maintenance line.

Matt Brooklier:

Okay. Appreciate the color and time.

Operator:

And James Ellman with Ascend will have our next question. Mr. Ellman, your line is open. And not hearing a response, we'll move on to Steve Barger, with KeyBanc Capital Markets.

Steve Barger:

Good morning

Brian Kenney:

Good morning

Steve Barger:

You said at worst there were 200 to 300 idle sets for coal cars, and that's down to 30 or so. Any idea, from an industry standpoint, what's been scrapped versus what is just back in service now?

Tom Ellman:

I really couldn't tell you that, but material numbers of both. The breakdown of which was which, I can't tell you.

Bob Lyons:

I think the Umler data comes out in January, and I think the expectation is everyone will be able to get a better assessment of what was scrapped at that point in time.

Steve Barger:

Okay. And the boxcar fleet utilization running at 91%, is that better than what you expected when you bought that fleet? And what commodity type is driving that?

Tom Ellman:

We definitely expected an increase in utilization when we bought the fleet. The central part of our thesis was that the demand and supply characteristics of that fleet were going to become more favorable over time. However, the speed of the increase has been a pleasant surprise. The primary commodities are paper in terms of packaging, but boxcars carry a wide variety of commodities overall. After you get to paper and packaging, next most is beverages, and then goes down from there.

Steve Barger:

And I'm going to throw a softball here, is the increased rate of uptake for those cars, is that from your own salesforce efforts or was that really market driven?

Tom Ellman:

Wow. [Laughter] All right, I will answer it. There's a couple different things, and one of which I think came up earlier on the call. There has been some sale in scrapping activity as well. But since we provided the numbers in March on the size of that fleet, three-quarters of that increase in utilization has been cars going to work as opposed to taking cars out of the fleet. But of those cars going to work, it primarily is the supply/demand dynamic that we talked about. But, our salesforce is great. [Laughter]

Steve Barger:

There's been some talk about how the duty cycle for some of the energy oriented cars is higher than it's been in the past. Can you talk about stresses on the cars, and what you're learning about the impact, if there is any, coming from faster turns on the flammable and sand cars?

Tom Ellman:

Are you asking a technical characteristics of the car?

Steve Barger:

No, in terms of maintenance costs, and uptime versus downtime.

Tom Ellman:

Yes, you're absolutely correct. Particularly in crude oil where people are trying to get unit train movements where they can, the cars move more miles than historically that car type has moved. And it does result in higher maintenance costs. And there's two different aspects to a tank car's cost, primarily the running repairs are what -- the increased maintenance that you see is the result of increased movement. And then the regulatory cycle. The former is really a linear situation, maintenance costs go up with miles. So it's fairly new in the cycle though. So the exact extent of how much that has impacted us, honestly, it's been pretty minor so far. And we'll have a better handle on that as these cars get a little age.

Steve Barger:

Got it. And presumably, with the rates where they are, you're more than capturing your projected increase in maintenance costs based on that mileage?

Tom Ellman:

That's correct. And not to get too deep into the weeds, but there's a couple different ways you can do that. Either in terms of the base lease rents, which are very, very high as you mentioned on the LPI, or alternatively in charging extra for the increased mile movement.

Steve Barger:
Got it. And then last one for me. Bob, you said your focus is deploying capital at the best risk-adjusted return. So when you think about the current environment, do you see more risk coming from inaction and missed opportunity? Or do you think more risk is coming from deploying capital and seeing a bad outcome? I'm just trying to get a sense philosophically where you are right now.

Bob Lyons:

So you're talking about the risk of not deploying capital, and then the cycle continues on longer than anticipated?

Steve Barger:

Exactly, yes.

Bob Lyons:

Well, the one thing I would point out too, is if the cycle continues on much longer than anticipated, we will enjoy that benefit tremendously given the scale of our fleet. So when you think about the way we think about missing out on an opportunity, we try to -- again we're trying to make sure we're deploying capital appropriately. And there isn't a tremendous sense of urgency that we're going to miss any one particular opportunity, because the fleet is highly diversified across the customers, commodities, and car types. And if that rising tide continues, we're going to see that benefit. New car prices are high today, and you need to be selective and creative about how you're purchasing cars. But we think we're doing a good job at that.

Steve Barger:

Thanks, I appreciate it. I'll get back in line.

Operator:

At this time, there are no further questions. I would like to turn the call back over to Jennifer Van Aken for any additional or closing remarks.

Jennifer Van Aken:

Okay, I'd just like to thank everyone for their participation on the call this morning. Please contact me with any follow up questions. Thanks.

Operator:

That does conclude today's call. We thank you for your participation.