

Edgar Filing: Con-way Inc. - Form 10-K

Con-way Inc.
Form 10-K
February 25, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

or

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

For the transition period from _____ to _____

Commission File Number 1-05046

Con-way Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-1444798

(I.R.S. Employer
Identification No.)

2211 Old Earhart Road, Suite 100, Ann Arbor, MI

(Address of principal executive offices)

48105

(Zip Code)

Registrant's telephone number, including area code: (734) 994-6600

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class

Common Stock (\$.625 par value)

Securities Registered Pursuant to Section 12(g) of the Act:

7.25% Senior Notes due 2018

6.70% Senior Debentures due 2034

(Title of class)

Name of each exchange on which registered

New York Stock Exchange (NYSE)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. ý

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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 (Check one):

Large accelerated filer 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

The aggregate market value of the shares of common stock held by non-affiliates of the registrant on June 29, 2012 (based upon the closing price of the common stock as of that date on the NYSE) was approximately \$1,658,974,756. The number of shares of common stock outstanding as of January 31, 2013 was 55,999,176.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement related to its annual meeting of shareholders scheduled to be held on May 7, 2013 are incorporated by reference into Part III of this Form 10-K.

Con-way Inc.
 FORM 10-K
 Year Ended December 31, 2012

 Table of Contents

Item	Page
PART I	
1. Business	<u>1</u>
1A. Risk Factors	<u>4</u>
1B. Unresolved Staff Comments	<u>7</u>
2. Properties	<u>8</u>
3. Legal Proceedings	<u>8</u>
4. Mine Safety Disclosures	<u>8</u>
Executive Officers of the Registrant	<u>9</u>
PART II	
5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>10</u>
6. Selected Financial Data	<u>11</u>
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>13</u>
7A. Quantitative and Qualitative Disclosures About Market Risk	<u>33</u>
Report of Independent Registered Public Accounting Firm	<u>34</u>
8. Financial Statements and Supplementary Data	<u>35</u>
9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>70</u>
9A. Controls and Procedures	<u>70</u>
9B. Other Information	<u>70</u>
PART III	
10. Directors, Executive Officers and Corporate Governance	<u>71</u>
11. Executive Compensation	<u>71</u>
12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>71</u>
13. Certain Relationships and Related Transactions, and Director Independence	<u>72</u>
14. Principal Accounting Fees and Services	<u>72</u>
PART IV	
15. Exhibits and Financial Statement Schedules	<u>74</u>

Con-way Inc.
FORM 10-K
Year Ended December 31, 2012

PART I

ITEM 1. BUSINESS

Overview

Con-way Inc. was incorporated in Delaware in 1958. Con-way Inc. and its subsidiaries (“Con-way” or “the Company”) provide transportation, logistics and supply-chain management services for a wide range of manufacturing, industrial and retail customers. Con-way’s business units operate in regional and transcontinental less-than-truckload and full-truckload freight transportation, contract logistics and supply-chain management, multimodal freight brokerage, and trailer manufacturing.

Reporting Segments

For financial reporting purposes, Con-way is divided into four reporting segments: Freight, Logistics, Truckload and Other. For financial information concerning Con-way’s geographic and reporting-segment operating results, refer to Note 13, “Segment Reporting,” of Item 8, “Financial Statements and Supplementary Data.”

Freight

The Freight segment consists of the operating results of the Con-way Freight business unit. Con-way Freight is a less-than-truckload (“LTL”) motor carrier that utilizes a network of freight service centers to provide day-definite regional, inter-regional and transcontinental less-than-truckload freight services throughout North America.

LTL carriers transport shipments from multiple shippers utilizing a network of freight service centers combined with a fleet of linehaul and pickup-and-delivery tractors and trailers. Freight is picked up from customers and consolidated for shipment at the originating service center. Freight is consolidated for transportation to the destination service centers or other intermediate service centers (referred to as freight assembly centers). At freight assembly centers, freight from various service centers can be reconsolidated for transportation to other freight assembly centers or destination service centers. From the destination service center, the freight is delivered to the customer. Typically, LTL shipments weigh between 100 and 15,000 pounds. In 2012, Con-way Freight’s average weight per shipment was 1,326 pounds.

The LTL trucking environment is highly competitive. Principal competitors of Con-way Freight include regional and national LTL companies, some of which are subsidiaries of global, integrated transportation service providers.

Competition is based on freight rates, service, reliability, transit times and scope of operations.

Logistics

The Logistics segment consists of the operating results of the Menlo Worldwide Logistics business unit. Menlo Worldwide Logistics develops contract-logistics solutions, which can include managing complex distribution networks, and providing supply-chain engineering and consulting, and multimodal freight brokerage services. The term “supply chain” generally refers to a strategically designed process that directs the movement of materials and related information from the acquisition of raw materials to the delivery of products to the end-user.

Menlo Worldwide Logistics’ supply-chain management offerings are primarily related to transportation-management and contract-warehousing services. Transportation management refers to the management of asset-based carriers and third-party transportation providers for customers’ inbound and outbound supply-chain needs through the use of logistics management systems to consolidate, book and track shipments. Contract warehousing refers to the optimization and operation of warehouses for customers using technology and warehouse-management systems to reduce inventory carrying costs and supply-chain cycle times. For several customers, contract-warehousing operations include light assembly or kitting operations. Menlo Worldwide Logistics’ ability to link these systems with its customers’ internal enterprise resource-planning systems is intended to provide customers with improved visibility to their supply chains. Compensation from Menlo Worldwide Logistics’ customers takes different forms, including cost-plus, transactional, fixed-dollar, gain-sharing and consulting-fee arrangements.

Menlo Worldwide Logistics provides its services using a customer- or project-based approach when the supply-chain solution requires customer-specific transportation management, single-client warehouses, and/or single-customer technological solutions. However, Menlo Worldwide Logistics also utilizes a shared-resource, process-based approach that leverages a centralized transportation-management group, multi-client warehouses and technology to provide scalable solutions to multiple

customers. Additionally, Menlo Worldwide Logistics segments its business based on customer type. These industry-focused groups leverage the capabilities of personnel, systems and solutions throughout the organization to give customers expertise in specific automotive, high-tech, government and consumer-products sectors.

In 2012, Menlo Worldwide Logistics' three largest customers collectively accounted for 40.2% of the revenue and 16.2% of net revenue (revenue less purchased transportation) reported for the Logistics reporting segment. Menlo Worldwide Logistics' largest customer accounted for 6.3% of the consolidated revenue of Con-way in 2012.

There are numerous competitors in the contract-logistics market that include domestic and foreign logistics companies, the logistics arms of integrated transportation companies, and contract manufacturers. However, Menlo Worldwide Logistics primarily competes against a limited number of major competitors that have sufficient resources to provide services under large logistics contracts. Competition for projects is generally based on price and the ability to rapidly implement technology-based transportation and logistics solutions.

Truckload

The Truckload segment consists of the operating results of the Con-way Truckload business unit. Con-way Truckload is a full-truckload motor carrier that utilizes a fleet of tractors and trailers to provide short- and long-haul, asset-based transportation services throughout North America. Con-way Truckload provides dry-van transportation services to manufacturing, industrial and retail customers while using single drivers as well as two-person driver teams over long-haul routes, with each trailer containing only one customer's goods. This origin-to-destination freight movement limits intermediate handling and is not dependent on the same network of locations utilized by LTL carriers. On average, Con-way Truckload transports shipments more than 800 miles from origin to destination. Under its regional service offering, Con-way Truckload transports truckload shipments between 100 and 600 miles, including local-area service for truckload shipments of less than 100 miles.

Con-way Truckload offers "through-trailer" service into and out of Mexico through all major gateways in Texas, Arizona and California. This service eliminates the need for shipment transfer and/or storage fees at the border and typically involves equipment-interchange operations with various Mexican motor carriers. For a shipment with an origin or destination in Mexico, Con-way Truckload provides transportation for the domestic portion of the freight move, and a Mexican carrier provides the pick-up, linehaul and delivery services within Mexico.

The truckload market is fragmented with numerous carriers of varying sizes. Principal competitors of Con-way Truckload include other truckload carriers, logistics providers, railroads, private fleets, and to a lesser extent, LTL carriers. Competition is based on freight rates, service, reliability, transit times, and driver and equipment availability.

Other

The Other reporting segment consists of the operating results of Road Systems, a trailer manufacturer, and certain corporate activities for which the related income or expense has not been allocated to other reporting segments, including results related to corporate re-insurance activities and corporate properties. Road Systems primarily manufactures and refurbishes trailers for Con-way Freight and Con-way Truckload.

General

Employees

At December 31, 2012, Con-way had approximately 29,100 regular full-time employees. The approximate number of regular full-time employees by segment was as follows: Freight, 19,300; Logistics, 5,300; Truckload, 3,600; and Other, 900. The 900 employees included in the Other segment consist primarily of executive, technology and administrative positions that support Con-way's operating subsidiaries.

Con-way's business units utilize other sources of labor that provide flexibility in responding to varying levels of economic activity and customer demand. In addition to regular full-time employees, Con-way Freight employs part-time employees; Menlo Worldwide Logistics utilizes non-employee contract labor primarily related to its warehouse-management services; and Con-way Truckload contracts with owner-operators to transport shipments.

Cyclical and Seasonality

Con-way's operations are affected, in large part, by conditions in the cyclical markets of its customers and in the U.S. and global economies, as more fully discussed in Item 1A, "Risk Factors."

Con-way's operating results are also affected by seasonal fluctuations that change demand for transportation services. In the Freight segment, the months of September, October and November typically have the highest business levels while the months of December, January and February usually have the lowest business levels. In the Truckload segment, the months of September and October typically have the highest business levels while the months of December and February usually have the lowest business levels. The Logistics segment does not generally experience seasonal fluctuations.

Price and Availability of Fuel

Con-way is exposed to the effects of changes in the price and availability of diesel fuel, as more fully discussed in Item 1A, "Risk Factors."

Regulation

Ground Transportation

The motor-carrier industry is subject to federal regulation by the Federal Motor Carrier Safety Administration ("FMCSA"), the Pipeline and Hazardous Materials Safety Agency ("PHMSA"), and the Surface Transportation Board ("STB"), which are units of the U.S. Department of Transportation. The FMCSA publishes and enforces comprehensive trucking safety regulations and performs certain functions relating to motor-carrier registration, cargo and liability insurance, extension of credit to motor-carrier customers, and leasing of equipment by motor carriers from owner-operators. The PHMSA publishes and enforces regulations regarding the transportation of hazardous materials. The STB has authority to resolve certain types of pricing disputes and authorize certain types of intercarrier agreements.

The FMCSA operates the Compliance Safety Accountability ("CSA") program in an effort to improve commercial truck and bus safety. A component of the CSA is the Safety Measurement System, which analyzes all safety-based violations to determine a commercial motor carrier's safety performance. This safety program allows the FMCSA to identify carriers with safety-performance issues and intervene to address a carrier's specific safety problems.

Federal law allows all states to impose insurance requirements on motor carriers conducting business within their borders, and empowers most states to require motor carriers conducting interstate operations through their territory to make annual filings verifying that they hold appropriate registrations from FMCSA. Motor carriers also must pay state fuel taxes and vehicle registration fees, which normally are apportioned on the basis of mileage operated in each state. Hours of service ("HOS") regulations establish the maximum number of hours that a commercial truck driver may work. The FMCSA issued a new HOS rule in December 2011. This rule reduces the number of hours a commercial truck driver may work during his or her work day. The full effects of this rule on various trucking operations are unclear due to a court challenge brought by the American Trucking Association. The major provisions of the new rule are scheduled to go into effect in July 2013 and Con-way is proceeding with plans to be in compliance at that time despite the uncertainty created by the court challenge. Should the courts require a change in the rule or in the effective date, Con-way will respond appropriately to ensure compliance. Additionally, in January 2011, the FMCSA issued a proposed rule requiring all motor carriers to use electronic onboard recorders ("EOBRs") to monitor their drivers' compliance with HOS requirements. This rule was overturned by a court challenge, but it is expected that the agency will issue a new rule mandating the use of EOBRs. Con-way Truckload's entire fleet already utilizes EOBRs to capture HOS data, and Con-way Freight plans to implement the devices across its fleet.

Environmental

Con-way's operations involve the storage, handling and use of diesel fuel and other hazardous substances. Con-way is subject to laws and regulations that (1) govern activities or operations that may have adverse environmental effects such as discharges to air and water, and the handling and disposal practices for solid and hazardous waste, and (2) impose liability for the costs of cleaning up, and certain damages resulting from, sites of past spills, disposals, or other releases of hazardous materials. Environmental liabilities relating to Con-way's properties may be imposed regardless of whether Con-way leases or owns the properties in question and regardless of whether such environmental conditions were created by Con-way or by a prior owner or tenant, and also may be imposed with respect to properties that Con-way may have owned or leased in the past. Con-way has accrued for its estimate of remediation costs at these sites.

Homeland Security

Con-way is subject to compliance with various cargo-security and transportation regulations issued by the Department of Homeland Security, including regulation by the Transportation Security Administration and the Bureau of Customs and Border Protection.

Other Information

Information Available on Website

Con-way makes available, free of charge, on its website at “www.con-way.com,” under the heading “Annual Reports & SEC Filings,” within the "Investors" tab, copies of its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and any amendments to those reports, in each case as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission.

In addition, Con-way makes available, free of charge, on its website at “www.con-way.com,” under the heading “Corporate Governance,” within the "Investors" tab, current copies of the following documents: (1) the charters of the Audit, Compensation, and Governance and Nominating Committees of its Board of Directors; (2) its Corporate Governance Guidelines; and (3) its Code of Business Ethics. Copies of these documents are also available in print to shareholders upon request, addressed to the Corporate Secretary at 2211 Old Earhart Road, Suite 100, Ann Arbor, Michigan 48105.

None of the information on Con-way’s website shall be deemed to be a part of this report.

Regulatory Certifications

In 2012, Con-way filed the written affirmations and Chief Executive Officer certifications required by Section 303A.12 of the NYSE Listing Manual and Section 302 of the Sarbanes-Oxley Act.

ITEM 1A. RISK FACTORS

Con-way’s consolidated financial condition, results of operations and cash flows could be adversely affected by various risks. These risks include, but are not limited to, the principal factors listed below and other matters set forth in this Annual Report on Form 10-K. You should carefully consider all of these risks before making any investment or other decisions.

Economic Cyclicity

Con-way’s operating results are affected, in large part, by cyclical conditions in its customers’ markets and in the U.S. and global economies. While economic conditions affect most companies, the transportation industry is cyclical and susceptible to trends in economic activity. When individuals and companies purchase and produce fewer goods, Con-way’s businesses transport fewer goods. In addition, Con-way Freight and Con-way Truckload are capital-intensive and Con-way Freight has a relatively high fixed-cost structure that is difficult to adjust to match shifting volume levels. Accordingly, any sustained weakness in demand or continued downturn or uncertainty in the economy generally would have an adverse effect on Con-way.

Government Regulation

Con-way is subject to various federal, state and local, as well as foreign, laws and regulations that apply to its business activities. These include regulations related to, among other things, driver hours-of-service limitations, labor-organizing activities, cargo-security requirements, anti-corruption and anti-bribery laws, tax laws, employment practices, and environmental matters, including potential limits on carbon emissions under climate-change legislation. The costs of compliance with, liabilities under, or violations of, existing or future laws or regulations could have an adverse effect on Con-way. Con-way is not able to accurately predict how new governmental laws and regulations, or changes to existing laws and regulations, will affect the transportation industry generally, or Con-way in particular. Although government regulation that affects Con-way and its competitors may simply result in higher costs that can be passed to customers with no adverse consequences, there can be no assurance that this will be the case. As a result, Con-way believes that any additional measures that may be required by future laws and regulations or changes to existing laws and regulations could result in additional costs and could have an adverse effect on Con-way.

Concern over climate change has led to increased legislative and regulatory efforts to limit carbon dioxide and other greenhouse gas emissions. Even without such regulation, Con-way’s response to customer-led sustainability initiatives could lead to increased costs to implement additional efforts to reduce its emissions. Additionally, Con-way may experience reduced demand for its services if it does not comply with customers’ sustainability requirements. As a result, increased costs or loss of revenue resulting from sustainability initiatives could have an adverse effect on Con-way.

Capital Markets

Significant disruptions or volatility in the global capital markets may increase Con-way's cost of borrowing or affect its ability to access credit, debt and equity capital markets. Market conditions may affect Con-way's ability to refinance indebtedness as

and when it becomes due. In addition, changes in Con-way's credit ratings could adversely affect its ability and cost to borrow funds. Con-way is unable to predict how conditions in the capital markets will affect its financial condition, results of operations or cash flows.

Price and Availability of Fuel

Con-way is subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of Con-way's control.

Con-way would be adversely affected by an inability to obtain fuel in the future. Although, historically, Con-way has been able to obtain fuel from various sources and in the desired quantities, there can be no assurance that this will continue to be the case in the future.

Con-way may also be adversely affected by the timing and degree of fluctuations in fuel prices. Currently, Con-way's business units have fuel-surcharge revenue programs or cost-recovery mechanisms in place with a majority of customers. Con-way Freight and Con-way Truckload maintain fuel-surcharge programs designed to offset or mitigate the adverse effect of rising fuel prices. Menlo Worldwide Logistics has cost-recovery mechanisms incorporated into most of its customer contracts under which it recognizes fuel-surcharge revenue designed to eliminate the adverse effect of rising fuel prices on purchased transportation.

Con-way's competitors in the less-than-truckload ("LTL") and truckload markets also impose fuel surcharges. Although fuel surcharges are generally based on a published national index, there is no industry-standard fuel-surcharge formula. As a result, fuel-surcharge revenue constitutes only part of the overall rate structure. Revenue excluding fuel surcharges (sometimes referred to as base freight rates) represents the collective pricing elements that exclude fuel surcharges. Ultimately, the total amount that Con-way Freight and Con-way Truckload can charge for their services is determined by competitive pricing pressures and market factors.

Historically, Con-way Freight's fuel-surcharge program has enabled it to more than recover increases in fuel costs and fuel-related increases in purchased transportation. As a result, Con-way Freight may be adversely affected if fuel prices fall and the resulting decrease in fuel-surcharge revenue is not offset by an equivalent increase in base freight-rate revenue. Although lower fuel surcharges may improve Con-way Freight's ability to increase the freight rates that it would otherwise charge, there can be no assurance in this regard. Con-way Freight may also be adversely affected if fuel prices increase. Customers faced with fuel-related increases in transportation costs often seek to negotiate lower rates through reductions in the base freight rates and/or limitations on the fuel surcharges charged by Con-way Freight, which adversely affect Con-way Freight's ability to offset higher fuel costs with higher revenue. Con-way Truckload's fuel-surcharge program mitigates the effect of rising fuel prices but does not always result in Con-way Truckload fully recovering increases in its cost of fuel. The extent of recovery may vary depending on the amount of customer-negotiated adjustments and the degree to which Con-way Truckload is not compensated due to empty and out-of-route miles or from engine idling during cold or warm weather.

Con-way would be adversely affected if, due to competitive and market factors, its business units are unable to continue their current fuel-surcharge programs and/or cost-recovery mechanisms. In addition, there can be no assurance that these programs, as currently maintained or as modified in the future, will be sufficiently effective to offset increases in the price of fuel.

Employees

The workforce of Con-way and its subsidiaries is not affiliated with labor unions. Con-way believes that the non-unionized operations of its business units have advantages over unionized competitors in providing reliable and cost-competitive customer services, including greater efficiency and flexibility. There can be no assurance that Con-way's business units will be able to maintain their non-unionized status.

Con-way hires drivers primarily for Con-way Freight and Con-way Truckload. At times, there is significant competition for qualified drivers in the transportation industry. As a result, these business units may be required to increase driver compensation and benefits, or face difficulty meeting customer demands, all of which could adversely affect Con-way.

Business Interruption

A sustained interruption in Con-way's systems or operations in the event of a catastrophic event, such as terrorist activity, earthquake, weather event, or cyber attack, could have a material adverse effect on Con-way.

Con-way and its business units rely on shared-service facilities that provide shared administrative and technology services. Con-way is dependent on its automated systems and technology to operate its businesses and to increase employee productivity. Con-way has outsourced a significant portion of its information-technology infrastructure function and a small portion of its administrative and accounting functions. Although Con-way and the third-party service providers collectively maintain backup systems and have disaster-recovery processes and procedures in place, a sustained interruption in the operation of these facilities, whether due to transition to upgraded or replacement technology or any other reason, could have a material adverse effect on Con-way. Certain of the outsourced services are performed in developing countries and, as a result, may be subject to geopolitical uncertainty. A service provider's failure to perform could have a material adverse effect on Con-way.

Additionally, Con-way's dependence on its automated systems and technology gives rise to cyber-security risks. Although Con-way and its third-party providers have preventive systems and processes in place to protect against the risk of cyber attacks, a security breach may cause a disruption of Con-way's business or the loss of information and could have a material adverse effect on Con-way.

Capital Intensity

Two of Con-way's primary businesses are capital-intensive. Con-way Freight and Con-way Truckload make significant investments in revenue equipment and Con-way Freight also makes significant investments in freight service centers. The amount and timing of capital investments depend on various factors, including anticipated volume levels, and the price and availability of appropriate-use property for service centers and newly manufactured tractors and diesel engines, which are subject to restrictive Environmental Protection Agency engine-design requirements. If anticipated service-center and/or fleet requirements differ materially from actual usage, Con-way's capital-intensive business units may have too much or too little capacity. Con-way attempts to mitigate the risk associated with too much or too little revenue equipment capacity by adjusting capital expenditures and by utilizing short-term equipment rentals and sub-contracted operators in order to match capacity with business volumes. Con-way's investments in revenue equipment and freight service centers depend on its ability to generate cash flow from operations and its access to credit, debt and equity capital markets. A decline in the availability of these funding sources could adversely affect Con-way.

Asset Impairments

Con-way's assets include significant amounts of goodwill and other long-lived assets. Con-way's regular reviews of the carrying value of its assets have resulted, from time to time, in significant impairment charges. It is possible that Con-way may be required to recognize additional impairment charges in the future, which could adversely affect Con-way's financial condition or results of operations.

Defined Benefit Plans

Con-way maintains defined benefit plans, including funded qualified pension plans, unfunded non-qualified pension plans, and an unfunded postretirement medical plan. A decline in interest rates and/or lower returns on funded plan assets may cause increases in the expense and funding requirements for Con-way's defined benefit pension plans. Despite past amendments that permanently curtailed benefits under its primary defined benefit pension plan, Con-way's defined benefit pension plans remain subject to volatility associated with interest rates, returns on plan assets and funding requirements. In addition to being subject to volatility associated with interest rates, Con-way's expense and obligation under its postretirement medical plan are also subject to trends in health-care costs. As a result, Con-way is unable to predict the financial-statement effect associated with the defined benefit pension plans and the postretirement medical plan.

Self-Insurance Accruals

Con-way uses a combination of large-deductible purchased insurance and self-insurance programs to provide for the costs of employee medical, vehicular, cargo and workers' compensation claims. Con-way's estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a high degree of variability. Con-way periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense. An increase in the number or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on Con-way.

Con-way has a captive insurance company that participates in a reinsurance pool to reinsure a portion of Con-way's workers' compensation claims. Each company that participates in the pool cedes claims to the pool and assumes an equivalent amount of claims. The operating results of the captive insurance company are affected by the number and severity of claims and the

associated premiums paid or received. Con-way's financial condition, results of operations and cash flows could be adversely affected by the risk assumed and ceded by the captive insurance company.

The cost of medical claims is also affected by health-care reform legislation. In March 2010, the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act, was signed into law. This health-care reform legislation is expected to increase the costs associated with providing benefits under postretirement medical plans and employee medical plans. Changes made to the design of Con-way's medical plans have the potential to mitigate some of the cost impact of the provisions included in the legislation. Ultimately, the cost of providing benefits under medical plans is dependent on a variety of factors, including governmental laws and regulations, health-care cost trends, claims experience, and health-care decisions by plan participants. As a result, Con-way is unable to predict how the cost of providing benefits under medical plans will affect its financial condition, results of operations or cash flows.

Customer Concentration

Menlo Worldwide Logistics is subject to risk related to customer concentration because of the relative importance of its largest customers and the increased ability of those customers to influence pricing and other contract terms. Many of its competitors in the logistics industry segment are subject to the same risk. Although Menlo Worldwide Logistics strives to broaden and diversify its customer base, a significant portion of its revenue is derived from a relatively small number of customers, as more fully discussed in Item 1, "Business." Consequently, a significant loss of business from, or adverse performance by, Menlo Worldwide Logistics' major customers, may have a material adverse effect on Con-way's financial condition, results of operations and cash flows. Similarly, the renegotiation of major customer contracts may also have an adverse effect on Con-way.

Menlo Worldwide Logistics is also subject to credit risk associated with its customer concentration. If one or more of its largest customers were to become bankrupt, insolvent or otherwise were unable to pay for services provided, Menlo Worldwide Logistics may incur significant write-offs of accounts receivable or incur lease or asset-impairment charges that may have a material adverse effect on Con-way's financial condition, results of operations or cash flows. Menlo Worldwide Logistics generally seeks to reduce risks related to the termination of a customer relationship, for reasons other than the business failure of a customer, by requiring, upon the termination of the contract by the customer, that the customer assume any related lease obligations and/or purchase contract-specific assets purchased by Menlo Worldwide Logistics.

Other Factors

In addition to the risks identified above, Con-way's annual and quarterly operating results may be affected by a number of business, economic, regulatory and competitive factors, including:

- increasing competition and pricing pressure;
- the creditworthiness of Con-way's customers and their ability to pay for services rendered;
- the effect of litigation;
- the effect that the sovereign debt crisis and economic uncertainty in Europe may have on the global economy and capital markets;
- the possibility of defaults under Con-way's \$325 million credit agreement and other debt instruments; and
- labor matters, including labor-organizing activities, work stoppages or strikes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Con-way believes that its facilities are suitable and adequate, that they are being appropriately utilized and that they have sufficient capacity to meet current operational needs. Management continuously reviews anticipated requirements for facilities and may acquire additional facilities and/or dispose of existing facilities as appropriate.

Freight
At December 31, 2012, Con-way Freight operated 303 freight service centers, of which 150 were owned and 153 were leased. The service centers are strategically located to cover the geographic areas served by Con-way Freight and represent physical buildings and real property with dock, office and/or shop space. These facilities do not include meet-and-turn points or zone operations, which generally represent small owned or leased real property with no physical structures. At December 31, 2012, Con-way Freight's owned service centers account for 69% of its door capacity. At December 31, 2012, Con-way Freight owned and operated approximately 9,300 tractors and 26,000 trailers, including tractors held under capital lease agreements. The headquarters for Con-way Freight are located at a leased facility in Ann Arbor, Michigan.

Logistics

At December 31, 2012, Menlo Worldwide Logistics operated 65 warehouses in North America, of which 45 were leased by Menlo Worldwide Logistics and 20 were leased or owned by clients of Menlo Worldwide Logistics. Outside of North America, Menlo Worldwide Logistics operated an additional 74 warehouses, of which 60 were leased by Menlo Worldwide Logistics and 14 were leased or owned by clients. Menlo Worldwide Logistics owns and operates a small fleet of tractors and trailers to support its operations, but primarily utilizes third-party transportation providers for the movement of customer shipments. The headquarters for Menlo Worldwide Logistics are located at a leased facility in San Francisco, California.

Truckload

At December 31, 2012, Con-way Truckload operated five owned terminals with bulk fuel, tractor and trailer parking, and in some cases, equipment maintenance and washing facilities. In addition, Con-way Truckload also utilizes various drop yards for temporary trailer storage throughout the United States. At December 31, 2012, Con-way Truckload owned and operated approximately 2,700 tractors and 8,000 trailers, including tractors held under capital lease agreements. The Con-way Truckload headquarters are located at an owned facility in Joplin, Missouri.

Other

Principal properties of the Other segment included Con-way's leased executive offices in Ann Arbor, Michigan and its owned shared-services center in Portland, Oregon. Road Systems owns and operates a manufacturing facility in Searcy, Arkansas.

ITEM 3. LEGAL PROCEEDINGS

Certain legal proceedings of Con-way are discussed in Note 12, "Commitments and Contingencies," of Item 8, "Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Executive Officers of Con-way Inc.

The name, age and relevant business experience of Con-way's executive officers as of February 25, 2013, are set forth below.

Name, Age and Positions with the Company	Relevant Business Experience
<p>Douglas W. Stotlar 52, President and Chief Executive Officer</p>	<p>Served as Con-way's President and Chief Executive Officer since April 2005. Prior to this, served as Con-way's Senior Vice President and Con-way Freight's President and Chief Executive Officer since December 2004. Prior to this, served as Con-way Freight's Executive Vice President and Chief Operating Officer since June 2002. Prior to this, served as Con-way Freight's Executive Vice President of Operations since 1999. Prior to this, from 1985 to 1999, served in various capacities with Con-way and Con-way Freight, including as Vice President and General Manager of Con-way's expediting business.</p> <p>Served as Con-way's Executive Vice President and Chief Financial Officer since September 2008. Prior to this, from 1998 to 2008, served in various capacities in finance and accounting, operations, investor relations and sales and marketing with YRC Worldwide, including as Chief Financial Officer.</p>
<p>Stephen L. Bruffett 49, Executive Vice President and Chief Financial Officer</p>	<p>Served as Con-way's Executive Vice President and Menlo Worldwide LLC's President since June 2005. Prior to this, served as Menlo Worldwide Logistics' President since 2002. Prior to this, from 1992 to 2002, served in various capacities with Menlo Worldwide Logistics, including as Vice President of Operations since 1997.</p>
<p>Robert L. Bianco Jr. 48, Executive Vice President of Con-way and President of Menlo Worldwide LLC</p>	<p>Served as Con-way's Senior Vice President since April 2009 and Corporate Controller since 2000. Prior to this, from 1990 to 2000, served in various capacities in finance and accounting with Con-way.</p>
<p>Kevin S. Coel 54, Senior Vice President and Corporate Controller</p>	<p>Served as Con-way's Executive Vice President and Con-way Truckload's President since September 2012. Prior to this, from 1991 to 2012, served in various capacities with Con-way Truckload and its predecessor, Contract Freighters, Inc. , including as Vice President, Operations and as Vice President, Mexican Carrier Relations.</p>
<p>Saul Gonzalez 55, Executive Vice President of Con-way and President of Con-way Truckload</p>	<p>Served as Con-way's Executive Vice President, General Counsel and Secretary since April 2011. Prior to this, from 2003 to 2011, served as Senior Vice President, General Counsel and Secretary of Owens Corning. Prior to this, from 1996 to 2003, served in various capacities in legal and corporate communications with Owens Corning.</p>
<p>Stephen K. Krull 48, Executive Vice President, General Counsel and Secretary</p>	<p>Served as Con-way's Executive Vice President and Con-way Freight Inc.'s President since September 2011. Prior to this, served as Con-way Freight's Executive Vice</p>
<p>W. Gregory Lehmkuhl 40, Executive Vice President of Con-way and President of Con-way Freight Inc.</p>	<p>Served as Con-way's Executive Vice President and Con-way Freight Inc.'s President since September 2011. Prior to this, served as Con-way Freight's Executive Vice</p>

Leslie P. Lundberg
55, Senior Vice President, Human Resources

Charles R. Mullett
59, Vice President, Government Relations and Public
Affairs

President of Operations since August 2008. Served previously in various capacities with Menlo Worldwide Logistics LLC, including as Vice President of Menlo's Automotive Industry Group since January 2005. Served as Con-way's Senior Vice President, Human Resources since January 2006. Prior to this, served as Executive Director of Compensation, Benefits and Human Resource Information Systems for a division of Sun Microsystems since 2003. Served as Con-way's Vice President, Government Relations and Public Affairs since September 2007. Prior to this, served as Vice President of Government Relations since January 2005, and before that as Director Government Relations since January 2003. Prior to this, from 1989 to 2003, served in various capacities in operations and sales management with Con-way Freight Inc.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Con-way's common stock is listed for trading on the New York Stock Exchange ("NYSE") under the symbol "CNW." See Note 14, "Quarterly Financial Data," of Item 8, "Financial Statements and Supplementary Data" for the range of common stock prices as reported on the NYSE and for the common stock dividends paid in 2012 and 2011. At January 31, 2013, Con-way had 5,761 common stockholders of record.

Performance Graph

The following