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BODY:

Corporate Participants

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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

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 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.

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.

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 profiters.

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 them diminishing, Ian. But I would expect them to grow at or below the companies 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 somewheres 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. Somewheres 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.

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.

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?

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.

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 00 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.

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?

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 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.

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.

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. 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.

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 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 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 somewheres 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 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 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 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 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 affect 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.

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 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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