



2008 First Quarter Conference Call April 24, 2008

Operator:

Good day and welcome to the GATX first quarter earnings conference call. Today's conference is being recorded. At this time, I would like to turn the call over to your host, Ms. Rhonda Johnson, Director of Investor Relations. Please go ahead, ma'am.

Rhonda Johnson:

Thank you, Melissa, and good morning everyone. Thank you for listening in to our first quarter conference call.

With me today are Brian Kenney, President and CEO of GATX Corporation; and Bob Lyons, Vice President and Chief Financial Officer. Before we get to your questions, I will give a brief overview of the numbers which were provided in our press release this morning. But first, I would like to remind you that any forward-looking statement made on this call represents our best judgment as to what may occur in the future. We base 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, I refer you to our 2007 Form 10-K filing. One final housekeeping issue: Tomorrow is our Annual Shareholders' Meeting to be held at the Northern Trust building at the corner of LaSalle and Monroe in downtown Chicago. The meeting begins at 9:00 a.m. Central. For those of you unable to attend, slides from Brian Kenney's presentation to shareholders will be posted to our website, www.gatx.com.

Now let's turn to the first quarter numbers. Today, we reported income from continuing operations of \$52.2 million or \$1.03 per diluted share, which included a \$6.8 million or \$0.13 per diluted share benefit from reversal of tax-related reserves. By comparison, in the first quarter of 2007, we reported net income from continuing operations of \$37 million or \$0.65 per diluted share.

As reflected in our results in the quarter, our markets are performing as expected. The North

American rail market continues to soften. However, our fleet continues to perform well in this environment. Our North American fleet utilization was 98.1%, up from 97.9% at year end. Our utilization remains very high as our focus on extending term over the last few years has limited the number of leases rolling over in the softening market. And we also continue optimizing our fleet through targeted car sales. This sale activity also contributed significant remarketing income to our first quarter results.

Demand remains high for general service tank cars, our bread and butter for 110 years, but as we have noted previously there is weakness in freight cars, particularly those related to housing and construction. We continue to have good results in renewing leases at higher rates with existing customers. Renewal rates on railcars in our lease price index increased 12% over the expiring rate in the first quarter. As we noted in today's press release we revised our lease renewal rate reporting statistic to more fully reflect the composition of our fleet. Historical statistics under the new LPI are available on our website, again at www.gatx.com.

Specialty finance reported \$30 million in segment profit in the first quarter of 2008, up from \$24.6 million in 2007, thanks to a high level of remarketing income and continued excellent performance in our marine joint ventures. The marine market remains robust with high vessel utilization, strong demand, and increasing charter rates in the first quarter of 2008, particularly in the gas tanker and dry bulk markets.

American Steamship Company began the 2008 Great Lakes sailing season in late March and early April. As you know, January through March is the off-season on the Great Lakes as weather and ice halts the movement of ships, and as a result, any income contribution at ASC is small in the first quarter. We anticipate continued strong demand on the Lakes in 2008, but rising diesel prices will create operating challenges.

As for our 2008 guidance, we have reiterated the EPS range we outlined back in January. The first quarter was a solid start to the year and our markets are performing in line with our expectations. Just to refresh, we anticipate

income from continuing operations of \$3.15 to \$3.35 per diluted share in 2008, excluding the tax benefit this quarter that I mentioned previously. So, with that quick overview, Brian, Bob, and I are ready to take your questions. Melissa?

QUESTIONS AND ANSWERS

Operator:

Thank you. The question-and-answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touch-tone telephone. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, if you'd like to ask a question, press star one now and we'll pause for just a moment. Our first question comes from Bob Napoli from Piper Jaffray.

Bob Napoli:

Thank you. Good morning. Congratulations on a great quarter. You guys aren't supposed to do this in a recession.

[Laughter]

Bob Lyons:

Thanks, Bob.

Bob Napoli:

I just wondered if you maybe could give some feel for what percentage of your business would be tied to U.S. exports and the spike up in exports. Is that helping your business more than in the past?

Bob Lyons:

Well, I don't have an exact percentage for you, Bob, but to the extent that continued export environment -- and obviously the weak dollar is helping that -- but to the extent there is product moving by freight cars, it certainly plays to our advantage. About a third of our fleet is freight cars, as you know. We don't participate substantially in the intermodal sector, so that -- as the numbers move around on the intermodal front, that doesn't play into our results too much. Net/net obviously, it's positive.

Brian Kenney:

I would say less than other participants in the industry. We do have grain cars but at a much lower percentage than most. I don't think there is a whole lot, compared to others, tied to specifically exports.

Bob Napoli:

Okay. The competitive environment, we hear that Trinity is very aggressive on pricing. I just wonder if you can give some update on what is going on in that regard?

Brian Kenney:

Well, it is a very competitive market. Not only are there a lot of idle cars in the industry -- center beam, cement, coal, grain, plastic pellets -- but there is also a lot of new cars delivering this year. Even on renewals we're finding ourselves competing against some of the new cars delivering. There's a lot of ethanol cars delivering this year. It's an unsettled market and it's very competitive and people are being very aggressive, especially to try to place new cars. Nothing is worse than a brand new car going into storage. We've avoided that situation so far, and even for example on ethanol where we have probably more cars than we wanted delivering this year -- they are essentially all placed now. Generally, we have made very good progress against that. It's an unsettled, very competitive market, and there're more and more new cars delivering every quarter.

Bob Napoli:

Obviously, CIT has a railcar business that is now up on the market, and your leverage spiked up this quarter from 3.1 to 3.2 despite your buybacks. If you take the deferred taxes, you are leveraged 2 to 1, if you include that as equity. You obviously are in an enviable balance sheet position. You have a major competitor on the market, and I think you kind of suggested that the outlook for share repurchase is dependent on railcar purchase opportunities and it would have to be major in order to probably slow down your buyback program. Can you give some thoughts on whether you would be interested in a major acquisition of railcars?

Brian Kenney:

I think you just answered your own question, Bob. We won't comment on any specific opportunities, fleets rumors, but I think our strategy has been laid out pretty clearly over the last couple years, which was in the up market; we want to prepare ourselves for the down market. And I think we have done that due to what you just said -- strong balance sheet and the ability to invest and take up leverage. I think that answer stands.

Bob Napoli:

How many shares did you repurchase at what price this quarter and what are your plans with the convert that comes due in August?

Bob Lyons:

Bob, it's Bob Lyons. Total repurchase was just over 2 million shares; 2.1 million shares. That just based on a gross number would get you around \$37 a share and change.

Bob Napoli:

OK

Bob Lyons:

And as far as the convert, we will continue to look at the alternatives and options we have in front of us. When we laid out our forecast at the beginning of the year, we assumed that was taken out and -- in August when it matures. We will continue to analyze what alternatives we have in front of us. That certainly doesn't have to take place, but we will look at it.

Bob Napoli:

Last question. On the funding side, the credit markets are obviously horrid. Can you give an update -- you guys are obviously performing extremely well. But even so, can you give an update on what you're seeing in the funding markets as it relates to GATX? What do you have left to do this year and what do you expect on pricing?

Bob Lyons:

Okay, well we completed two sizable financings in the first quarter and both went extremely well, for a total of \$350 million. Through the balance of the year, what we have left to do without getting too specific will be dictated by what our investment volume ends up being, but probably somewhere in the \$200 million to \$400 million range of additional financing needs based on standard investment activity. Again, that will be dependent on what comes into the marketplace for us to invest in.

Bob Napoli:

Are you seeing any widening of your spreads in those transactions?

Bob Lyons:

Sure, and I think on a relative basis we're still in very good shape compared to our competitors, particularly those in the finance area. Spreads have moved out. Fortunately, treasuries have moved down pretty substantially, so our all-in costs remain pretty attractive.

Bob Napoli:

How much have your spreads widened?

Bob Lyons:

The 10-year transaction that we did last couple of months -- month and a half ago -- was priced at about 250 over the 10 year. I think now the spreads are probably around the 300 range. Not inconsistent at all with what happened across the board to other companies.

Bob Napoli:

Thank you.

Operator:

Our next question comes from Art Hatfield from Morgan Keegan.

Art Hatfield:

Morning, everybody. On your guidance, and I just want to see if I -- how to work this with regards to myself modeling the rest of the year. Is -- your guidance excludes the \$0.13 from the

tax accrual reversals. That gives me \$0.20 upside in the quarter, and I think part of the reason for the better than expected numbers relative to our model was asset remarketing income. To get and stay within your range, I would have to lower some out quarter numbers. Is it fair to say that maybe some of the asset remarketing in the first quarter was pull forward from later quarters in the year?

Bob Lyons:

I wouldn't say it is pull forward. Remarketing occurs when it occurs. But --

Art Hatfield:

I think relative speaking with how I modeled for the year.

Bob Lyons:

Correct. I would not take the first quarter remarketing activity and multiply it by four.

Art Hatfield:

To say that because some of the upside in the quarter was related to asset remarketing -- I understand that has to happen when it happens. If I need to back out numbers for the back half of the year to stay within your range, if that's what I do, it wouldn't be that you want -- there is not deterioration in your core business, per se, correct?

Brian Kenney:

I don't think -- I want to be a little careful there and I think Bob was pretty explicit about this on the call last time. Where we expected to be in terms of pricing and all that, it is absolute pricing and lease rates have to come down. And as we go through the year, that will have a more of dramatic impact on the results. Right? Because the expiring leases, the average rate on expiring leases, is going to go up as we go through the year and if new lease rate pricing is going down, you will see deterioration there. We kind of expected to be where we are in the first quarter.

Art Hatfield:

In that regard, does the renewals versus the new leases going out, can they theoretically

wash each other out? The benefit and the negative from each one?

Bob Lyons:

You will -- you are referring to the 12% number in the first quarter? Could that narrow to zero or negative as the year progresses? And the answer there is yes.

Art Hatfield:

Okay. Okay. But I am thinking more in terms of as you have leases coming off and you are renewing theoretically at higher rates than they went on, but yet your absolute rate on new cars have come down say from a year-over-year perspective, do those two things wash each other out? It is kind of a stupid question, I understand.

Brian Kenney:

No, what Bob is saying is that just renewals themselves could be flat through the year by the time you get to the end of the year. As far as new car pricing, remember -- even in a good market, generally they are accounting neutral for the first couple of years. I don't think you will see a dramatic impact from new car delivery unless of course they went into storage. But in terms of rate, we never expect a lot of earnings to begin with anyway.

Art Hatfield:

Brian, you've talked about that and some of the concerns about directionally where the market may be heading with some of the pricing practices of people in the industry. And are you more concerned today or less concerned or kind of like you've been over the last 12 to 18 months?

Brian Kenney:

I would say we are where we have been over the last 12 to 18 months. It is what I said to Bob's question, Bob Napoli. It's very competitive out there. I think our fleet and sales guys did an outstanding job in the first quarter putting cars to work. There's a lot of new cars delivering in the industry this year, and we're competing with them not only with our new cars but also with our renewals. It's very competitive out there.

Art Hatfield:

Do you know the number of renewals that you have left for the year?

Bob Lyons:

We came into the year, Art, with roughly 15,000 cars in that range. 15,000 to 16,000 cars scheduled for renewal plus some carryover from the prior year. There's not a lot of seasonality to that, so you can really kind of split that into four.

Art Hatfield:

That is helpful. As Bob had mentioned that CIT thing. We've also heard rumors that maybe GE Rail Services is up for sale. If in fact those two things are transpiring, does that kind of create opportunities for you to grow organically as they may pull back on what they are trying to do?

Bob Lyons:

Well, I would say we haven't seen that to date, Art. Businesses are being run still as they have been run.

Art Hatfield:

Okay. So no changes there. Finally one of the things we've seen from some of the other companies we follow that do equipment leasing, and Bob also brought up the credit markets -- is that some of their customers are deciding that the lease/buy decision favors lease right now because of where the credit markets are. Are you seeing any of that where your customers who may have done a higher percentage of buying are now looking to potentially lease because of what's going on in the credit market?

Brian Kenney:

I haven't seen nor heard of anything like that affecting our business in rail or specialty. No. It seems like lease/buy is about where it's been.

Art Hatfield:

That is all I have. Thank you very much.

Bob Lyons:

Thank you.

Operator:

Our next question comes from John Hecht with JMP Securities.

John Hecht:

Good morning. Thanks for taking my questions. With respect to the remarketing income, you scrapped or sold I believe the highest amount of railcars in several quarters. What type of railcars are you scrapping?

Bob Lyons:

Well, in this type of environment, John, where scrap prices are particularly high, there's not a set type of car that we are looking to scrap. What ends up happening is as cars get older, and you look at the repair versus scrap scenario, with scrap prices where they are at, you tend to see more cars fall into the bucket of scrapping.

John Hecht:

It's not trying to alleviate exposure in any particular segment? It's more just on the net present value analysis?

Bob Lyons:

Correct.

Brian Kenney:

And that's added to by a weaker market. Because if you think you could get less rent from the car than you could two years ago, that also enhances the scrapping.

John Hecht:

Okay. So we may see based on that consideration a little bit of elevation of that activity for the out quarters here?

Brian Kenney:

Sure.

John Hecht:

Okay. And on the same topic, you mention that there is potential flush of inventory out there, and competitive environment. What's happening to new car prices? Are you seeing those start to

come down to a level where your long term IRR might suggest you could get some attractive spot purchases?

Brian Kenney:

Okay. So you are talking about the cost of the car, not the lease rate?

John Hecht:

The second question is related to new car purchase costs.

Bob Lyons:

I think -- the first answer on that one, John -- we indicated in the press release, while they have -- new car prices have come down they haven't come down to a level yet where you see GATX place a large speculative order. While they're moving in that direction, you haven't seen any news from us yet on that front. So you can infer from that we're not on a level yet where the returns look that attractive to us to place a sizable speculative order.

John Hecht:

In terms of characterizing it -- have we made a material movement yet or has it just been sort of very sticky and it's far from the level that you would perceive as attractive?

Brian Kenney:

On the freight car side it's been down 10% plus. On the tank car side it's down less than that. We haven't tested that in terms of a big order. So you don't really know. I'd say that is generally where we see it.

John Hecht:

Okay. The -- on the maintenance cost side, the maintenance cost slipped from last quarter. There may be some seasonal elements in there. I thought that given the -- I guess the -- was it the new tire -- the new wheel replacement and things of that nature that we would have expected that to increase. Was there something that brought it -- kept that a little bit low this quarter and we should expect that to increase in the out quarters here?

Rhonda Johnson:

John, the one difference is that ASC is not in the first quarter because we -- you only have the maintenance expenses over the three quarters that they're operating. So that accounts for some of the difference there. You look at the back pages where we have it broken out on by segment and you can see that.

Bob Lyons:

And I think on -- that's correct. And in addition to that, you'd see the rail fourth quarter-to-first quarter did move up a little bit.

John Hecht:

Okay. And then, last question is what is the right tax rate we should be accruing for you guys in the next three quarters?

Bob Lyons:

I said at the beginning of the year and this still holds was that we would expect this year's tax rate to be below 35%, given the mix of foreign income that we're generating and particularly foreign income from low tax jurisdictions. The mix of income is changing a little bit and we're benefiting from many of the tax rate reductions that have been enacted, so we would say below 35%. But I am not going to zero in on a specific number. I think if you adjust for the tax reserve reversal in the first quarter, you'd be at about a 33% rate. So somewhere in that ballpark.

John Hecht:

Great. Thanks very much guys.

Operator:

Our next question comes from Carl Drake from SunTrust Robinson Humphrey.

Carl Drake:

Good morning. On the last earnings call you talked about the possibility of utilization rates coming down 100 to 200 basis points throughout '08. Given that this quarter you actually saw a slight strengthening, what is the new forecast for utilization rates?

Bob Lyons:

Forecast is unchanged.

Carl Drake:

Okay.

Bob Lyons:

Encouraging in the first quarter, based on the points that Brian has talked about and the cars that are out there, new cars being built and coming for delivery. We have not changed our view on what the pressures will be on utilization this year.

Carl Drake:

Okay. In terms of North America and Europe -- any changes there or you still feel like Europe might be stronger than or at least stable versus North America?

Brian Kenney:

Utilization in Europe is very strong on the freight car side -- it's 99%. On the tank car side, it's almost 98%. In general, it's been a very strong market over there, realizing price increases. The new car supply is tight, but we still see some attractive investments over there. So in general, we haven't seen this weakness spread into Europe, if that's the question.

Carl Drake:

The other question is on the 100 to 200 basis points, the original guidance, is that on a combined basis in North America and Europe, or is that just North America?

Brian Kenney:

Just North America.

Carl Drake:

Okay. Okay. And second question -- in terms of remarketing income for the rest of the year, I know the first quarter is unusually high, would we assume -- I think the last quarter you talked about having remarketing income similar to -- maybe it was not in '06 but '05, and I think I

was coming up with a \$45 million number for the year. Is that still a reasonable expectation?

Bob Lyons:

I think the statement we made at the beginning of the year was that remarketing would be more consistent or in line with where it was in 2006 than it was in 2007 and I think the '06 number was in the high 40s.

Carl Drake:

Okay. And that still stands?

Bob Lyons:

Nothing has changed on that.

Carl Drake:

Okay. Okay. And was there anything on the -- depreciation expense came down \$4 million quarter over quarter. I am sure -- I was assuming that would continue to rise. I guess your balance on your CapEx; your overall assets came down slightly. Is that what is behind that?

Rhonda Johnson:

No, actually. Again, it's ASC.

Carl Drake:

Okay.

Rhonda Johnson:

Depreciation and maintenance expense are both affected by the fact that ASC is not operating in the first quarter.

Carl Drake:

Okay. Okay. In terms of comfort leverage on an acquisition, is that something that four times or maybe even five times is a reasonable comfort leverage to be opportunistic on a significant acquisition?

Bob Lyons:

I'd say -- it's a difficult number to circle in on but I guess the comment I would make is it would be up from where it is at today, but under any scenario we would be committed to maintaining

a very strong capital structure and strong credit rating. That would have to be taken into consideration and see where that plays out.

Carl Drake:

Okay. Last question is on affiliate earnings. You talked about in the press release. The marine and charter rates are still very strong. Demand is strong. Is that something on a year-over-year basis from '07 to '08 you would see perhaps double digit growth or single digit growth there?

Rhonda Johnson:

I think that is unlikely -- just because '07 was such a strong year. Our expectation is that '08 continues to be a pretty strong year. But there are a couple markets where it is a little softer. The chemical parcel tanker market has been softer than it was last year. But the dry bulkers and the LNG/LPG tankers have been doing quite well. So our expectation is that it continues to be a decent market, but I don't know that we would anticipate the kind of growth you're talking about.

Carl Drake:

But certainly anticipate some growth?

Bob Lyons:

Yes.

Carl Drake:

Okay. Thank you. Good quarter.

Bob Lyons:

Thank you.

Operator:

And just a reminder -- if you would like to ask a question, that's star one. Our next question comes from Rick Shane from Jefferies and Company.

Rick Shane:

Thanks, guys, for taking my questions. Two things: One, just in terms of what's going on in the market. CIT on their conference call in terms of their rail leasing business talked about record

placements during March. Curious to know from you guys, do you think that that's being -- first of all, how is that impacting the market? You talked about a highly competitive market. Do you think that is impacting pricing for you? And do you think that that's being driven by CIT positioning for some strategic alternative for that business? The ultimate bottom line is do you think they're being rational in the business you saw them do in March?

Brian Kenney:

I won't speculate on the second part, but on the first part I don't know that their behavior or anybody's behavior of the competitors is any different than it has been.

Bob Lyons:

Or that we anticipated. There are others out there with larger delivery calendars this year than we have, obviously. And that will be a challenge. They'll be aggressive with those new car deliveries and work as hard as they can to get them placed. We're anticipating pressure on that front.

Rick Shane:

And I realize, of course, that you won't speak to potential transactions and I understand and respect that. But obviously, even if you're not interested -- one of the first conversations you would have had, given the portfolios, given CIT and given the potential with GE Rail -- it would have been with your attorneys about Hart-Scott issues. Is this even possible given concentration within the industry?

Brian Kenney:

Really, that's too specific of a question for me to comment on.

Rick Shane:

Okay. I respect that. Thanks, guys.

Bob Lyons:

Thanks, Rick.

Operator:

Next we'll go to Paul Bodnar from Longbow Research.

Paul Bodnar:

Morning guys. Quick question on used car -- used railcar prices. With all these cars for sale from CIT et cetera in the market, is that driving down prices at this point or what is going on there?

Bob Lyons:

Well, we've had an active remarketing quarter with railcars and we didn't see any price deterioration there beyond anything we had anticipated coming into the year. I wouldn't say there is a dramatic change from what our thoughts were coming into the year.

Brian Kenney:

Not that we have realized it and what we did in the first quarter. I think that is a good question. There's a lot out there in the market right now and I don't think we have the answer to that yet. We're going to be looking at the same thing.

Paul Bodnar:

That is pretty much a wait and see type thing?

Brian Kenney:

Let's see -- like I said, there's no big portfolios -- I'm just talking about general railcar sales out there right now and we will see how those go and we will have some data to answer your question.

Paul Bodnar:

Okay.

Bob Lyons:

And keep in mind that is not just GATX selling cars, but also cars we are looking at for acquisitions. We'll get a good feel as the year progresses.

Paul Bodnar:

And then secondly, I know on ASC last year you had headwinds from the water levels in the Great Lakes. I know it (inaudible) the shipping season, but anything along those lines to look out for this year that could impact results from that segment? Potential there for higher diesel costs? Have you guys built that into pricing? I know you have some renegotiations coming up for contracts.

Rhonda Johnson:

We have had a number of contracts that we have rolled over into this year. We'll do that again at the end of this year and end of next year as well. So we'll be able to get some lift from that. Water levels are still going to be an issue. I don't think that has been alleviated by anything that we have seen this year. The biggest challenge last year was weather. And obviously we're hoping that the weather will cooperate a bit more this year. But that's always the question mark with ASC. All that said, the demand environment is there. And it's definitely still a very strong market. Diesel -- and with the diesel costs going up as dramatically as they have in recent quarters that makes it more of a challenge. But I think overall we say the demand environment is there. It's going to be a matter of the diesel cost and then what happens with the weather.

Paul Bodnar:

Can you use a surcharge or anything on the increased diesel costs, or is that pretty much you eat it?

Rhonda Johnson:

We do have that in the contracts. You recover it partially. Not all of the contracts recover all of the fuel costs. And when the fuel costs are moving as rapidly as they are, it becomes a bit more challenging.

Paul Bodnar:

Okay. Thanks a lot.

Operator:

And just reminder – that is star one if you have a question. We have a follow up question from Bob Napoli.

Bob Napoli:

Thank you. Question on what you see in your business versus the overall economic outlook. I mean typically, most people think -- probably think we're in a recession in the United States right now. Historically, if you go back and look at GATX, if you said recession, your business is showing some much weaker signs than it's showing so far. What are you guys see -- why do you think -- maybe give a little color on what you see in the economy? We almost have two economies in some regards. Your utilization must be higher than you thought it was going to be at this point three months ago.

Brian Kenney:

That's true. Once again, we think there's downside to the utilization numbers as Bob said earlier on the call. The second thing is, a lot of our business is in the tank car side and generally that's been more stable. The third thing is, with the actions we've taken over the last few years on extending terms and scrapping cars that are less desirable in the downturns and some other actions; I think we're insulated a little better than in the past. Fact is, we're a cyclical business -- we're tied to the economy. The longer this lasts; you'll start to see it more in our financial results. That's why we are not high-fiving each other about the increased utilization in the first quarter. It's still a rough market out there. We're a little more insulated than in the past. It really depends on the severity and how long it lasts because eventually it will get to us if it lasts a long time.

Bob Napoli:

Right.

Bob Lyons:

And I don't want to underscore the work that needs to be done and was done to keep -- maintain utilization where it was in the first quarter. Our commercial guys are working extremely hard and proactively in this environment. It's not easy to achieve that

utilization level, whereas a year or two ago it certainly was.

Brian Kenney:

And the last thing I'd add to that is I was pretty clear on the fourth quarter conference call that especially at our best customer positions we're going to protect that utilization. Which means we'll try to be a price leader in the right instances. That doesn't hit you dramatically right away either. But that comes into financials over time.

Bob Napoli:

Okay. And a question on residual gains. Railcar prices over the last five years, even with the 10% pull back are up dramatically. And you have a railcar fleet that if you mark to market would have to be worth substantially more than book value. That has got to come into play in one way, one form or another over the long term in higher lease rates and higher residual gains. But, having said that, as you look at your gain per car sold, how can we try to get some gauge on the profitability level of cars that you're selling today on a trend basis? The gain must be much higher, obviously, than it's been historically. And unless railcars pull back in price another 20%, you're going to continue to get gains when you sell a car that are well above what would've been normal for the last 25 years or so.

Bob Lyons:

I think there is some -- definitely some truth in that, Bob. But keep in mind the sell versus hold decision is not just whether or not you generate a gain -- it's whether it's a better hold or a sell. So the price you're looking at in the secondary market as it comes down, yes, you could still sell some things for a gain, but you may be better off holding that car economically. As for the cars we're scrapping, definitely we're seeing record scrap prices well in excess of what we had anticipated and that also factors into some of the decisions we're making -- certainly with some of the older cars. We still feel we're in a pretty good position.

Bob Napoli:

Any feel for the gain -- I don't know how you would look at a gain per car you're selling versus historical levels?

Bob Lyons:

We don't break that out. We look at that or tend to look at that on a scrapping basis. But it's not something --

Brian Kenney:

That's what I was going to say. It's kind of hard to come up with a metric to satisfy you there, other than scrap prices are a lot higher than they have been historically. Some cars are getting scrapped for \$11,000 plus, which we haven't seen -- I don't know if we've ever seen.

Bob Napoli:

Okay. And let's see. Maybe last question on -- besides the big opportunities maybe to make investments in cars out there and some of these properties that may or may not be for sale, are you seeing opportunities emerge? And maybe talk about -- not just about U.S. rail but within U.S. rail, within the marine business, within the European rail business, your investments in the first quarter were somewhat below probably what you would expect on a run rate for the full year. Are you seeing opportunities out there or are you expecting this to be a low investment year unless you happen to capitalize on one of these major opportunities?

Bob Lyons:

I wouldn't expect this to be a low investment year. Some of that is just timing of deliveries and of opportunities in the marketplace. And yes, in rail, aside from the larger opportunities you referenced, there are other portfolios not of that magnitude but smaller ones that we've seen and have an interest in. Marine, it's still -- it's challenging on the marine front but solely due to the fact that as the prices are holding value and continuing to go up, so it makes the new investment a bit of a challenge. On the industrial equipment side, there we've seen some volatility in the first quarter because of capital market activity and its impact on some of the customers there. But in general, I would say, we're still expecting a solid investment year.

Bob Napoli:

You expect to execute on your buyback unless you feel like you're going close one of those big deals, or what?

Bob Lyons:

As we sit here today our expectation is that we will execute the buyback.

Bob Napoli:

Nice to have your share count down 13% year over year. Thank you.

Operator:

And we have another question from Art Hatfield.

Art Hatfield:

Thanks again for taking my questions. You made a comment about the tax rate being slightly under 35% for the year. Is that before or after the first quarter tax reversals?

Bob Lyons:

Art, that's ignoring the first quarter tax reversal.

Art Hatfield:

Okay. Thank you. And a couple of other questions. I don't know, I think you have a term for this and my mind is going this earnings season. Your lease renewals, do you have like an attrition number, the ones that you don't renew with that existing customer? How efficient were you able to renew the expiring leases with the existing customer?

Bob Lyons:

I think what you're referring to is our renewal success rate.

Art Hatfield:

Yes.

Bob Lyons:

Of the cars that came up for renewal in a given quarter, how many of those we renewed with the existing customer? And I think we've

indicated in the past that number during very strong times is as high as 80% and down in the 50s years ago. We are still seeing very good success there north of 70%. But we're working hard for that.

Art Hatfield:

I understand. And you guys have done a great job in that area. Finally, you all talked about -- and I understand the economics and when you put a new car into the fleet and how that over time will impact earnings. Is it any different if you go into the secondary market and purchase cars that are already on lease, or cars that -- or a fleet of cars, are the economics any different?

Brian Kenney:

Obviously, it depends on the price you pay, but I would say a rash generalization is yes, that buying an older car is more attractive.

Art Hatfield:

The earnings hit the income statement from a positive standpoint quicker than putting a new car to work?

Brian Kenney:

Once again, depending on price, but I'd say on average, yes.

Art Hatfield:

Thank you very much.

Operator:

That concludes our question-and-answer session. I'd like to turn the call back over to Rhonda Johnson for any closing or additional remarks.

Rhonda Johnson:

Thank you, everyone for listening in. I'll be available this afternoon if you want to call with any follow ups.

Operator:

That concludes today's presentation. Thank you for attending, and have a great day.

