

FEDERAL TRADE COMMISSION DECISIONS

FINDINGS, OPINIONS, AND ORDERS
JULY 1, 2010, TO DECEMBER 31, 2010

IN THE MATTER OF

U-HAUL INTERNATIONAL, INC.
AND
AMERCO

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 5 OF THE FEDERAL TRADE COMMISSION ACT

Docket No. C-4294; File No. 081 0157
Filed July 14, 2010 — Decision, July 14, 2010

The consent order addresses allegations that U-Haul International, Inc. (“U-Haul”) invited its competitor, Avis Budget Group, Inc. to collude on prices on truck rentals. The consent order prohibits U-Haul and its parent company, AMERCO, from colluding with competitors or inviting competitors to divide markets, allocate customers, or fix prices. U-Haul is further prohibited from communicating with competitors regarding rates, though U-Haul is permitted to engage in communications necessary to perform legitimate market research. During the compliance period, U-Haul is also required to submit unredacted copies of certain internal documents to the Commission for review.

Participants

For the *Commission*: *Dana Abrahamsen and Phil Bailey.*

For the *Respondents*: *Lawrence G. Scarborough, Bryan Cave;*
and Geoffrey D. Oliver, Jones Day.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act, as amended, 15 U.S.C. § 41, et seq., and by virtue of the authority vested in it by said Act, the Federal Trade Commission (“Commission”), having reason to believe that U-Haul International, Inc., and AMERCO (hereinafter sometimes collectively referred to as “Respondents” or “U-Haul”), have

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violated the provisions of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues this Complaint stating its charges as follows:

NATURE OF THE CASE

1. U-Haul is the largest consumer truck rental company in the United States. On multiple occasions, U-Haul invited its closest competitor, Avis Budget Group, Inc. (“Budget”), to join with U-Haul in a collusive scheme to raise rates for one-way truck rentals. U-Haul invited collusion employing both private communications and public statements. These actions endanger competition, and violate Section 5 of the FTC Act.

PRELIMINARY ALLEGATIONS

2. Respondent AMERCO is a corporation organized, existing, and doing business under and by virtue of the laws of Nevada, with its corporate headquarters located at 1325 Airmotive Way, Ste. 100, Reno, Nevada 89502.

3. Respondent U-Haul International, Inc. is a corporation organized, existing, and doing business under and by virtue of the laws of Nevada, with its corporate headquarters located at 2727 North Central Avenue, Phoenix, Arizona 85004. U-Haul International, Inc. is a direct subsidiary of AMERCO.

4. Edward J. Shoen serves as Chairman, President, and Director of AMERCO, and as Chief Executive Officer and Chairman of U-Haul International, Inc.

5. The primary business of U-Haul is renting trucks to consumers for use in “do-it-yourself” moves, typically of household goods. U-Haul has a fleet of over 100,000 trucks, and operates a network of approximately 1,450 company-operated moving centers and 14,000 independent U-Haul dealerships located throughout the United States.

6. U-Haul offers customers the option of a “one-way move,” meaning that the customer may pick up a truck at one U-Haul

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location and drop the truck off at a different U-Haul location. Any person may visit the U-Haul web-site, input a town of origin and town of destination, and secure a computer-generated rate quote.

7. AMERCO is a publicly traded corporation, and holds conference calls with securities analysts on a quarterly basis. Any person may listen to the call live over the internet, or obtain a transcript of the call. During these “earnings conference calls,” U-Haul executives provide information and answer questions about recent business developments.

JURISDICTION

8. At all times relevant herein, respondents U-Haul International, Inc. and AMERCO, have been, and are now, corporations as “corporation” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

9. The acts and practices of Respondents, including the acts and practices alleged herein, are in commerce or affect commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.

LINE OF COMMERCE

10. U-Haul is the largest competitor in the one-way truck rental business in the United States – the company with the most trucks, the most truck rental locations, the greatest revenues, and the highest market share. U-Haul’s closest competitor, and the principal competitive constraint upon U-Haul’s pricing power, is the next largest truck rental company, Budget. U-Haul and Budget together account for 70 percent of one-way truck rental transactions in the United States. Acting together, U-Haul and Budget could profitably impose higher prices upon consumers.

PRIVATELY COMMUNICATED ATTEMPTS TO COLLUDE

11. Edward J. Shoen is the Chairman of both AMERCO and U-Haul International, Inc. Over several years up to and including 2006, Shoen was aware that price competition from Budget was forcing U-Haul to lower its rates for one-way truck rentals.

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12. In 2006, Shoen developed two complementary strategies to eliminate this competition and thereby to secure higher rates. U-Haul regional managers and dealers were instructed by Shoen to implement these strategies.

- a. The U-Haul regional manager should raise one-way rates. Then, the regional manager should contact Budget, inform Budget of U-Haul's conditional rate increase, and encourage Budget to follow - lest U-Haul's rates be reduced to the original level.
- b. An alternative, pre-collusion strategy was available if the U-Haul regional manager judged that Budget would not presently follow a U-Haul rate increase. In this circumstance, the U-Haul regional manager should lower his one-way rates – below those of Budget. Then, the regional manager should contact Budget and inform Budget of this rate reduction. In this way, U-Haul would teach Budget that its low-price policy was fated to be ineffective. This would prepare the ground for the future implementation by U-Haul of the basic, collusive strategy.

13. In October 2006 and November 2006, U-Haul instructed its regional managers to implement one or the other of the above-described strategies. This plan was described in memoranda authored by Shoen and distributed to the regional managers:

Budget continues in some markets to undercut us on One-Way rates. Either get below them or go up to a fair rate. Whatever you do, LET BUDGET KNOW. Contact a large Budget Dealer and tell them. Contact their company store and let the manager know. Rates of 20¢ a mile One-Way, do not even cover the cost of the truck, let alone, repair, maintenance, license, insurance and Dealer commissions. Either get under their BS rate or get up in a cents per mile range where you might make a profit. . . .

We have been up on transactions and down on gross two months in a row. We are either matching stupid rates or we are above them, but not enough to make a profit.

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My direction is either get up to a fair rate or get down below the competitor. EITHER WAY, LET THEM KNOW.

(Emphasis in original).

14. In addition, in October 2006, November 2006, and December 2006, Shoen instructed local U-Haul dealers to communicate with their counterparts at Budget and Penske, re-enforcing the message that: (i) U-Haul has raised its rates, and (ii) competitors' rates should now be raised to match the U-Haul rates. Shoen's memoranda offer U-Haul dealers a script for these inter-firm conversations:

We are successfully meeting or beating our Budget and Penske competitors. However, their rates are WAY TOO LOW. When you and your MCP [regional manager] decide it is time to bring some One-Way rates back up above a money loosing [sic] 35¢ mile, have your Dealers let the Budget and Penske Dealers know. Try "Are you tired of renting 500 miles for \$149 and a \$28 commission? Then, tell your Budget/Penske rep that U-Haul is up and they should be too." Dealers know how to have this conversation and who to call to have it . . . [W]e should be able to exercise some price leadership and get a rate that better reflects our costs.

(Emphasis in original).

15. In late 2006 and thereafter, U-Haul representatives contacted Budget and invited price collusion as instructed by Shoen.

16. Robert Magyar is U-Haul's regional manager for the Tampa, Florida area. In October 2006, Magyar received from Shoen, his boss, the instructions described in Paragraphs 13 and 14, above.

17. In response to Shoen's directive, in October 2006, Magyar increased U-Haul's rates for one-way truck rentals commencing

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in the Tampa area. Next, Magyar telephoned Budget and communicated to Budget representatives that U-Haul had raised its rates in Tampa and that the new rates could be viewed on the U-Haul web-site. Implicit in the conversation, and intended by Shoen and Magyar, was the message that if Budget did not raise its rates, then U-Haul would lower its rates to their original level.

18. Later that month, Magyar sent an email to Shoen describing his communication with Budget representatives. Shoen responded by instructing Magyar to contact Budget again before lowering rates.

19. One year later, in October 2007, Magyar again contacted local Budget locations. Magyar communicated to Budget that U-Haul had increased its one-way truck rental rates, and that Budget should increase its rates as well. In an e-mail message addressed to U-Haul's most senior executives, Magyar related the conversations:

I have also called 3 major Budget locations in Tampa and told them who I am, I spoke about the .40 per mile rates to SE Florida and told them I was killing them on rentals to that area and I am setting new rates to the area to increase revenue per rental. I encouraged them to monitor my rates and to move their rates up. And they did.

PUBLICLY COMMUNICATED ATTEMPT TO COLLUDE

20. In late 2007, Shoen determined that U-Haul should attempt to lead an increase in rates for one-way truck rentals across the United States. Shoen understood that this rate increase could be sustained only if Budget followed.

21. On November 19, 2007, Shoen instructed U-Haul regional managers to raise prices:

Stop setting MCO [regional] rates based on Budget's rate.
Set the correct rate Budget will come up. Let them.

(Emphasis in original).

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22. Budget did not immediately match U-Haul's higher rates. U-Haul instructed its regional managers to maintain the new, higher rates for a while longer – in case Budget should take note and decide to follow.

23. U-Haul held its third quarter fiscal year 2008 earnings conference call on February 7, 2008. Shoen was aware that Budget representatives would monitor the call. (A complete transcript of the earnings conference call is annexed hereto as Exhibit A.)

24. Shoen opened the earnings conference call with a short statement noting, inter alia, U-Haul's efforts "to show price leadership." When asked for additional information on industry pricing, Shoen made the following points:

- a. U-Haul is acting as the industry price leader. The company has recently raised its rates, and competitors should do the same.

[W]e're very, very much trying to function a price leader and not give away share And even in several corridor markets that are highly competitive, I'm trying to exhibit some price leadership because, as I think you have found on your own, there are markets that are being priced well below the cost of providing the service. And I don't really believe the customer wants us to do that on any consistent basis So we've been trying to force prices

So we're pushing for it we're going to continue to push for it. I believe the customer wants us to push for it.

And so by, as I talked about earlier, me trying to get us to exercise price leadership every time we get what we consider to be an opportunity, it's another indicator to them [Budget] as to, hey, don't throw the money away. Price at cost at least.

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- b. To date, Budget has not taken notice of, and has not matched, U-Haul's higher rates. This is unfortunate for the entire industry.

I think our competitors have a hard time seeing what we do just because the pricing matrix is so vast and any one decision-maker who does some pricing analysis has a hard time really saying in a way that they could fairly represent to their company the trend is up or the trend is down or more likely U-Haul is holding the line, we don't need to just cut, cut, cut. As a strategy I believe the Budget Truck Rental Company is trying to take U-Haul's price in every single corridor and drop it 1 or 2 or 3 or 4, whatever number they can, percent so that they can just price off of us but down.

Budget appears to be continuing as undercut as their sole pricing strategy

And of course classically this is an industry with three major competitors, the one-way truck businesses, Budget, Penske and U-Haul. Classically you get some price leadership and it manages itself okay. It's when somebody decides they have to gain share from somebody that you get this kind of turbulence that results in no economic gain for the group, in fact probably economic loss. So I remain encouraged and the official position of Budget is that they're not doing this. I didn't listen in on their most recent conference calls, but over the last year I'm sure I listened to two or three of them and their official position is they're not doing this. But many a slip between the cup and the lip If they cave on prices the net effect is we got less money.

- c. U-Haul will wait a while longer for Budget to respond appropriately.

[F]or the last 90 days, I've encouraged everybody who has rate setting authority in the Company to give in more time and see if you can't get it to stabilize. In other words, hold the line at a little higher.

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And if they [Budget] perceive that we'll let them come up a little bit, I remain optimistic they'll come up, and it has a profound effect on us.

- d. In order to keep U-Haul from dropping its rates, Budget does not have to match U-Haul's rates precisely. U-Haul will tolerate a small price differential, but only a small price differential. Specifically, a 3 to 5 percent price difference is acceptable.

I'm focusing my people on the overall customer service issues. Okay, what can we do to justify a price difference given that in many cases we're going to be above them? But it's not that hard in the economy to justify 3 or 5% with service in my belief. Now you have to really do it, but I believe we have it and I believe we can really do it. And so that's where I'm driving my people who are delivering the product. I'm not driving them hard on match, match, match.

- e. For U-Haul, market share is more important than price. U-Haul will not permit Budget to gain market share at U-Haul's expense.

[I]f it starts to affect share I'm going to respond, that's all. If the customer doesn't care -- if it's \$10 and the customer doesn't care. But on the other hand, the only reason they do it is if they thought it affected share. So in a way I'm kind of forced to respond

So if we stand still on that they will make share, Budget is a legitimate company. They own lots of facilities and have lots of employees and I'm sure they're fine people if you knew them. But we're not going to just stand still and let that go through.

25. U-Haul acted with the specific intent to facilitate collusion and to achieve market power.

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26. Each and all of U-Haul's invitations to collude, if accepted by Budget, would likely result in higher one-way truck rental rates and reduced output.

VIOLATION CHARGED

27. As set forth in Paragraphs 11 through 26 above, U-Haul invited its competitor to collude with U-Haul in violation of Section 5 of the Federal Trade Commission Act, as amended.

28. The acts, policies and practices of Respondents, as alleged herein, constitute unfair methods of competition in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act, as amended. Such acts, policies and practices of Respondents will continue or recur in the absence of appropriate relief.

WHEREFORE, THE PREMISES CONSIDERED, the Federal Trade Commission on this fourteenth day of July, 2010, issues its complaint against respondents.

By the Commission.

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EXHIBIT A



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FD (Fair Disclosure) Wire

February 7, 2008 Thursday

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Final

BODY:

Corporate Participants

* Jennifer Flachman AMERCO - Dir. of IR * Joe Shoen
AMERCO - Chairman, President * Jason Berg AMERCO
- Principal Accounting Officer * Rocky Wardrip AMERCO -
Assistant Treasurer

Conference Call Participants

* Ian Gilson Granite Financial Group - Analyst * Jim Barrett C.L.
King & Assoc. - Analyst * Ross Haberman
Haberman Value Fund - Analyst * Simon Willis NCB
Stockbrokers - Analyst

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Presentation

OPERATOR: Good morning, my name is Andrea and I will be your conference operator today. At this time I would like to welcome everyone to the AMERCO third-quarter fiscal 2008 investor conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session. (OPERATOR INSTRUCTIONS). Ms. Flachman, you may begin your conference.

JENNIFER FLACHMAN, DIR. OF IR, AMERCO: Thank you for joining us today and welcome to the AMERCO third-quarter fiscal 2008 investor call. Before we begin I would like to remind everyone that certain of the statements during this call regarding general revenues, income and general growth of our business constitute forward-looking statements contemplated under the Private Securities Litigation Reform Act of 1995.

Certain factors could cause actual results to differ materially from those projected. For a brief discussion of the risks and uncertainties that may affect AMERCO's business and future operating results, please refer to Form 10-Q for the quarter ended December 31, 2007 which is on file with the Securities and Exchange Commission. Participating in the call today will be Joe Shoen, AMERCO's chairman. I will now turn the call over to Mr. Shoen.

JOE SHOEN, CHAIRMAN, PRESIDENT, AMERCO: Good morning, this is Joe Shoen; I'm speaking to you from Phoenix, Arizona. Rocky Wardrip, our Assistant Treasurer, and Jason Berg, our Chief Accounting Officer, are on the call with me today and they will both be available for questions.

U-Haul continued to experience a tough revenue and transaction environment in the just finished third quarter. At the same time we continue to reap the expense line benefits of the heavy investments we have made in truck replacements over the past 30 months. The primary cost reduction was in repair and maintenance expense on trucks that are no longer in our rental

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fleet, in other words retired vehicles. We will continue to aggressively bring in new truck replacements through at least the next two quarters.

Our new rental truck ratemaking system we introduced late last spring is starting to show some results. It allows us to manage with more precision in many small markets we serve and U-Haul's distinguished from its competitors in that we are in many small markets. We continue to show rate leadership where we can do so without adversely affecting market share. I intend for us to continue to do this, however overall rates remain depressed. As I mentioned, repair and maintenance was a bright spot in the quarter and it was largely a result of decisions made a year or more ago.

At the point of sale my current efforts are focused on improving the rental experience of our existing customer base. Working on the fundamentals of blocking and tackling in our business will clearly deliver improved results over the long term. I'm watching the macroenvironment in terms of fuel issues and sustainability issues. I don't believe they are presently impacting on results, but I think they are capable of doing so. My intent is to have U-Haul positioned a little bit ahead of problems should they arise.

Overall U-Haul equipment rentals will likely be very tight in the fourth quarter. As I have indicated before, U-Haul is vulnerable to bad winter weather as this late in the year a loss of gross revenue flows disproportionately to the bottom line. On the other hand, our U-Haul self-storage product does not have this same issue and is more predictable.

On the insurance company front, both insurance companies continue to deliver results at planned levels. You should expect them to continue to do so over the near-term. We'll now go to the questions and answers.

Questions and Answers

OPERATOR: (OPERATOR INSTRUCTIONS). Ian Gilson.

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IAN GILSON, ANALYST, GRANITE FINANCIAL GROUP: Good morning, good results, very good results. I do have a question regarding the operating segment results, and I noticed that SAC Holding revenue dropped from \$10.8 million to \$3.55 million and the earnings from operations dropped from 3.01 to \$0.85 million. Did they sell properties or what happened here?

JASON BERG, PRINCIPAL ACCOUNTING OFFICER, AMERCO: Ian, this is Jason. During the quarter SAC Holding II was deconsolidated from our financial statements. SAC Holding II's parent company, Blackwater, made a contribution to SAC Holding II that triggered a reevaluation of its consolidated status with us. We made that evaluation and, based upon our accounting analysis of the facts and circumstances, they were deconsolidated effective October 31st. So the results shown in the financial statements you're looking at for fiscal 2008, the third quarter includes only one month of activity for SAC Holding II. In future periods we will not be consolidating any new activity from SAC Holding II.

JOE SHOEN: I would add to that that I consider this a blessing. The last four years we've been stuck in an accounting convention that caused us to consolidate certain of the income and expenses of that company, although that didn't reflect any of the actual economic benefit either way. Going ahead you'll see the SAC relationship in management fee income and interest income and that will be more predictable and it also indicates true economic affect.

IAN GILSON: Okay. So there is an impact on the overall income statement, but it's like a minority ownership?

JASON BERG: No, not exactly. We won't be showing any of their future income. Now we still have to consolidate their activity through October 31st, so you're going to see those numbers remain in the financial statements as long as those historical periods are shown. But going forward any new activity will not be consolidated.

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IAN GILSON: You have no financial interest in SAC II?

JASON BERG: No, we no longer consolidate SAC II. We still have junior notes with them, interest income and we also manage their storage properties for them. We will receive management fees from them which will show up in the U-Haul financial statements as management fee income.

JOE SHOEN: Which is precisely what the economic relationship has been, but the accounting presentation has been subject to certain accounting conventions that aren't always dead on what the economic relation should be. And now these two are going to mirror each other more closely and so the -- including them in our gross revenue is confusing, but including them in our interest income which we do get actual interest income, management fee income. And of course to the extent they're U-Haul dealers or they do U-Haul revenue of course we see all that revenue. So there's still a lot of flows, but the flows are presented on an income statement basis which is really where the economic interest is.

IAN GILSON: Okay. Since you do get the benefit of the U-Haul dealer on the storage side, is SAC II growing, stable, declining? Can you give us an idea of what that U-Haul revenue stream might look like?

JASON BERG: The U-Haul revenue stream that we receive from them as management fees --.

JOE SHOEN: No, he means the truck --.

IAN GILSON: The truck rental from the sites they're in, the SAC II and other SAC profitters.

JOE SHOEN: They very much mirror the entire company. So I can't give you -- I don't have it in my command, their actual quarter results. They're going to be very much -- mirror the whole company, so in other words they were flat for the quarter or maybe up a tiny percent or something. There's no prospect of

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them diminishing, Ian. But I would expect them to grow at or below the company's overall because SAC is not adding locations in the -- going ahead as we add a location, the intent is to add it at the U-Haul level and not at the SAC level. So you would see hopefully more growth at the U-Haul level.

IAN GILSON: Okay, great. Thanks very much.

OPERATOR: Jim Barrett.

JIM BARRETT, ANALYST, C.L. KING & ASSOC.: Good morning, everyone. Joe, you talked about that in a couple of quarters you see the above average investment in trucks coming down. Can you give us any sense as to what the -- first of all, what the order of magnitude, what that might represent?

JOE SHOEN: If I said that I misspoke a little bit. For the next two quarters I expect it to continue to be aggressive, which is about what you've seen going on. I think -- Jason, you might correct me. We have something like 7,000 to 10,000 trucks we're committed to right now. And that's a strong replacement.

I'm hedging my bets as to what I'll do midsummer, in other words going into the second quarter of the new year which will be more than 180 days from now. Because we're kind of getting somewhere near the tipping point where we've done enough replacement and if we're not going to see increased revenue, which we haven't seen as you know, Jim, over the last 16 months -- if we're not going to see increased revenue then we shouldn't increase the truck fleet.

I wish I could -- it may sound very crude to you that this could be a 5,000 or 7,000 truck window, but that's really about as precise as it can be. Somewhere in there, so I think we've replaced trucks that we needed to do aggressively and we would go into a more normal cycle which very likely would be this August or September. And that would be a reduction, a guess at that, Jim, would be to take and put it at 10,000 trucks annually.

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JIM BARRETT: On a going forward basis that's sort of -- beyond this summer that would be sort of a broad run rate?

JOE SHOEN: I think that would be. With the exception if we saw some big market opportunity. But there has been no big market opportunity we've identified over the last 16 months. So I'm the eternal optimist, I'm always looking for it, but we're not going to spend money based on optimism. We're going to have a definite plan and see something that we can pro forma out over a period of years or we won't --

JIM BARRETT: If it comes to that, Joe, doesn't that mean your capital expenditures do come down markedly?

JOE SHOEN: They come down. I would defer to Rocky as to exactly how that trickles through the whole financial statement because it's never as direct. But ordinarily my experience is when those come down you pick up a little bit of an income. Rocky, you might comment on that.

ROCKY WARDRIP, ASSISTANT TREASURER, AMERCO: My guess, Jim, and depending on the mix of what we were putting in, is that would probably bring annual truck expenditures down on a net basis to somewhere between \$200 million and \$225 million.

JIM BARRETT: And then I would add to that whatever investments you're making in sell storage to get an idea what your gross CapEx is?

JOE SHOEN: That's correct.

IAN GILSON: Okay.

JIM BARRETT: Okay. Joe, if the firm does (technical difficulty)

OPERATOR: (OPERATOR INSTRUCTIONS). Ross Haberman.

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ROSS HABERMAN, ANALYST, HABERMAN VALUE FUND: I think you might have cut Barrett off, but I'm sure he'll come back on. Joe, a follow-up to his question -- what is the capital -- have you said what the capital expenditures are going to be for calendar '08 in total?

JOE SHOEN: No, we haven't. We actually do that calculation based on the fiscal year which is a, as you know, March 31st anniversary. So no, we haven't. Rocky may have -- and of course he's constantly projecting it on a rolling basis. But I don't know, Rocky, what we --?

ROSS HABERMAN: What have you spend to date, Rocky, if I may ask?

ROCKY WARDRIP: Beg your pardon?

ROSS HABERMAN: What we have we spent for the nine months for CapEx?

ROCKY WARDRIP: Jason, do you have that number handy? I don't have it at my fingertips.

JASON BERG: Including everything for the nine months it was \$440 million of which truck purchases are the largest portion of that. That also includes all other CapEx too which would include storage.

JOE SHOEN: Does that have -- is that a net or is that a gross number?

JASON BERG: That's a gross number.

ROCKY WARDRIP: Because this gets very confusing.

ROSS HABERMAN: The net would be less the trucks you've sold?

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JASON BERG: Our sales of property, plant and equipment during the period were \$134 million.

ROSS HABERMAN: So roughly about \$300 million net is what you're saying?

ROCKY WARDRIP: Maybe \$310 million and so far for next fiscal year I believe we have orders in on approximately about \$157 million of equipment plus -- that would be on van trucks, plus roughly replacement of cargo vans and pickups that would maybe equate to somewhere around \$105 million on a gross basis.

ROSS HABERMAN: So that would be you're saying about 260 gross?

ROCKY WARDRIP: Yes, that's a gross basis. Keep in mind we'll be selling 9,000 pickups and cargo vans which will probably bring proceeds somewhere close to roughly about \$10 million less than we are investing in the next year.

ROSS HABERMAN: So you think you're going to get back as much as 250, is that correct?

ROCKY WARDRIP: No, no. I'm saying on the cargoes and vans which are roughly about -- say roughly \$100 million, that we'll probably have sales proceeds of somewhere north of \$90 million.

ROSS HABERMAN: I got you. Okay, all right. Just two other questions, if I may. Going back to the deconsolidation of SAC, you showed 850,000 and I guess of income for the quarter there. You said that number was a three-month or a two-month number? And is that number a combination of the interest as well as the management fee?

JASON BERG: That is a one-month number and that is SAC Holding II's income statement; that isn't our interest in SAC Holding II, that's their whole financial statement.

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ROSS HABERMAN: That's their whole financial statement. So you're saying you have earned a piece of that, is that what you're saying? Both interest and management fee for the quarter?

ROCKY WARDRIP: I think I'll start from the beginning on this. What we consolidate into our financial statements is the SAC Holding II entire financial statement -- so it's their entire income statement and balance sheet which would include all of their revenues and all of their expenses. Some portion of their expenses is revenue on U-Haul's books because they pay us for management fees and they also pay us interest expense. So in the consolidated financial statements you'll see some elimination columns that seek to eliminate those items.

As of October 31st their entire income statement and balance sheet will be removed going forward. What will remain is that we will continue to record management fees and interest income from them that will show up on the U-Haul income statement.

ROSS HABERMAN: Do you have an estimate of what those numbers are on a monthly or quarterly basis?

ROCKY WARDRIP: What I can tell you is -- I don't have that at my fingertips how much we get from them in fees. But what I can say is the net income after tax from SAC Holding II that combines up to AMERCO has been on the order of \$300,000 to \$500,000 a year. So it's a very inconsequential number in the past.

JOE SHOEN: We may be getting two different questions here. This is Joe again. There's an accounting convention called FIN 46 that we had been required to follow through October, and it required us to consolidate something that, in my opinion and I'm not a CPA, we had no economic interest in. At the same time we have always been booking into both the interest line and in a line of management fee which I'm not sure if that's consolidated with general storage -- it's called out, it's a separate item called management fees. That's money we've -- real money we've been getting from SAC and we will continue to get it and it would be our intent that it would continue to grow modestly.

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ROSS HABERMAN: That's the \$300,000 to \$500,000?

JOE SHOEN: No, no. The \$300,000 to \$500,000 was the -- I'll call it phantom income at the risk of being chastised by the accountants. But it was their income that accounting conventions required us to books. Okay? And even in some past years it was a loss and we still had to book it. This new set of facts on SAC that allows us to not show that should simply clarify our books and remove an item from going ahead. But nobody including myself can very easily predict.

And instead we'll see management fee income which we get, depending on the properties, we get a sliding scale that kind of roughly averages 6% but it could be I think 4 to 10% depending on the contracts. Jason, 4 to 8, or do you know? 4 to 10%. But since it's based on their gross revenues that's a little bit predictable. And that shows up as management fee. At the same time we have various loans to various SAC entities lumped together for this discussion purpose and those all have a current interest pay. So that comes through on the interest line for us -- income. Then of course should they reduce principal then it would come through obviously on the balance sheet.

So going ahead you're going to see the two line items, management fees and interest income, and they're going to largely define our relationship with the SAC entity. Now additionally those locations, I believe in 100% of the cases, also function as U-Haul dealers, they rent U-Haul trucks and trailers and a substantial amount of them. So that income will, as I said when I talked with Ian, that will continue to behave very much like our total gross income, although probably lagging a little bit behind over a five-year basis because it's unlikely that SAC will increase its total number of outlets over that time and it's likely U-Haul will.

ROSS HABERMAN: Those two numbers, the fee income as well as the interest income for the nine months, do you have that, Jason, what that cash number to you was?

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JASON BERG: I'll give you the last quarter (multiple speakers) September which was the full three months that we had. That number was \$750,000 of management fees and \$1.7 million of interest income.

ROSS HABERMAN: Those were quarterly cash numbers to you for the three months?

JASON BERG: Correct, and those numbers remained fairly steady throughout the year. They're in (multiple speakers)

ROSS HABERMAN: Just one final question. I saw you didn't buy any shares back, I was wondering why. And I guess a question I had brought up for Jason in the past -- would it pay for you at some point to include the preferred shares as part of your buyback plan?

JASON BERG: The common stock -- our window is opening up here a couple days after the call. On the preferred stock we've received that question and I believe that that is going to be an item that's going to be presented to the AMERCO Board for discussion. It's a good point and as far as trading that it deserves a discussion at the Board level.

JOE SHOEN: this is Joe speaking. I'm phenomenally risk averse and we had a terrible experience about four years ago and we're now maintaining cash and availability if you looked at this company over a 20- or 30-year timeline that's unprecedented for us, but we had a real bad experience. And we're going into and in fact may well be a pretty hard economy right now. While we remain -- we still have reasonable access to credit both for purchase and lease of trucks. We're a fly in that whole stew.

So if that market deteriorates for everybody it's likely going to deteriorate for us. It's not deteriorated, I'm not implying that it's likely to deteriorate, but we're keeping our powder dry or at least that's been my recommendation. This is a bit of a Board level decision, the preferred, but it's been our overall plan to keep a lot of dry powder just because I think we're risk averse and it's really

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hard to evaluate are you too risk averse or is it prudent. Right now I kind of feel it's prudent although it's costing us money because you can obviously take on average cost of debt or incremental cost of debt and put it up against the preferred and it's having a negative income statement effect every quarter.

ROSS HABERMAN: I greatly appreciate your conservatism. I guess I'm just asking if you do decide to buy back whatever you do, at some point does the preferred become a better, more compelling buy than the common and that's what I'm trying to get a feel for?

JOE SHOEN: I think that's a real issue and we don't have a -- right now the buyback is only on the common, but I think you're addressing a real issue and it has its proponent by the Company, but we don't have -- there's nothing I have to announce or I don't want to imply an announcement is coming tomorrow or something. But you're hitting the nail on the head.

ROSS HABERMAN: Okay, guys. Thanks a lot. The best of luck.

OPERATOR: Jim Barrett.

JIM BARRETT: Joe, can you give us an update on the pricing in the industry? Any changes there, any color you can add on that?

JOE SHOEN: Jim, us we are very, very much trying to function as a price leader and not give away share and those are kind of contradictory strategies. So what that means is in a market where I don't see competition, and that's a lot of sorting, but a market where I don't see a lot of competition I'm trying to exhibit some price leadership. And even in several corridor markets that are highly competitive I'm trying to exhibit some price leadership because, as I think you have found on your own, there are markets that are being priced well below the cost of providing the service. And I don't really believe the customer wants us to do that on any consistent basis. And as a shareholder and an employee here I don't want us to do it on any consistent basis.

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So we've been trying to force prices and we did a good enough job of it in the last quarter that it didn't hurt us, although we didn't get up. I think from a macro view we had increased transactions and revenue up a percent or something, but our increased transactions were significantly above our revenue increase which not exactly, but very loosely indicates at least it's a tough market. Inside of that, as you know, Jim, there are a lot of model mix issues, size of trucks, length of rental issues. But I remain very hopeful.

I think our competitors have a hard time seeing what we do just because the pricing matrix is so vast and any one decision-maker who does some pricing analysis has a hard time really saying in a way that they could fairly represent to their company the trend is up or the trend is down or more likely U-Haul is holding the line, we don't need to just cut, cut, cut. As a strategy I believe the Budget Truck Rental Company is trying to take U-Haul's price in every single corridor and drop it 1 or 2 or 3 or 4, whatever number they can, percent so that they can just price off of us but down. Does that make sense?

JIM BARRETT: Yes.

JOE SHOEN: And that's very -- if it starts to affect share I'm going to respond, that's all. If the customer doesn't care -- if it's \$10 and the customer doesn't care. But on the other hand, the only reason they do it is if they thought it affected share. So in a way I'm kind of forced to respond, although for the last 90 days I've encouraged everybody who has rate setting authority in the Company to give in more time and see if you can't get it to stabilize. In other words, hold the line at a little higher.

You touched on that in the update I saw that came across my desk recently from you that showed us at a higher tier. We're not that much higher in every price, let me assure you, or we would see share go away. But on the other hand, the relationship which is Budget appears to be continuing to undercut as their sole pricing strategy, but I think that's still out there.

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So we have to go and every market where they're really not competing with us or every size of truck where they're really not competing we need to try to get a fair price and which I think we did an okay job of that in the third quarter and so we got a little teeny bit of revenue, but overall pricing is probably still down year-to-year all in, but I couldn't tell you it's 3% or 7%. We are sensitive to 1%, as you know. So if I got a 1% price increase it would be let's rent a ballroom and have a party at this end. It would be a big deal.

So we're pushing for it we're going to continue to push for it. I believe the customer wants us to push for it. In the near-term however my focus is on we're going to be competitive on price. We'll match at the counter in all cases. So if you come to the counter and you say I just quoted Budget and he was whatever -- ex dollars less, my guy at the counter has full authority to say we're in and get the rental but we're not publishing at that rate. I think that's a reasonable thing.

And then I'm focusing my people on the overall customer service issues. Okay, what can we do to justify a price difference given that in many cases we're going to be above them? But it's not that hard in the economy to justify 3 or 5% with service in my believe. Now you have to really do it, but I believe we have it and I believe we can really do it. And so that's where I'm driving my people who are delivering the product.

I'm not driving them hard on match, match, match. Okay? They have the power to do it and they're doing it based on their discretion. If they think that they're going to lose the rental at the counter I'm fairly confident they're going to match a rate if they think the rate is at all real. And sometimes that will be below our cost of providing the service and that's just how the cookie is going to crumble.

But I think we -- I'm sure that we have room to do a better job with our customer in the overall customer service experience. I believe if we tomorrow could patch that we'd see overall increase.

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And of course I see very detailed data -- every day I see locations that are up solidly in both transactions and revenue and these are just simply people who are managing better, Jim.

So that becomes my challenge is to get the whole group to manage better. Because we're competing for the customer's dollar in the economy and you know as much about that as anybody -- the customer has choices, but still people still put a premium on service. And if they come away -- it's small things; did you help carry the boxes to the car for the customer? Well, that's a pain but over time that means something to people.

We're doing a lot on the sustainability front trying to help the customer with fuel economy given that you can only do a -- it's a finite amount of help you can give them, but we're trying to help them on fuel economy. We're working with them on things like our cardboard -- I believe that the customer responds to that and is willing to overlook \$15 or \$20 on the price in many instances if they just see that the whole thing is just -- they're winning in so many other ways that they don't have to just beat us to death on price.

But when the price is \$200 different or \$300 different, well that's a tougher deal for my guy or gal at the counter to say our products are all biodegradable; therefore, you should pay \$200 more. I don't think that goes down so easy. So that is causing issues inside of length of rental and size of truck issues. And it makes their strategy more viable on a \$1300 rental than it is on a \$150 rental.

JIM BARRETT: How would you characterize Penske's behavior in all of this?

JOE SHOEN: Penske's behavior is that they are doing Penske's game, which is typically what they have always done. And they have always priced off a different rationale than we have; closer to a yield management or a -- I'd say closer to a yield management type thing. So their price could vary 100% in a two-week period.

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We have for more than 20 years stayed off of those kind of swings, believing that in the long run they alienate the customer. However, Penske has picked share up off of budget more than likely with that strategy. Now we have picked share up off of budget with our strategy. Penske is a little different, and they often will do a rate -- and I can't quote you a rate that is current out of Florida -- but they often done a rate which is \$175 out of Northern Florida to any location in Long Island.

A fair cost of that rental, your real cost is \$400 or \$500 at least. So they are doing that -- they are losing \$300 every time they rent a truck, and we ordinarily will not follow that rate. But Penske does that, and they are very much -- I think have the belief that if they can move the truck immediately, and of course, I don't see their books, so I don't see what really happens; but if they can move the truck immediately, they will rent it for \$300 less than their true cost, believing they are going to pick it up on the return.

Our experience is on the return, we never get the full \$300 back, and it is not a zero sum game, it is a declining sum game. And we as a general rule do not do those wide fluctuations in pricing.

JIM BARRETT: Actually, to touch upon what you just said, considering that Florida, Southern Cal, Arizona and Nevada are ground zero for what is happening, at least in new housing, are you seeing any change in rental behavior in those markets?

JOE SHOEN: Well, California has been a lot of spikes and valleys for us. The North and the South are totally different characteristics, and I don't think the housing market explains that, Jim. But they have been very volatile markets for us, and I don't think we have got any kind of balance.

Arizona, I would say, is going ahead very much like it has in the past. It is just hard to get an increase. Florida, we are down in revenue in Florida, and I have some information that indicates to me our competitors may be down on revenue in Florida. And I

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don't have a good explanation for it. So, unfortunately, I come back with I don't have a clear macro to communicate to you that is consistent between those three markets.

I think you picked three that are fairly representative, that if there was a common driving force you would expect to see it between those three markets. Always it is confused by the quality of our individual management, obscured. I don't know what the right word is; maybe confused isn't the right word. But always, of course, if we are managing to a higher level, we do better in any given market.

Like any company, a given zone manager does a better or worse job. But overall in California we shouldn't be doing that much difference a management job than we're doing overall in Florida. They're big enough markets that a lot of that should normalize out. I can't see the housing market has a direct impact on it, although we continue to probe to try to do the analysis to see if we can pull it out and find a good indicator.

And overall would I wish housing was booming? Oh, God, I wish housing was booming. I do for sure. I guarantee you we're losing something over it, but I can't correlate it to is that a 1% or a 3% or something like that? I just can't -- I can't pull that out of the numbers.

JIM BARRETT: Okay. And then last, you've broken in detail about truck maintenance spending before and I know it's a bit of a step function, but what's your broad outlook on that number going forward over the next couple years?

JOE SHOEN: Well, we're getting a decline this year. Rocky or Jason, jump in if you disagree. We'll hopefully have a decline the following year, but it's going to kind of level out because now we have some trucks that two years ago were brand new and now they're 30 months old and so now they're starting interim maintenance cycles. So this think will kind of level out here at a point. There's a little bit of lag in what we call the betterments account where some certain large repairs are capitalized and then

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they're redepreciated over a period of months. There's a little lag there, but we're starting -- that account is starting to normalize out.

So I'm looking for continued declines, but I think the decline that we're seeing out of the fleet decisions are going to level off and further declines are going to have to be through some sort of improved management, whether it's -- improved management. And we have stuff cooking on that, but trying to get a 5% change on improved management in that is a very tall order. So I would expect them to probably next year level out compared to this year.

JIM BARRETT: Thank you very much. That helps.

OPERATOR: (OPERATOR INSTRUCTIONS). Simon Willis, NCB Stockbrokers.

SIMON WILLIS, ANALYST, NCB STOCKBROKERS: Before you mentioned that the U-Haul environment is currently tough and you also said though that transactions year-over-year are up about 1%. Just in general, when you think about a tough environment, what type of range would you put on for transactions in terms of growth year-over-year?

JOE SHOEN: I'd say somewhere plus or minus 1.5%. Right now I think we're running a little bit on the plus side. There are a lot of components inside that number and I seldom see it in the aggregate, but that's kind of where you're stuck with having to deal with it. So plus or minus 1.5%.

Then the question is immediately what impact does that have on revenue? If pricing was stable you'd see 1.5% at least change there, but pricing has not been as stable. Now I'm continuing to work that and we've invested a lot of energy and time and expensed all that energy and time by the way. but that could reap a reward and I fully intend for it to and I have some pretty

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talented people who think we're going to see it. But I'm not going to the bank on it.

SIMON WILLIS: Okay. How would you think of a normal environment versus a tough environment, what type of range in terms of year-over-year transactions?

JOE SHOEN: I think you're going to see that transactions are going to reflect overall demographics and not so much share movement, assuming we don't see a competitor either exit or enter the marketplace. And so what's overall demographics for moving a 5% range I would say. Now inside of that we do other things. As you know, we sell products which when we're doing a good job we've outpaced that on the sale of products, although we didn't this year or haven't so far. We also rent self-storage and we've outpaced that on the self-storage front consistently. And so that takes the whole top-line number and moves it ahead of the demographic number. But I think that's somewhat correct what I'm saying.

SIMON WILLIS: Okay. Would you describe the current pricing environment as more competitive than usual or kind of within line of the natural competitiveness of the market?

JOE SHOEN: I think it's silly because -- we're running below cost in lots of markets. And I didn't bring a bunch of quotes to me, but I think two or three calls ago we quoted like 20 prices and by just -- without having any inside information at all you could deduce they were below the cost of this vehicle ownership. And we haven't for long said you can't lose money here and count on making it there. We don't believe that that's a fundamental good approach because you may have a competitor who's only really active in the market where you think you're going to make the money and they're going to force prices to a normal level.

So when you do something like rent a truck from Florida to Long Island for \$129 or \$159, you just threw \$300 at least right down the gutter. And to say you're going to get that \$300 premium for every rental going the other way I think is a very short sighted

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view. I don't think that that's proven itself to be a fact. Now everybody is entitled to their strategies, but that's our position is that's not a fact. You rent that thing for that low price, it does a lot of (technical difficulty) one of the biggest things is it confuses the customers to what is a fair price. Because the -- let's say \$159 is a fair price or is your normal price of \$700 or \$800 a fair price? And so they don't know if they're getting a good deal or getting gouged.

So when they then encounter this \$700 price going the other way our experience is they just scream bloody murder. And statistically the person most likely to go from point A to point B is the person who just went from point B to point A. So they actually do know those prices. You wouldn't think they would, but enough of the customer base knows it, maybe 20% or so, but, boy, they scream bloody murder and that's demoralizing even at the point of sale because our people at the point of sale are human beings and they're not rip-off artists. And if they think we're trying to rip the

customer off they're more likely to concede on pricing and then you don't make your money back on the second leg, you see?

SIMON WILLIS: IS that pricing dynamic something new that has come into the market, or has that been active for the last couple years?

JOE SHOEN: The budget organization went through a whole metamorphosis over the last five years and its present iteration is maybe 36 months or newer. And in its present iteration it's been I think just simply disorganized. But the net effect is that the consumer believes, and you would probably too if you called 10 random A/B destinations and quoted, you would probably believe they're cutting prices.

So if we stand still on that they will make share, Budget is a legitimate company. They own lots of facilities and have lots of employees and I'm sure they're fine people if you knew them. But

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we're not going to just stand still and let that go through. But again, if they cut a dollar we cut the dollar but we do three times the transactions roughly, it's no fun.

SIMON WILLIS: Right. Is there any hope or are you optimistic in any way over the next year or two that this can get resolved?

JOE SHOEN: Absolutely. And of course classically this is an industry with three major competitors, the one-way truck businesses, Budget, Penske and U-Haul. Classically you get some price leadership and it manages itself okay. It's when somebody decides they have to gain share from somebody that you get this kind of turbulence that results in no economic gain for the group, in fact probably an economic loss. So I remain encouraged and the official position of Budget is that they're not doing this.

I didn't listen in on their most recent conference calls, but over the last year I'm sure I listened to two or three of them and their official position is they're not doing this. But many a slip between the cup and the lip. As I indicated even with us, if our point of sale thinks we're ripping the customer off they're much more likely to concede and they have that authority. If they cave on prices the net effect is we got less money. And Budget I think is having its own issues implementing and knowing exactly what it did and why it did it, and I think that's as much at fault.

But this is a guess, I don't think these people would fib on a conference call. I think on a conference call they're telling you pretty closely what they really believe is occurring. But yet when you go out and do pricing in the marketplace, there seems to be a gap between those two views of the world, they're two slices of reality. I think it's that they have so many new people, the whole thing has been so much in -- I don't know what you would call it, but turmoil or whatever. And I think it's very difficult to say I know exactly what's happening in Kansas City today because maybe you don't.

My hope is that that's largely it. And so by, as I talked about earlier, me trying to get us to exercise price leadership every time

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we get what we consider to be an opportunity, it's another indicator to them as to, hey, don't throw the money away. Price at cost at least. If you feel a need to discount then price to cost, not below your cost. And their costs aren't -- I mean they're buying trucks, the trucks are made by a small group of people, the boxes are made by a small group of people, we're all competing for a labor force, there's no way they have a cost advantage over us, but argue it's the other way around. But they certainly don't have a cost advantage over us.

So they can't sustain doing that. And they've posted results -- or what they've shared anyway has been halfway grim, which I'm sure they're being held accountable by their management and Board and shareholders to not have that sort of result. And if they perceive that we'll let them come up a little bit, I remain optimistic they'll come up, and it has a profound effect on us.

SIMON WILLIS: My last question is outside the steps that you've taken on the repair and maintenance line item, are there other things that you can be doing to mitigate the challenging or tough environment on the revenue side?

JOE SHOEN: I think the biggest thing is trying to knock people's socks off with improved service. And like a lot of people at the home office, I see lots and lots of the complaints. And every time I see a complaint -- the standard one is that person tells 10 people and you wish to God you'd never made them mad. So I'm focusing on that saying if we could.

We're bringing customers in at some kind of a steady rate I believe. I believe the differential is how many we're retaining if that makes sense. And if we up the retention we'll up the gross. And so I'm focusing on that and, again, I don't have a simple table that will show me arithmetically that I've achieved it. But I see a tremendous level of detail and I can see in the same market a location up 10 and one down 10 and it's not the market. They're identical markets. I mean, these are locations within 10 miles of each other in the same basic demos.

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So it has to do with fundamental management like in every business and so I'm focusing on that. I don't see a magic wand or a campaign I can just produce and that's going to give me ex percent. So right now I'm focused very hard and have been for some period on, okay, let's simply make the existing customer happier and statistically we're going to do better. How to do that is a whole bunch of very minor moves, there's no magic wand but it's are your trucks cleaner. I believe our trucks are cleaner than they were last year at this time. And that's a big part of the experience, honest to God, is was the truck clean. And they're getting made filthy every day and there's a whole bunch of macro issues.

Truck washing, which is a mundane subject, becomes much less mundane if you're in my job because there are all kinds of market that won't even let you wash the truck in. You can't turn the hose on and run the water, they won't let you do it. But the customer still has the expectation, and you'd darn well better meet their expectation, so let's learn how to do it. I was alluding to some of that; in my prepared remarks I talked about these macro issues like sustainability. This is only getting -- it's bearing down worse.

I got an estimate from somebody the other day and in their estimate they gave me at least 10 lines on what they're doing for sustainability. That's how much they perceive -- it was a small business -- it's how much they perceive it's influencing people's decision-making. Well, I can tell you this, on that front U-Haul is far ahead of either the Penske or the Budget organization. And I think our customer expects us to and the better we do it and the better we communicate it the more likely we're going to get their repeat -- earn their repeat business.

And we're doing a far better job relative than our competitor, but at the same time the essence of our business is that we burn fossil fuel and engage in the mayhem on the roadways. So always going to have somebody who gets in some sort of a tragic accident and I'm always burning fuel just as fast as it can be pumped in these trucks. So that kind of puts us on the wrong end of this deal from

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a macro point of view. We're doing a lot of things to make us be -- I don't know what you want to say -- the least worse or really better than that.

I think we have -- we have evidence that indicates we can have a significant positive effect if we implement our business plan exactly like we know how to do it. And I won't bore you all with that here today, but selling that at the municipal and state level will engender us to the people who are going to make decisions that could adversely impact us that basically relate to greenhouse gases and community relations or land use planning and those are big issues for us in almost every market in North America.

SIMON WILLIS: Thank you very much.

OPERATOR: This concludes our Q&A session. I will now turn the call over to Mr. Shoen.

JOE SHOEN: I want to thank you all for your continued support. I don't -- I wish I had a rosier prediction for the fourth quarter, but I don't. We're going to continue ahead, I believe we have a pretty motivated work group and I look forward to talking to you when we have our year-end results.

OPERATOR: This concludes today's conference call. You may now disconnect.

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LOAD-DATE: February 12, 2008

Decision and Order

DECISION AND ORDER

The Federal Trade Commission (“Commission”) having initiated an investigation of certain acts and practices of U-Haul International, Inc., and AMERCO, (hereinafter referred to as “Respondents”), and Respondents having been furnished thereafter with a copy of the draft Complaint that counsel for the Commission proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge Respondents with violations of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45; and

Respondents, its attorneys, and counsel for the Commission having thereafter executed an Agreement Containing Consent Order (“Consent Agreement”), containing an admission by Respondents of all the jurisdictional facts set forth in the aforesaid draft Complaint, a statement that the signing of said Consent Agreement is for settlement purposes only and does not constitute an admission by Respondents that the law has been violated as alleged in such Complaint, or that the facts as alleged in such Complaint, other than jurisdictional facts, are true, and waivers and other provisions as required by the Commission’s Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that Respondents have violated the said Act, and that a Complaint should issue stating its charges in that respect, and having accepted the executed Consent Agreement and placed such Consent Agreement on the public record for a period of thirty (30) days for the receipt and consideration of public comments, now in further conformity with the procedure described in Commission Rule 2.34, 16 C.F.R. § 2.34, the Commission hereby makes the following jurisdictional findings and issues the following Order:

1. Respondent AMERCO is a corporation organized, existing, and doing business under and by virtue of the laws of Nevada, with its principal address at 1325 Airmotive Way, Ste. 100, Reno, Nevada 89502.
2. Respondent U-Haul International, Inc., is a corporation organized, existing, and doing business under and by

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virtue of the laws of Nevada, with its principal address at 2727 North Central Avenue, Phoenix, Arizona 85004. U-Haul International, Inc., is a wholly-owned subsidiary of AMERCO.

3. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the Respondents, and the proceeding is in the public interest.

ORDER**I.**

IT IS ORDERED that, as used in this Decision and Order, the following definitions shall apply:

- A. “U-Haul” means Respondent U-Haul International, Inc., its directors, officers, employees, agents, attorneys, representatives, successors, and assigns; its subsidiaries, the divisions, groups, and affiliates controlled, by U-Haul International, Inc., (including, as applicable, state operating companies such as U-Haul Co. of Florida, Inc., and marketing companies such as U-Haul Company of Tampa); and the respective officers, directors, employees, agents, attorneys, representatives, successors, and assigns of each.
- B. “AMERCO” means Respondent AMERCO, its directors, officers, employees, agents, attorneys, representatives, successors, and assigns; its subsidiaries, the divisions, groups, and affiliates controlled, by AMERCO; and the respective officers, directors, employees, agents, attorneys, representatives, successors, and assigns of each.
- C. Respondents means Respondent U-Haul and Respondent AMERCO.
- D. “Budget” means Avis Budget Group, Inc., a corporation organized, existing, and doing business under and by virtue of the laws of the State of

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Delaware, with its principal address at 6 Sylvan Way, Persippany, New Jersey 07054.

- E. “Penske” means Penske Truck Leasing Co., L.P., a limited partnership organized, existing, and doing business under and by virtue of the laws of the State of Pennsylvania, with its principal address at Route 10 Green Hills, Reading, Pennsylvania 19603.
- F. “Commission” means the Federal Trade Commission.
- G. “Communicating” means any transfer or dissemination of information, regardless of the means by which it is accomplished, including orally, by letter, e-mail, notice, or memorandum.
- H. “Competitor” means any Person engaged in the business of leasing or renting trucks for use by individuals.
- I. “Designated Employees” means all United States Traffic Control Managers, Area Field Managers, General Managers, and Executive Assistants employed by Respondents’ marketing companies. “Designated Employees” does not include U-Haul Dealers.
- J. “Designated Managers” means each officer and director of Respondent U-Haul and each officer and director of Respondent AMERCO, Respondents’ Executive Vice Presidents, Area District Vice Presidents, Vice President of Rates and Distribution, Rate Analysts, and United States Marketing Company Presidents. Designated Managers also includes any employee of a Respondent with direct or supervisory responsibility for investor relations. *Provided, however,* Designated Managers does not include: (1) officers and directors of AMERCO’s subsidiaries not engaged in truck rentals; and (2) U-Haul Dealers.
- K. “Federal Securities Laws” means the securities laws as that term is defined in § 3(a)(47) of the Securities

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Exchange Act of 1934, 15 U.S.C. § 78c(a)(47), and any regulation or order of the Securities and Exchange Commission issued under such laws.

- L. “Insider” means a Consultant, officer, director, employee, agent, or attorney of U-Haul. *Provided, however,* that a Competitor shall not be considered to be an “Insider.”
- M. “Person” means both natural persons and artificial persons, including, but not limited to, corporations, partnerships, and unincorporated entities.
- N. “U-Haul Dealer(s)” means any United States Person not owned or controlled by U-Haul that has entered into a contract with a U-Haul state operating company or a U-Haul marketing company to rent trucks to customers in return for commissions.

II.

IT IS FURTHER ORDERED that in connection with the rental of trucks in or affecting commerce, as “commerce” is defined by the Federal Trade Commission Act, Respondents shall cease and desist from, either directly or indirectly, or through any corporate or other device:

- A. Communicating, publicly or privately, to any Person who is not an Insider, that Respondents are ready or willing:
 - 1. To raise, fix, maintain, or stabilize prices or price levels, rates or rate levels, conditional upon a Competitor also raising, fixing, maintaining, or stabilizing prices or price levels, rates or rate levels; or
 - 2. To forbear from competing for any customer, contract, transaction, or business opportunity, conditional upon a Competitor also forbearing from competing for any customer, contract, transaction, or business opportunity;

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- B. Communicating with Budget or Penske regarding Respondents' prices or rates; *provided, however*, that for purposes of this Paragraph II.B Communicating does not include the transfer or dissemination of information through Web sites or other widely accessible methods of advertising such as newspapers, television, or signage;
- C. Entering into, attempting to enter into, adhering to, participating in, maintaining, organizing, implementing, enforcing, inviting, offering or soliciting any combination, conspiracy, agreement, or understanding between or among U-Haul and any Competitor:
1. To raise, fix, maintain, or stabilize prices or price levels, rates or rate levels, or to engage in any other pricing action; or
 2. To allocate or divide markets, customers, contracts, transactions, business opportunities, lines of commerce, or territories.
- Provided, however*, it shall not, of itself, constitute a violation of Paragraph II.C of this Order for Respondents to engage in any of the conduct described in this paragraph with a Competitor (other than Budget or Penske) where such conduct is reasonably related to a lawful joint venture or dealer relationship and reasonably necessary to achieve the procompetitive benefits of the joint venture or dealer relationship; and
- D. Instructing or otherwise encouraging any U-Haul Dealer to engage in any conduct that Respondents are prohibited from engaging in under Paragraphs II.A, II.B, or II.C of this Order.

Provided, however, that it shall not, of itself, constitute a violation of Paragraph II of this Order for Respondents: (1) to Communicate to any Person reasonably believed to be an actual

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or prospective truck rental customer, Respondents' rental rate and/or that Respondents are ready or willing to lower that rental rate in response to a Competitor's rental rate; (2) to Communicate to any Person reasonably believed to be with a market research firm Respondents' rental rates; (3) without knowingly disclosing his/her affiliation with U-Haul, and while taking steps reasonably calculated to conceal his/her affiliation with U-Haul, and for the purpose of legitimate market research (i) to request from a Competitor information regarding its rental rate; or (ii) to communicate to a Competitor U-Haul's rental rate for a proposed transaction; or (4) publicly to disclose any information where and at such time as the public disclosure of this information by Respondents is required by the Federal Securities Laws.

III.

IT IS FURTHER ORDERED that Respondent U-Haul shall:

- A. Within thirty (30) days after the date on which this Order becomes final:
 - 1. Send to each Designated Manager a copy of this Order and the Complaint by first-class mail with delivery confirmation or by electronic mail with return confirmation; and
 - 2. Send or distribute to each Designated Employee by hand delivery, first-class mail, electronic mail or electronic distribution, a notice stating that U-Haul employees shall not invite any competitor to fix or raise prices or allocate customers or communicate with a competitor that U-Haul is willing to fix or raise prices or forbear from competing for customers if the competitor agrees to do the same.
- B. Within six (6) months after the date on which this Order becomes final, send or distribute to each U-Haul Dealer by hand delivery, first-class mail, electronic mail or electronic distribution, a notice stating that U-Haul Dealers shall not invite any competitor to fix or raise prices or allocate customers or communicate with a competitor that U-Haul is willing to fix or raise

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prices or forbear from competing for customers if the competitor agrees to do the same.

- C. For four (4) years from the date this Order becomes final send a copy of this Order by first class mail with delivery confirmation or electronic mail with return confirmation to each person who becomes a director, officer, or Designated Manager, no later than (30) days after the commencement of such person's employment or affiliation with Respondents.
- D. Require each person to whom a copy of this Order is furnished pursuant to Paragraphs III.A.1 and III.C of this Order to sign and submit to Respondent U-Haul International within thirty (30) days of the receipt thereof a statement that: (1) represents that the undersigned has read and understands the Order; and (2) acknowledges that the undersigned had been advised and understands that non-compliance with the Order may subject Respondents to penalties for violation of the Order.

IV.

IT IS FURTHER ORDERED that Respondent U-Haul shall file verified written reports within sixty (60) days from the date this Order becomes final, annually thereafter for four (4) years on the anniversary of the date this Order becomes final, and at such other times as the Commission may by written notice require. Each report shall include, among other information that may be necessary:

- A. An unredacted (except for claims of a recognized privilege) copy of each U-Haul memorandum described in the appendix to this Order;
- B. Copies of the delivery confirmations or electronic mail with return confirmations required by Paragraph III.A.1 and III.C of this Order;

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- C. A Copy of the notice(s) required by III.A.2 and III.B of the Order; and
- D. A detailed description of the manner and form in which Respondents have complied and are complying with this Order.

V.

IT IS FURTHER ORDERED that each Respondent shall notify the Commission:

- A. Of any change in its principal address within twenty (20) days of such change in address; and
- B. At least thirty (30) days prior to any proposed: (1) dissolution of such Respondent; (2) acquisition, merger, or consolidation of such Respondent; or (3) any other change in a Respondent including, but not limited to, assignment and the creation or dissolution of subsidiaries, if such change might affect compliance obligations arising out of this Order.

VI.

IT IS FURTHER ORDERED that, for the purpose of determining or securing compliance with this order, upon written request, each Respondent shall permit any duly authorized representative of the Commission:

- A. Access, during office hours and in the presence of counsel, to all facilities and access to inspect and obtain copies of relevant books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of Respondents relating to any matters contained in this Decision and Order; and
- B. Upon five (5) days' notice to a Respondent and without restraint or interference from it, to interview officers, directors, or employees of such Respondent.

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VII.

IT IS FURTHER ORDERED that this Decision and Order shall terminate twenty (20) years from the date the Decision and Order is issued.

By the Commission.

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CONFIDENTIAL APPENDIX

**[Redacted From the Public Record Version, But Incorporated
By Reference]**

Analysis to Aid Public Comment

**ANALYSIS OF AGREEMENT CONTAINING CONSENT
ORDER TO AID PUBLIC COMMENT**

The Federal Trade Commission has accepted, subject to final approval, an agreement containing a proposed consent order with U-Haul International, Inc. and its parent company AMERCO (collectively referred to as “U-Haul” or “Respondents”). The agreement settles charges that U-Haul violated Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, by inviting its closest competitor in the consumer truck rental industry to join with U-Haul in a collusive scheme to raise rates. The proposed consent order has been placed on the public record for 30 days to receive comments from interested persons. Comments received during this period will become part of the public record. After 30 days, the Commission will review the agreement and the comments received, and will decide whether it should withdraw from the agreement or make the proposed order final.

The purpose of this analysis is to facilitate comment on the proposed order. The analysis does not constitute an official interpretation of the agreement and proposed order, and does not modify their terms in any way. Further, the proposed consent order has been entered into for settlement purposes only, and does not constitute an admission by Respondents that it violated the law or that the facts alleged in the complaint (other than jurisdictional facts) are true.

I. The Complaint

The allegations of the complaint are summarized below:

U-Haul is the largest consumer truck rental company in the United States. Edward J. Shoen is the Chairman, President and Director of AMERCO, and the Chief Executive Officer and Chairman of U-Haul International, Inc. U-Haul’s primary competitors in the truck rental industry are Avis Budget Group, Inc. (“Budget”) and Penske Truck Leasing Co., L.P. (“Penske”).

Analysis to Aid Public Comment

A. Private Communications

For several years leading up to 2006, Mr. Shoen was aware that price competition from Budget was forcing U-Haul to lower its rates for one-way truck rentals. In 2006, Mr. Shoen developed a strategy in an attempt to eliminate this competition and thereby secure higher rates. Mr. Shoen instructed U-Haul regional managers to raise rates for truck rentals, and then contact Budget to inform Budget of U-Haul's conditional rate increase and encourage Budget to follow, or U-Haul's rates would be reduced to the original level.

At about the same time, Mr. Shoen also instructed local U-Haul dealers to communicate with their counterparts at Budget and Penske, with the purpose of re-enforcing the message that U-Haul had raised its rates, and competitors' rates should be raised to match the increased U-Haul rates.

In late 2006 and thereafter, U-Haul representatives contacted Budget and invited price collusion as instructed by Mr. Shoen. The complaint includes specific allegations regarding the U-Haul operation in Tampa, Florida.

U-Haul's regional manager for the Tampa area is Robert Magyar. In October 2006, Mr. Magyar received from Mr. Shoen the instructions described above. In response to Mr. Shoen's directive, Mr. Magyar increased U-Haul's rates for one-way truck rentals commencing in the Tampa area. Next, Mr. Magyar telephoned Budget and communicated to Budget representatives that U-Haul had raised its rates in Tampa, and that the new rates could be viewed on the U-Haul web-site.

One year later, in October 2007, Mr. Magyar again contacted several local Budget locations. Mr. Magyar communicated to Budget that U-Haul had increased its one-way truck rental rates, and that Budget should increase its rates as well. In an e-mail message addressed to U-Haul's most senior executives, Mr. Magyar related the conversations, as follows:

I have also called 3 major Budget locations in Tampa and told them who I am, I spoke about the .40 per mile rates to SE Florida and told them I

Analysis to Aid Public Comment

was killing them on rentals to that area and I am setting new rates to the area to increase revenue per rental. I encouraged them to monitor my rates and to move their rates up. And they did.

B. Public Communications

In late 2007, Mr. Shoen decided that U-Haul should attempt to lead an increase in rates for one-way truck rentals across the United States. Mr. Shoen understood that this rate increase could be sustained only if Budget followed. On November 19, 2007, Mr. Shoen instructed U-Haul regional managers to raise prices. His expectation was that Budget would follow this rate increase.

However, Budget did not immediately match U-Haul's higher rates. U-Haul instructed its regional managers to maintain the new, higher rates for a while longer, in case Budget should take note and decide to follow.

U-Haul held an earnings conference call on February 7, 2008. Mr. Shoen was aware that Budget representatives would monitor the call. Mr. Shoen opened the earnings conference call with a short statement, noting U-Haul's efforts "to show price leadership."¹ When asked for additional information on industry pricing, Mr. Shoen made the following points:

1. U-Haul is acting as the industry price leader. The company has recently raised its rates, and competitors should do the same.
2. To date, Budget has not matched U-Haul's higher rates. This is unfortunate for the entire industry.
3. U-Haul will wait a while longer for Budget to respond appropriately, otherwise it will drop its rates.
4. In order to keep U-Haul from dropping its rates, Budget does not have to match U-Haul's rates

¹ A complete transcript of the earnings conference call is annexed to the complaint as Exhibit A.

Analysis to Aid Public Comment

precisely. U-Haul will tolerate a small price differential, but only a small price differential. Specifically, a 3 to 5 percent price difference is acceptable.

5. For U-Haul, market share is more important than price. U-Haul will not permit Budget to gain market share at U-Haul's expense.

With regard to both the private and public communications, U-Haul acted with the specific intent to facilitate collusion and increase the prices it could charge for truck rentals.

II. Analysis

The term "invitation to collude" describes an improper communication from a firm to an actual or potential competitor that the firm is ready and willing to coordinate on price or output. Such invitations to collude increase the risk of anticompetitive harm to consumers, and as such, can violate Section 5 of the FTC Act.²

If the invitation is accepted and the two firms reach an agreement, the Commission will allege collusion and refer the matter to the Department of Justice for a criminal investigation. In this case, the complaint does not allege that U-Haul and Budget reached an agreement, despite Mr. Magyar's report to his bosses that he privately encouraged Budget to raise its rates "and they did." See Complaint Paragraph 19.

² *In the Matter of Valassis Communications, Inc.*, 141 F.T.C. ____ (C-4160) (2006); *In the Matter of MacDermid, Inc.*, 129 F.T.C. ____ (C-3911) (2000); *In the Matter of Stone Container Corp.*, 125 F.T.C. 853 (1998); *In the Matter of Precision Moulding Co.*, 122 F.T.C. 104 (1996); *In the Matter of YKK (USA) Inc.*, 116 F.T.C. 628 (1993); *In the Matter of A.E. Clevite, Inc.*, 116 F.T.C. 389 (1993); *In the Matter of Quality Trailer Products Corp.*, 115 F.T.C. 944 (1992). In addition, invitations to collude may be violations of Section 2 of the Sherman Act as acts of attempted monopolization (*United States v. American Airlines*, 743 F.2d 1114 (5th Cir. 1984), *cert. dismissed*, 474 U.S. 1001 (1985)); as well as violations under the federal wire and mail fraud statutes, (*United States v. Ames Sintering Co.*, 927 F.2d 232 (6th Cir. 1990)).

Analysis to Aid Public Comment

Even if no agreement was reached it does not necessarily mean that no competitive harm was done.³ An unaccepted invitation to collude may facilitate coordinated interaction by disclosing the solicitor's intentions and preferences. For example, in this case Budget learned from Mr. Magyar that if Budget raised its rates U-Haul would not undercut Budget. Thus, the improper communication from U-Haul could have encouraged Budget to raise rates. Similarly, the public statements made by the CEO of U-Haul could have encouraged competitors to raise rates.

Although this case involves particularly egregious conduct, it is possible that less egregious conduct may result in Section 5 liability. It is not essential that the Commission find repeated misconduct attributable to senior executives, or define a market, or show market power, or establish substantial competitive harm, or even find that the terms of the desired agreement have been communicated with precision.

III. The Proposed Consent Order

U-Haul has signed a consent agreement containing the proposed consent order. The proposed consent order consists of seven sections that work together to enjoin U-Haul from inviting collusion and from entering into or implementing a collusive scheme.

Section II, Paragraph A of the proposed consent order enjoins U-Haul from inviting a competitor to divide markets, to allocate customers, or to fix prices. Section II, Paragraph C prohibits U-Haul from entering into, participating in, maintaining, organizing, implementing, enforcing, inviting, offering or soliciting an agreement with any competitor to divide markets, to allocate

³ The Commission has previously explained that there are several legal and economic reasons to punish firms that invite collusion even when acceptance cannot be proven. First, it may be difficult to determine whether a particular solicitation has or has not been accepted. Second, the conduct may be harmful and serves no legitimate business purpose. Third, even an unaccepted solicitation may facilitate coordinated interaction by disclosing the intentions or preferences of the party issuing the invitation. *In the Matter of Valassis Communications, Inc.*, Analysis of Agreement Containing Consent Order To Aid Public Comment, 71 Fed. Reg. 13976, 13978-79 (Mar. 20, 2006). See generally P. Areeda & H. Hovenkamp, VI ANTITRUST LAW ¶1419 (2003).

Analysis to Aid Public Comment

customers, or to fix prices. Section II, Paragraph B bars U-Haul from discussing rates with its competitors, with a proviso permitting legitimate market research.

The proviso in Section II, Paragraph D prevents the proposed order from interfering with U-Haul's efforts to negotiate prices with prospective customers, and it would permit U-Haul to provide investors with considerable information about company strategy. This proviso also permits U-Haul to communicate publicly any information required by the federal securities laws.

Sections III, IV, V, and VI of the proposed order include several terms that are common to many Commission orders, facilitating the Commission's efforts to monitor respondents' compliance with the order. Section IV, Paragraph A requires a periodic submission to the Commission of unredacted copies of certain internal U-Haul documents. This provision is necessary because U-Haul impeded the Federal Trade Commission's investigation of this matter. Specifically, U-Haul submitted to the Commission, in response to a *subpoena duces tecum*, documents authored by Mr. Shoen, from which were redacted many of the sentences quoted in the complaint. In the Commission's view, there was no justification for the redaction. The proposed order should deter repetition of this conduct.

Finally, Section VII provides that the proposed order will expire in 20 years.

Concurring Statement

**STATEMENT OF CHAIRMAN LEIBOWITZ,
COMMISSIONER KOVACIC, AND
COMMISSIONER ROSCH**

The Commission today has entered into a consent agreement with U-Haul and its parent company, AMERCO, resolving the Commission's allegation that they attempted to collude on truck rental prices. The parties have settled an invitation-to-collude case and not a Sherman Antitrust Act Section 1 conspiracy case. Put differently, the complaint in this case alleges an unfair method of competition in violation of Section 5 of the FTC Act that does not also constitute an antitrust violation.

Invitations to collude are the quintessential example of the kind of conduct that should be – and has been – challenged as a violation of Section 5 of the Federal Trade Commission Act,¹ which may limit follow-on private treble damage litigation from Commission action while still stopping inappropriate conduct. In contrast to conspiracy claims that would violate Section 1, invitations to collude do not require proof of an agreement; nor do they require proof of an anticompetitive effect. The Commission has not alleged that Respondents entered into an agreement with Budget or any other competitors in violation of Section 1. Today's Commission action is instead based on evidence that Respondents unilaterally attempted to enter into such an agreement. The Commission therefore has reason to believe that Respondents engaged in conduct that is within Section 5's reach.

¹ *In re Valassis Commc'ns, Inc.*, F.T.C. File No. 051-008, 2006 FTC LEXIS 25 (April 19, 2006) (Complaint); *In re MacDermid, Inc.*, F.T.C. File No. 991-0167, 1999 FTC LEXIS 191 (Feb. 4, 2000) (Complaint, Decision and Order); *In re Stone Container Corp.*, 125 F.T.C. 853 (1998) (June 3, 1998) (Complaint, Decision and Order); *In re Precision Moulding Co.*, 122 F.T.C. 104 (Sept. 3, 1996) (Complaint, Decision and Order); *In re YKK (USA) Inc.*, 116 F.T.C. 628 (July 1, 1993) (Complaint); *In re A.E. Clevite, Inc.*, 116 F.T.C. 389 (June 8, 1993) (Complaint); *In re Quality Trailer Products Corp.*, 115 F.T.C. 944 (Nov. 5, 1992) (Complaint).

Complaint

IN THE MATTER OF

**AEA INVESTORS 2006 FUND, L.P.,
HHI HOLDING CORPORATION,
AND
HOUGHTON INTERNATIONAL, INC.**

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE FEDERAL TRADE
COMMISSION ACT

*Docket No. C-4297; File No. 081 0245
Filed August 26, 2010 — Decision, August 26, 2010*

The consent order addresses allegations that the proposed acquisition of S.A. Stuart GmbH (“Stuart”) by Houghton International, Inc. (“Houghton”) would result in decreased innovation in the market for aluminum hot rolling oil (“AHRO”) in North America and higher prices for AHRO to U.S. consumers. Under the consent order, Houghton is required to divest Stuart’s AHRO business to Quaker Chemical Corporation and provide transitional services to ensure a smooth transfer of AHRO assets. Under the consent order, the Commission will appoint a trustee to oversee the divestiture and a trustee to monitor compliance with the terms of the order.

Participants

For the *Commission*: Anna Chehtova, Mike Clark, Rebecca Dick, Robert E. Friedman, James Frost, Amanda Hamilton, Mark D. Seidman, Justin Stewart-Teitelbaum, and Jodie Williams.

For the *Respondents*: Charles F. (Rick) Rule, Cadwalader, Wickersham & Taft LLP; and Peter Guryan, Fried, Frank, Harris, Shriver & Jacobson LLP.

COMPLAINT

Pursuant to the Clayton Act and the Federal Trade Commission Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission (“Commission”), having reason to believe that Respondent AEA Investors 2006 Fund, L.P., Respondent HII Holding Corporation and Respondent Houghton International, Inc. (“Houghton”), violated Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act (“FTC Act”), as amended, 15