HUNT J B TRANSPORT SERVICES INC
Form 10-K
February 29, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2007	**Commission file number 0-11757**

J.B. HUNT TRANSPORT SERVICES, INC.

(Exact name of registrant as specified in its charter)

Arkansas (State or other jurisdiction of incorporation or organization)	**71-0335111** (I.R.S. employer identification no.)
615 J.B. Hunt Corporate Drive Lowell, Arkansas (Address of principal executive offices)	**72745-0130** (ZIP code)

Registrant s telephone number, including area code: 479-820-0000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 Par Value

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes **x** No o

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No **x**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **x** No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer **x** Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No **x**

The aggregate market value of 91,239,482 shares of the registrant s $0.01 par value common stock held by non-affiliates as of June 30, 2007, was $2.7 billion (based upon $29.32 per share).

As of February 26, 2008, the number of outstanding shares of the registrant s common stock was 124,715,401.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Notice and Proxy Statement for the Annual Meeting of the Stockholders, to be held May 1, 2008, are incorporated by reference in Part III of this Form 10-K.

J.B. HUNT TRANSPORT SERVICES, INC.

Form 10-K

For The Calendar Year Ended December 31, 2007

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FORWARD-LOOKING STATEMENTS

This report, including documents which are incorporated by reference, and other documents which we file periodically with the Securities and Exchange Commission (SEC), contains statements that may be considered to be forward-looking statements. Such statements relate to our predictions concerning future events or operations and are within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are inherently uncertain, subject to risks, and should be viewed with caution. These statements are based on our belief or interpretation of information currently available. Stockholders and prospective investors are cautioned that actual results and future events may differ materially from the forward-looking statements as a result of many factors. Some of the factors and events that are not within our control and that could have a material impact on future operating results include: general economic and business conditions, competition and competitive rate fluctuations, cost and availability of diesel fuel, ability to attract and retain qualified drivers, a loss of one or more major customers, interference with or termination of our relationships with certain railroads, insurance costs and availability, claims expense, retention of key employees, terrorist attacks or actions, acts of war, adverse weather conditions, new or different environmental or other laws and regulations, increased costs for new revenue equipment or decreases in the value of used equipment and the ability of revenue equipment manufacturers to perform in accordance with agreements for guaranteed equipment trade-in values. Current and future changes in fuel prices could result in significant fluctuations of quarterly earnings.

You should understand that many important factors, in addition to those listed above, could impact us financially. Our operating results may fluctuate as a result of these and other risk factors or events as described in our filings with the SEC. Some important factors that could cause our actual results to differ from estimates or projections contained in the forward-looking statements are described under Risk Factors in Item 1A. We assume no obligation to update any forward-looking statement to the extent we become aware that it will not be achieved for any reason.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are one of the largest surface transportation companies in North America. J.B. Hunt Transport Services, Inc. is a publicly held holding company that, together with our wholly owned subsidiaries and affiliated companies, provides a wide range of transportation services to a diverse group of customers throughout the continental United States, Canada and Mexico. Unless otherwise indicated by the context, we, us, our and JBHT refer to J.B. Hunt Transport Services, Inc. and its consolidated subsidiaries. We were incorporated in Arkansas on August 10, 1961, and have been a publicly held company since our initial public offering in 1983. Our service offerings include transportation of full-load freight, which we directly transport in multimodal arrangements utilizing our company-owned revenue equipment and company drivers, independent contractors, or third parties. This full-load freight may be transported entirely by truck over roads and highways, or may be moved, in part, by rail. We have arrangements with most of the major North American rail carriers to transport freight in containers and trailers. We also provide customized freight movement, revenue equipment, labor and systems services that are tailored to meet individual customers requirements and typically involve long-term contracts. These arrangements are generally referred to as dedicated services and may include multiple pickups and drops, local and home deliveries, freight handling, specialized equipment and network design. We also provide integrated capacity and comprehensive transportation services and solutions by utilizing a network of thousands of reliable third-party carriers. While these unrelated outside carriers at times supplement our dry van, full-load operations, they also provide flatbed, refrigerated, less-than-truckload and other specialized equipment, drivers and services. In addition, we have a 37% ownership interest in a global transportation logistics company, Transplace, Inc. (TPI). TPI is co-owned by five large transportation companies and provides supplemental sales, management and freight-movement services through arrangements with a large number of common carriers.

Our business operations are primarily organized through four distinct, but complementary, business segments. These segments include intermodal (JBI), dedicated contract services (DCS), full-load dry-van (JBT) and integrated capacity solutions (ICS). Our business is somewhat seasonal with slightly higher freight volumes typically experienced during the months of August through early November. Our DCS segment is subject to less seasonal variation than our other segments. For the calendar year ended December 31, 2007, our consolidated revenue totaled $3.5 billion, after the elimination of inter-segment business. Of the total, $1.7 billion, or 47%, was generated by our JBI business segment. Our DCS segment represented $937 million, or 27%, of total revenue. Our JBT segment generated $842 million, or 24%, and our ICS segment generated $92 million, or 2%.

Additional general information about us is available from our Internet website at www.jbhunt.com. We make a number of reports and other information available free of charge on our website, including our annual report on Form 10-K, our proxy statement and our earnings releases. Our website also contains corporate governance guidelines, our code of ethics, our whistleblower policy, committee charters for our Board of Directors and other corporate policies.

OUR MISSION AND STRATEGY

We forge long-term partnerships with key customers that include supply-chain management as an integral part of their strategy. Working in concert, we drive out cost, add value and function as an extension of our customers enterprise. We believe that our operating strategy can add value to customers and increase our profits and returns to stockholders.

RECENT FOCUS

During the past several years, we have taken significant steps to re-establish a primary focus on the profitability of our business segments. In each segment we have implemented capacity-management decision-making processes that result in the deployment of our assets where we believe they will generate more profit. We continually focus on replacing less-profitable freight with higher-margin freight and lanes. Selective pricing actions and ensuring that we properly charge for all services provided have also been areas of major focus. Recent examples of actions taken to redeploy our assets include: 1) a decision to sell certain revenue equipment within our JBT business segment; 2) expanding the number of third-party carriers that provide us with transportation services, and 3) growing our ICS business with new and existing customers. Each of these are discussed in more detail in the operating segments sections.

Increasingly, our customers are seeking energy-efficient transportation solutions to reduce both cost and greenhouse-gas emissions. Our intermodal service addresses both demands. We are also beginning to customize dedicated solutions aimed at minimizing transportation-related carbon emissions. Efforts to improve fleet fuel efficiency are ongoing, and we are an Environmental Protection Agency (EPA) SmartWay^{SM} Transport Partner.

In addition, fundamental changes in shipper supply-chain transportation logistics have resulted in the conversion of freight from traditional random truckload to intermodal and dedicated operations. We continue to ingrain safety into our corporate culture and conduct all of our operations as safely as possible.

OPERATING SEGMENTS

Segment information is also included in Note 13 to our Consolidated Financial Statements.

JBI Segment

The transportation service offerings of our JBI segment utilize arrangements with most major North American rail carriers to provide intermodal freight solutions for our customers throughout the continental United States, Canada and Mexico. Our JBI segment began operations in 1989 with a unique partnership with the former Santa Fe Railway (now the BNSF Railway Company), a watershed event in the industry and the first agreement that linked major rail and truckload carriers in a joint marketing environment. Essentially, JBI draws on the intermodal (also known as container on flatcar) services of rail carriers for the underlying linehaul movement of its equipment and performs the pickups and deliveries (drayage) for customers at the origin and destination rail terminal locations. We may directly provide the drayage service at either the origin or destination rail ramp utilizing our company-owned tractors, or we may purchase these services from third parties. JBI provides seamless coordination of the rail and over-the-road transport movements for our customers and delivers a single billing for the complete door-to-door service.

Our intermodal program has grown from 20 loads in late 1989 to more than 738,000 in 2007. JBI operates 34,019 company-controlled containers system wide. The entire fleet comprises 53-foot, high-cube containers and is designed to take advantage of intermodal double-stack economics and superior ride quality. JBI also manages a fleet of 1,795 company-owned tractors and 2,232 company drivers in support of intermodal operations. At December 31, 2007, the total JBI employee count was 2,494. Revenue for the JBI segment in calendar year 2007 was $1.65 billion, compared with $1.43 billion in 2006. As previously announced, an arbitration process with the BNSF Railway Company (BNI) was concluded during the third quarter 2005. In accordance with the settlement terms, we paid BNI $25.8 million. In addition, this settlement also resulted in higher rail purchased transportation expenses effective October 1, 2005. Normal commercial business activity continued with BNI during the approximate 15-month arbitration process, and normal business operations have continued since the final settlement.

DCS Segment

Since 1992, we have offered dedicated contract carriage as a service option. Our DCS segment operations specialize in the design, development and execution of customer-specific fleet solutions. Capitalizing on advanced systems and technologies, DCS offers transportation engineering solutions that support private fleet conversion, dedicated fleet creation and transportation system augmentation. DCS operations typically provide customized services that are governed by long-term contracts and currently include dry-van, flatbed, temperature-controlled, dump trailers and local inner-city operations.

DCS operations focus on delivering recognizable customer value through best-in-class service, cost control and guaranteed dedicated capacity. We utilize a proprietary methodology known as Customer Value Delivery® (CVD) to create, measure and communicate value generated for each customer. DCS leverages the JBHT freight network to reposition equipment near outbound domiciles, thereby reducing inefficient empty miles and system cost. We also frequently find synergy in shared resources with the JBT and JBI segments, including terminals, drivers, maintenance shops, bulk fuel locations and trailer pools providing further economies of scale. DCS revenue for calendar year 2007 was $937 million, compared with $915 million in 2006. In early 2004, DCS began utilizing independent contractors (ICs) and at December 31, 2007, we had 100 ICs operating in this segment. At December 31, 2007, our segment operated 4,941 company-controlled and 92 customer-owned trucks and employed 6,041 people, 5,262 of whom were drivers.

JBT Segment

Our primary transportation service offerings classified in this segment include full-load, dry-van freight, which is predominantly transported utilizing company-controlled tractors operating over roads and highways. We pick up our freight at the dock or specified location of the shipper and transport the load directly to the location of the consignee. Our loads are transported by our company-owned tractors and employee drivers or by ICs who agree to transport freight in our trailers. This type of freight movement typically results in our billing the customer for all applicable freight charges and, in turn, paying the third party for their portion of the transportation services provided. This type of service usually results in our recognition of revenue for the entire billing and the payment to the third party being classified as purchased transportation expense.

We operate under the approval of certain Canadian authorities, allowing us to transport freight to and from all points in the continental United States to Quebec, British Columbia and Ontario. We have authorization to operate directly in substantially all the Canadian provinces, but to date we have served limited points in Canada, primarily through interchange operations with Canadian motor carriers. In late 2000, we began utilizing ICs in the JBT segment and at December 31, 2007, we had 978 ICs operating in the JBT segment, some of whom were leasing company-owned tractors. JBT revenue for calendar year 2007 was $842 million, compared with $966 million in 2006. At December 31, 2007, the JBT segment operated 3,572 company-owned tractors and employed 4,517 people, 3,635 of whom were drivers. A portion of our JBT segment nondriver employees provide freight solicitation, order entry and other operational support services to our other two segments. We record inter-segment credits and charges to properly reflect these inter-segment support services.

In December 2007, we entered into a plan to reduce the size of our JBT fleet and sell approximately 700 tractors and 2,500 trailers. This plan is consistent with our strategy to move our economic model from that of a primarily asset-based truckload carrier to an asset-light transportation company and our focus for growth and investment in segments that provide the desired margins. We expect to sell this equipment during calendar year 2008. As a result of the plan, we recorded a pretax charge of $8.4 million in December 2007 to reduce the carrying value of the revenue equipment to estimated fair value, less costs to sell.

ICS Segment

ICS provides non-asset and asset-light transportation solutions to customers through relationships with third-party carriers and integration with JBHT owned equipment. This type of freight movement typically results in our billing the customer for all applicable freight charges and, in turn, paying the third party for their portion of the transportation services provided. This type of service usually results in our recognition of revenue for the entire billing and the payment to the third party being classified as purchased transportation expense. ICS services include flatbed, refrigerated and less-than-truckload (LTL), as well as a variety of dry van and intermodal solutions. ICS revenue for calendar year 2007 was $92 million, compared with $42 million in 2006. At December 31, 2007, the ICS segment employed approximately 120 people.

Prior to 2007, ICS financial results were reported as part of the JBT segment. Beginning January 1, 2007, we began reporting ICS results separately. Prior period segment information has been reclassified to reflect this change.

Logistics Business and Affiliated Company

Effective July 1, 2000, we contributed an existing logistics segment business to a newly formed company, Transplace, Inc. (TPI). TPI is a non-asset-based third-party logistics provider offering a blend of logistics technology and transportation management services. Our share of TPI s financial results is included on a one-line, nonoperating item included on our Consolidated Statements of Earnings titled equity in loss of affiliated company.

Operations in Mexico

We have provided transportation services to and from Mexico since 1989. These services typically involve equipment interchange operations with various Mexican motor carriers. We provide transportation services to and from Mexico primarily by utilizing the services of a variety of Mexican carriers.

Marketing and Operations

We transport, or arrange for the transportation of, a wide range of freight, including forest and paper products, building materials, general merchandise, food and beverages, chemicals and automotive parts. Our customer base is extremely diverse and includes a large number of Fortune 500 companies. Our ability to offer multiple services, utilizing our four business segments and a full complement of logistics services through third parties, represents a competitive advantage. We provide a broad range of transportation services to larger shippers that seek to use a limited number of core carriers. Our largest customer in 2007 was Wal-Mart Stores, Inc., which accounted for approximately 12% of our total revenue.

We generally market all of our service offerings through a nationwide sales and marketing network. We do have some sales and marketing functions managed at the business-unit level, particularly for our DCS segment. In accordance with our typical arrangements, we bill the customer for all services and we, in turn, pay all third parties for their portion of transportation services provided. In recent years, we have re-established a primary focus on improving the profitability of each of our business segments and charging a fair price for all services provided.

People

We believe that one of the factors differentiating us from our competitors is our service-oriented people. As of December 31, 2007, we had 15,795 employees, including 11,129 company drivers, 1,177 mechanics and 3,489 office personnel. We also had arrangements with 1,084 ICs to transport freight in our trailing equipment. None of our employees are represented by unions or covered by collective bargaining agreements.

While we experienced improvements in 2007 relative to the past few years, our industry has periodically had a difficult time attracting and retaining enough qualified truck drivers. It is also common for the driver turnover rate of individual carriers to exceed 100%. It has been our practice to compensate our drivers at an above-average level in order to attract a higher caliber of experience and minimize turnover. While we have not, to date, experienced significant operational disruptions due to driver shortages, we expect the costs to recruit, train and retain company drivers and ICs will continue to rise in the foreseeable future.

Revenue Equipment

As of December 31, 2007, our company-owned tractor and truck fleet consisted of 10,308 units. In addition, we had 1,084 ICs, who operate their own tractors, but transport freight in our trailing equipment. We operate with standardized tractors in as many fleets as possible, particularly in our JBI and JBT fleets. Based on our customers preferences and the actual business application, our DCS fleet is more diversified. We believe operating with relatively newer revenue equipment provides better customer service, attracts quality drivers and lowers maintenance expense. At December 31, 2007, the average age of our combined tractor fleet was 3.0 years, our trailers averaged 6.4 years of age and our containers averaged 5.7 years. We perform routine servicing and preventive maintenance of our equipment at most of our regional terminal facilities.

Our JBI segment utilizes high-cube containers, which can be separated from the chassis and double-stacked on rail cars. We are currently in the process of expanding our container fleet and reconditioning our chassis fleet. The composition of our DCS trailing fleet varies with specific customer requirements and may include dry-vans, flatbeds, temperature-controlled, curtain-side vans, straight trucks and dump trailers. We typically operate newer revenue equipment in our JBT segment to minimize downtime and maximize utilization. We primarily utilize third-party carriers tractor and trailing equipment for our ICS segment; however, certain loads will utilize third-party carriers tractors powering our trailing equipment.

In December 2007, we initiated a plan to sell certain revenue equipment in our JBT segment. This plan is an effort to continue moving our current economic model from that of a primarily asset-based truckload carrier of the past to an asset-light transportation company, while reducing the JBT fleet until acceptable margins and returns on invested capital are achieved. Terms of the plan include approximately 700 tractors and 2,500 trailers to be sold during calendar year 2008.

Effective with model-year 2007 tractors, the EPA mandated lower emission standards for newly manufactured heavy-duty tractor engines. The 2007 EPA-compliant engines require more costly ultra-low-sulfur diesel (ULSD) fuel. Current market information and our experience to date indicates that ULSD fuel costs approximately $0.02 to $0.05 more per gallon. In 2006, we began testing the model-year 2007 engines in a group of our tractors. To date, we have seen a slight reduction in miles per gallon due to using ULSD fuel and these new 2007 EPA-compliant engines, and an increase in operating costs. Further, the acquisition costs of these new engines has increased by approximately 10%. A new set of more stringent emissions standards will become effective for newly-manufactured tractor engines in January 2010.

Competition and the Industry

The market in which we compete is frequently referred to as highly fragmented and includes thousands of carriers, many of which are very small. While we compete with a number of smaller carriers on a regional basis, only a limited number of companies represent competition in all markets across the country. We compete with other freight transportation carriers primarily in terms of on-time pickup and delivery service, availability of drivers, and revenue equipment and price.

Regulation

Our operations as a for-hire motor carrier are subject to regulation by the U.S. Department of Transportation (DOT) and the Federal Motor Carrier Safety Administration (FMCSA), and certain business is also subject to state rules and regulations. The DOT periodically conducts reviews and audits to ensure our compliance with all federal safety requirements, and we report certain accident and other information to the DOT. Our operations into and out of Canada and Mexico are also subject to regulation by those countries.

In July 2007, the D.C. Circuit Court of Appeals vacated certain provisions contained in the hours-of-service (HOS) regulations, issued by the FMCSA. The 11-hour-limit rule, which restricts drivers to 11 hours of driving time within a 14-hour period from the start of the workday, and the 34-hour-restart rule, which allows drivers to restart their weekly on-duty calculations after 34 consecutive hours off duty, were vacated by the court s decision. In September 2007, subsequent to petitions and motions by various groups, the court granted a 90-day delay in the effective date of its ruling. In December 2007, the FMCSA temporarily reinstated the vacated provisions until it gathers public comment and safety analysis information before issuing a final ruling. The public comment period extends until March 17, 2008. There has been no lapse in these rules since they were issued by the FMCSA in 2005. We continue to monitor the actions of the FMCSA.

ITEM 1A.   RISK FACTORS

In addition to the forward-looking statements outlined previously in this Form 10-K, and other comments regarding risks and uncertainties, the following risk factors should be carefully considered when evaluating our business. Our business, financial condition or financial results could be materially and adversely affected by any of these risks. Also note that additional risks not currently identified or known to us could also negatively impact our business or financial results.

Our business is subject to general economic and business factors that are largely out of our control, any of which could have a material adverse effect on our results of operations.

Our business is dependent upon a number of factors that may have a material adverse effect on the results of our operations, many of which are beyond our control. These factors include significant increases or rapid fluctuations in fuel prices, excess capacity in the trucking industry, interest rates, fuel taxes, license and registration fees, insurance premiums, self-insurance levels, interference with, or termination of, our relationships with certain railroads, terrorist attacks or actions, acts of war, adverse weather conditions, increased costs for new revenue equipment or decreases in the value of used equipment, surpluses in the market for used equipment, and difficulty in attracting and retaining qualified drivers and independent contractors.

We are also affected by recessionary economic cycles and downturns in customers business cycles, particularly in market segments and industries such as retail and manufacturing, where we have a significant concentration of customers. Economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses. In addition, our results of operations may be affected by seasonal factors. Customers tend to reduce shipments after the winter holiday season, and our operating expenses tend to be higher in the winter months, primarily due to colder weather, which causes higher fuel consumption from increased idle time and higher maintenance costs.

We operate in a competitive and somewhat fragmented industry. Numerous factors could impair our ability to maintain our current profitability and to compete with other carriers and private fleets.

Some of these factors include:

- We compete with many other transportation carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers and railroads, some of which have more equipment and greater capital resources than we do.

- Some of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain our profit margins.

- Many customers reduce the number of carriers they use by selecting so-called core carriers as approved transportation service providers, and in some instances we may not be selected.

- Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.

- Certain of our customers that operate private fleets to transport their own freight could decide to expand their operations.

- Consolidation in the transportation industry may create other large carriers with greater financial resources and other competitive advantages related to their size.

- Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

We derive a significant portion of our revenue from a few major customers, the loss of one or more of which could have a material adverse effect on our business.

For the calendar year ended December 31, 2007, our top 10 customers, based on revenue, accounted for approximately 38% of our revenue. Our largest customer, Wal-Mart Stores, Inc., accounted for approximately 12% of our total revenue in 2007. Our JBT and JBI segments typically do not have long-term contracts with their customers. While our DCS segment business may involve a written contract, those contracts may contain cancellation clauses, and there is no assurance that our current customers will continue to utilize our services or that they will continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

We depend on third parties in the operation of our business.

Our JBI business segment utilizes railroads in the performance of its transportation services. The majority of these services are provided pursuant to contractual relationships with the railroads. While we have agreements with various Class I railroads, the majority of our business travels on the Burlington Northern Santa Fe and the Norfolk Southern railways. The inability to utilize one or more of these railroads could have a material adverse effect on our business and operating results. We also utilize the services of a number of third-party dray carriers to perform a significant number of our origin and destination pickups and deliveries. In addition, a portion of the freight we deliver is imported to the United

States through ports of call that are subject to labor union contracts. Work stoppages or other disruptions at any of these ports could have a material adverse effect on our business.

Our ICS business segment utilizes third-party carriers. Aside from periodic use of our trailing equipment to satisfy certain loads, we do not own the revenue equipment nor do we employ the drivers delivering the loads. The inability to obtain reliable third-party carriers could have a material adverse effect on our operating results and business growth.

Difficulty in attracting and retaining drivers could affect our profitability and ability to grow.

Periodically, the trucking industry experiences substantial difficulty in attracting and retaining qualified drivers, including ICs. If we are unable to continue attracting an adequate number of drivers or contract with enough ICs, we could be required to significantly increase our driver compensation package or let revenue equipment sit idle, which could adversely affect our growth and profitability.

Ongoing insurance and claims expenses could significantly reduce our earnings.

Our future insurance and claims expenses might exceed historical levels, which could reduce our earnings. During 2005, we self-insured a portion of our claims exposure resulting from cargo loss, personal injury, property damage and health claims for amounts up to the first $2 million for auto accidents and $1 million for workers compensation. During 2006 and 2007, the self-insured portion of our claims exposure for all claims was $500,000 per occurrence. If the number or severity of claims for which we are self-insured increases, our operating results could be adversely affected. The self-insured portion of our claims will be $500,000 per occurrence for personal injury and property damage and $1 million per occurrence for workers compensation during 2008. We purchase insurance coverage for the amounts above which we are self-insured. If these expenses increase, and we are unable to offset the increase with higher freight rates, our earnings could be materially and adversely affected.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

We are subject to various environmental laws and regulations dealing with the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage and hazardous wastes disposal, among others. We also maintain bulk fuel storage and fuel islands at several of our facilities. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of applicable laws or regulations, it could have a material adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

We operate in a regulated industry, and increased direct and indirect costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business.

The DOT and various state agencies exercise broad powers over our business, generally governing matters including authorization to engage in motor carrier service, equipment operation, safety and financial reporting. We are audited periodically by the DOT to ensure that we are in compliance with various safety, hours-of-service, and other rules and regulations. If we were found to be out of compliance, the DOT could restrict or otherwise impact our operations.

We continue to monitor actions taken by the FMCSA. Significant changes in hours-of-service and other motor carrier safety regulations could negatively impact our operations due to lower driver productivity or increased capital expenditures for monitoring and recordkeeping equipment.

Effective with model-year 2007 tractors, the EPA mandated lower emission standards for newly manufactured heavy-duty tractor engines. The 2007 EPA-compliant engines require more costly ultra-low-sulfur diesel (ULSD) fuel. Further, the acquisition costs of these new engines has increased by approximately 10%. A new set of more stringent emissions standards will become effective for newly-manufactured tractor engines in January 2010. While it is too early to assess the impact of the new standards, our fuel costs, operating costs and acquisition costs could be impacted.

Rapid changes in fuel costs could impact our periodic financial results.

During the past several years, fuel cost per gallon has varied significantly. We have a fuel surcharge revenue program in place with the majority of our customers, which has historically enabled us to recover the majority of higher fuel costs. Most of these programs automatically adjust weekly depending on the cost of fuel. However, there can be timing differences between a change in our fuel cost and the timing of the fuel surcharges billed to our customers. In addition, we incur additional costs when fuel prices rise that cannot be fully recovered due to our engines being idled during cold or warm weather and empty or out-of-route miles that cannot be billed to customers. Rapid increases in fuel costs or shortages of fuel could have a material adverse effect on our operations or future profitability. As of December 31, 2007, we had no derivative financial instruments to reduce our exposure to fuel-price fluctuations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are in Lowell, Arkansas. We occupy a number of buildings in Lowell that we utilize for administrative support, data center, primary customer service and freight dispatch. We maintain a backup data center for disaster recovery, maintenance shop and driver operations facility in Lowell. We also own or lease approximately 20 other significant facilities across the United States where we perform maintenance on our equipment, provide bulk fuel and employ personnel to support operations. These facilities vary from 2 to 42 acres in size. Each of our business segments utilizes our larger facilities for services including bulk fueling, maintenance and driver support activities. In addition to our principal properties listed below, we lease a number of small offices and parking yards throughout the country that support our customers business needs.

A summary of our principal facilities for locations throughout the U.S. follows:

Type	Acreage	Maintenance Shop (square feet)	Office Space (square feet)
Maintenance and support facilities	335	544,900	150,090
Corporate headquarters, Lowell, Arkansas	59		262,000
Offices and data center, Lowell, Arkansas	4		20,000

ITEM 3. LEGAL PROCEEDINGS

We are involved in certain claims and pending litigation arising from the normal conduct of business. Based on the present knowledge of the facts and, in certain cases, opinions of outside counsel, we believe the resolution of claims and pending litigation will not have a material adverse effect on our financial condition, results of operations or liquidity.

ITEM 4.   SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of our security holders during the quarter ended December 31, 2007.

PART II

ITEM 5.   MARKET FOR REGISTRANT S COMMON STOCK, RELATED SECURITY HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded in the over-the-counter market under the symbol   JBHT.   At December 31, 2007, we were authorized to issue up to 1 billion shares of our common stock and 167.1 million shares were issued. The high and low sales prices of our common stock as reported by the National Association of Securities Dealers Automated Quotations National Market system (NASDAQ) and our quarterly dividends paid per share on our common shares were:

Period	Dividends Paid	High	Low
2007			
First Quarter	$ 0.09	$ 28.14	$ 21.55
Second Quarter	0.09	29.90	26.34
Third Quarter	0.09	31.94	25.40
Fourth Quarter	0.09	29.03	23.60
2006			
First Quarter	$ 0.08	$ 25.90	$ 21.33
Second Quarter	0.08	25.85	21.33
Third Quarter	0.08	25.80	18.77
Fourth Quarter	0.08	23.22	20.11

On February 26, 2008, the high and low sales prices for our common stock as reported by the NASDAQ were $29.50 and $28.53, respectively, and we had 1,383 stockholders of record.

Stock Performance Graph

The following graph compares the cumulative 5-year total return attained by shareholders on J.B. Hunt Transport Services, Inc. s common stock relative to the cumulative total returns of the S&P 500 index, and a customized peer group of eight companies that includes: CH Robinson Worldwide Inc., Covenant Transportation Group Inc., Heartland Express Inc., Knight Transportation Inc., Landstar Systems, Pacer International, Ryder System Inc. and Werner Enterprises Inc. The graph tracks the performance of a $100 investment in our common stock, the S&P 500 index and the peer group (with the reinvestment of all dividends) from December 31, 2002, to December 31, 2007. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

Among J.B. Hunt Transport Services, Inc., The S&P 500 Index

And A Peer Group

Years Ended December 31	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
J.B. Hunt Transport Services, Inc.	100	184	307	314	292	392
S&P 500	100	129	143	150	173	183
Peer Group	100	126	180	198	208	229

Dividend Policy

Our dividend policy is subject to review and revision by the Board of Directors and payments are dependent upon our financial condition, earnings, capital requirements and any other factors the Board of Directors may deem relevant. We paid a $0.06 per share dividend in February, April, July and October 2005. In January 2006, we announced an increase in our quarterly cash dividend from $0.06 to $0.08. We paid an $0.08 per share dividend in February, April, July, and October 2006. In January 2007, we announced an increase in our quarterly cash dividend from $0.08 to $0.09, effective with our payments in February, April, July, and October 2007. In January 2008, we announced an increase in our quarterly cash dividend from $0.09 to $0.10, effective with our payment in February 2008. We currently intend to continue paying cash dividends on a quarterly basis. However, no assurance can be given that future dividends will be paid.

Purchases of Equity Securities

On December 14, 2004, our Board authorized the purchase of up to $100 million worth of our common stock. We commenced purchases of our common stock in January 2005 and completed purchases under this authorization in March 2005. On April 21, 2005, our Board authorized the purchase of an additional $500 million of our common stock over the next five years. Purchases under that authorization were completed in March 2007. On May 2, 2007, our Board authorized up to $500 million in additional purchases of our common stock over the next 12 months. During the calendar year ended December 31, 2007, we completed purchases under the May 2, 2007, authorization.

The following table summarizes purchases of our common stock during the three months ended December 31, 2007:

Period	Number of Common Shares Purchased	Average Price Paid Per Common Share Purchased	Total Number of Shares Purchased as Part of a Publicly Announced Plan(1)	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plan
October 1 through October 31, 2007	371,017	$ 26.82	371,017	$ 51,802,397
November 1 through November 30, 2007	1,986,063	26.08	1,986,063	0
December 1 through December 31, 2007	0		0	0
Total	2,357,080	$ 26.20	2,357,080	$ 0

(1) On May 2, 2007, our Board of Directors authorized the purchase of up to $500 million of our common stock.

Securities Authorized For Issuance Under Equity Compensation Plans

Plan Category(1)	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by security holders	8,751,526	$ 7.42(2)	12,680,913

(1) We have no equity compensation plans that are not approved by security holders.

(2) Upon vesting, restricted share units are settled with shares of our common stock on a one-for-one basis. Accordingly, the restricted share units have been excluded for purposes of computing the weighted-average exercise price.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in millions, except per share amounts)

Years Ended December 31	2007	2006	2005	2004	2003
Operating revenues	$ 3,490	$ 3,328	$ 3,128	$ 2,786	$ 2,434
Operating income(2)	369	373	344	310	186
Net earnings(1)(2)	213	220	207	146	96
Basic earnings per share(1)(2)	1.59	1.48	1.32	0.91	0.60
Diluted earnings per share(1)(2)	1.55	1.44	1.28	0.88	0.58
Cash dividends per share	0.36	0.32	0.24	0.045	
Total assets	1,863	1,770	1,549	1,503	1,356
Long-term debt, less current maturities	679	182	124		-
Stockholders equity	343	759	817	861	703
Percentage of Operating Revenue:					
Operating revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Rents and purchased transportation	35.3	33.8	33.8	33.5	32.8
Salaries, wages and employee benefits	25.4	26.8	27.3	29.8	32.5
Fuel and fuel taxes	13.3	13.4	12.4	10.4	9.6
Depreciation and amortization	5.9	5.5	5.2	5.4	6.2
Operating supplies and expenses	4.5	4.4	4.3	4.4	4.9
Insurance and claims	2.0	2.2	1.8	2.0	2.6
Operating taxes and licenses	1.0	1.0	1.2	1.2	1.4
General and administrative expenses, net of gains	1.4	1.0	1.5	1.4	1.4
Communication and utilities	0.6	0.7	0.7	0.8	1.0
Arbitration settlement(2)			0.8		
Total operating expenses	89.4	88.8	89.0	88.9	92.4
Operating income	10.6	11.2	11.0	11.1	7.6
Interest income		-		0.1	0.1
Interest expense	1.3	0.5	0.2	0.3	0.8
Equity in loss of affiliated companies		0.1	0.2	0.1	
Earnings before income taxes	9.3	10.6	10.6	10.8	6.9
Income taxes(1)	3.2	4.0	4.0	5.6	3.0
Net earnings	6.1%	6.6%	6.6%	5.2%	3.9%

(1) Reflects a $12.1 million tax benefit in 2007, a $33.6 million tax reserve, including accrued interest expense in 2004, and $7.7 million reversal of non-cash tax benefit in 2003.

(2) Reflects a $25.8 million pretax charge in 2005 for a BNI arbitration settlement. See Note 13 of our Notes to Consolidated Financial Statements.

The following table sets forth certain operating data.

Years Ended December 31	2007	2006	2005	2004	2003
Total loads (in thousands)	3,008	2,915	2,866	2,884	2,857
Average number of company-operated tractors and trucks during the year	10,635	10,721	10,316	10,042	10,293
Company tractors and trucks operated at year-end	10,308	10,961	10,480	10,151	9,932
Independent contractors at year-end	1,084	1,107	1,310	1,301	994
Trailers/containers at year-end	60,614	52,881	49,733	48,317	46,747
Company tractor miles (in thousands)	925,806	964,936	952,545	943,064	943,054

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion of our results of operations and financial condition should be read in conjunction with our financial statements and related notes in Item 8. This discussion contains forward-looking statements. Please see Forward-looking Statements and Risk Factors for a discussion of items, uncertainties, assumptions and risks associated with these statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that impact the amounts reported in our Consolidated Financial Statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenues, expenses and associated disclosures of contingent liabilities are affected by these estimates. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with third parties and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recognized in the accounting period in which the facts that give rise to the revision become known. We consider our critical accounting policies and estimates to be those that require us to make more significant judgments and estimates when we prepare our financial statements and include the following:

Workers Compensation and Accident Costs

We purchase insurance coverage for a portion of expenses related to employee injuries (workers compensation), vehicular collisions, accidents and cargo claims. Most of our insurance arrangements include a level of self-insurance (deductible) coverage applicable to each claim, but provide an umbrella policy to limit our exposure to catastrophic claim costs that are completely insured. Our policies also include a contractual premium adjustment factor to be applied to incurred loss amounts at the end of 48 months from each policy period inception. This contractual adjustment factor is used to convert the self-insured losses to fully insured losses and relieves us of any further liability on those claims. Our estimated accrual of ultimate losses includes these premium factors as part of the liability we recognize when the accidents occur.

The amounts of self-insurance change from time to time based on certain measurement dates and policy expiration dates. During 2005, we were self-insured for $2 million per occurrence for personal injury and property damage and $1 million per occurrence for workers compensation claims. During 2006 and 2007, we were self-insured for $500,000 per occurrence for personal injury, property damage and workers compensation. For 2008, we are self-insured for $500,000 per occurrence for personal injury and property damage and $1 million for workers compensation claims.

Our claims accrual policy for all self-insured claims is to recognize a liability at the time of the incident based on our analysis of the nature and severity of the claims and analyses provided by third-party claims administrators, as well as legal, economic and regulatory factors. Our safety and claims personnel work directly with representatives from the insurance companies to continually update the estimated cost of each claim. The ultimate cost of a claim develops over time as additional information regarding the nature, timing and extent of damages claimed becomes available. Accordingly, we use an actuarial method to develop current claim information to derive an estimate of our ultimate claim liability. This process involves the use of loss-development factors based on our historical claims experience and includes the contractual premium adjustment factor mentioned above. In doing so, the recorded liability considers future claims growth and conversion to fully insured status and provides an allowance for incurred-but-not-reported claims. We do not discount our estimated losses. At December 31, 2007, we had an accrual of approximately $19 million for estimated net claims. In addition, we are required to pay certain advanced deposits and monthly premiums. At December 31, 2007, we had a prepaid insurance asset of approximately $53 million, which represented prefunded claims and premiums. We are also substantially self-insured for loss of and damage to our owned and leased revenue equipment.

Revenue Equipment

We operate a significant number of tractors, trucks, trailers and containers in connection with our business. This equipment may be purchased or acquired under capital or operating lease agreements. In addition, we may rent revenue equipment from third parties and various railroads under short-term rental arrangements. Revenue equipment which is purchased is depreciated on the straight-line method over the estimated useful life down to an estimated salvage or trade-in value. We periodically review the useful lives and salvage values of our revenue equipment and evaluate our long-lived assets for impairment. See Note 2, Summary of Significant Accounting Policies, in our Consolidated Financial Statements, for a discussion of our plan to sell certain revenue equipment. We have not identified any impairments to our remaining assets.

We have an agreement with our primary tractor supplier for residual or trade-in values for certain new equipment. We have utilized these trade-in values, as well as other operational information, such as anticipated annual miles, in accounting for depreciation expense. If our tractor supplier were unable to perform under the terms of our agreement for trade-in values, it could have a material negative impact on our financial results. We had no revenue equipment under capital lease arrangements at December 31, 2007 and 2006.

Revenue Recognition

We recognize revenue based on the relative transit time of the freight transported. Accordingly, a portion of the total revenue which will be billed to the customer once a load is delivered is recognized in each reporting period based on the percentage of the freight pickup and delivery service that has been completed at the end of the reporting period.

Our trade accounts receivable includes accounts receivable reduced by an allowance for uncollectible accounts and reserves for revenue adjustments. The allowance for uncollectible accounts and reserves for revenue adjustments are based on historical experience as well as any known trends or uncertainties related to customer billing and account collectibility. The adequacy of our allowances and reserves is reviewed quarterly.

Income Taxes

We account for income taxes under the asset-and-liability method in accordance with current accounting standards. Our deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which we have already recorded the related tax expense or benefit in our statement of earnings. Deferred tax accounts arise as a result of timing differences between when items are recognized in our Consolidated Financial Statements compared with when they are recognized in our tax returns. We assess the likelihood that deferred tax assets will be recovered from future taxable income. To the extent we believe recovery is not probable, a valuation allowance is established. To the extent we establish a valuation allowance, we include an expense as part of our income tax provision. We have not recorded a valuation allowance at December 31, 2007, as all deferred tax assets are more likely than not to be realized.

Significant judgment is required in determining and assessing the impact of complex tax laws and certain tax-related contingencies on our provision for income taxes. As part of our calculation of the provision for income taxes, we assess whether the benefits of our tax positions are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we accrue the largest amount of the benefit that is more likely than not of being sustained in our consolidated financial statements. Such accruals require us to make estimates and judgments, whereby actual results could vary materially from these estimates. Further, a number of years may elapse before a particular matter, for which we have established an accrual, is audited and resolved. See Note 6, Income Taxes, in our Consolidated Financial Statements, for a discussion of our current tax contingencies.

YEAR IN REVIEW

Highlights of significant events for calendar year 2007 include:

- Sixth consecutive year of record revenues.

- Continued strategy of transitioning our economic model from that of a primarily asset-based truckload carrier to an asset-light transportation company.

- Designated approximately 700 tractors and 2,500 trailers in our JBT segment to sell in calendar year 2008 in connection with our strategy to reduce the JBT segment fleet size to the appropriate level, incurring a $8.4 million pretax charge to record the revenue equipment to estimated fair value, less costs to sell.

- Completed a Post Appeals Mediation with the IRS and agreed to a settlement of a sale-and-leaseback transaction and other uncertain tax positions related to IRS audits for tax years 1998-2003. This settlement resulted in a $49.5 million payment to the IRS.

- Announced a new business segment, Integrated Capacity Solutions, consistent with our asset-light transportation company strategy.

- Purchased 21.7 million shares of our common stock totaling $603.4 million in 2007, completing a series of authorized stock purchase programs totaling $1.1 billion or 44.5 million shares that commenced in calendar year 2005.

- Issued $400 million in senior notes through two issuances maturing in 2011 and 2014, with proceeds used for stock purchases, revenue equipment purchases, primarily for our JBI and DCS segments, and other general working capital purposes.

- Increased our quarterly dividend to $0.09 per share in January 2007 from $0.08 in 2006, and announced an additional increase to a $0.10 quarterly dividend effective February 2008.

Our 2007 net earnings of $213.1 million, or $1.55 per diluted share, were down 3% from the $220.0 million, or $1.44 per diluted share, earned in 2006. Fuel costs continued to represent a challenge for the transportation industry during 2007. Our 2007 fuel cost per gallon averaged 6.9% above 2006 levels. However, due to our fuel surcharge programs, we were able to recover the majority of our higher fuel costs.

Freight demand during 2007 was relatively consistent for our JBI and DCS segments. Demand for dry-van truck capacity was softer, particularly during the fourth quarter 2007. Comparisons of 2007 dry-van volumes to 2006 were negatively impacted by freight recessions including lower-than-expected seasonal demand during August through November of 2007. Our JBI segment contributed to our higher level of profitability in 2007, growing operating income by 31%, while our JBT and DCS segments experienced a decline in operating income, as compared with 2006, of 62% and 10%, respectively. In response to changing market conditions and in continuance of focusing on growing segments that produce the greatest return on invested capital, we increased our JBI tractor and container counts by 14% and 23%, respectively, as well as increasing our DCS trailer count by 26%. We reduced our JBT company-owned tractor fleet by 16%, excluding tractors designated as held for sale. We were able to affect some of these changes by transferring revenue equipment among our fleets.

We also continued our focus on capacity management during 2007. Capacity management is a continuous process of reviewing our freight demand on a daily basis and our contractual relationships to determine which business application and segment generates the best returns. We also continually analyze our business to ensure that we are charging a fair price for all services we provide. Our capacity management actions and changes in the shipper supply chain resulted in the conversion of freight from over-the-road truck operations to intermodal and dedicated services.

Our 2007 consolidated operating ratio (operating expenses divided by total operating revenues) was 89.4%, compared with 88.8% in 2006. The current year was the fourth consecutive time that we have achieved an operating ratio for a full year below 90%. Our 2007 operating income reflected an $8.4 million pretax charge to write down the value of certain assets held for sale.

RESULTS OF OPERATIONS

The following table sets forth items in our Consolidated Statements of Earnings as a percentage of operating revenues and the percentage increase or decrease of those items as compared with the prior year.

	Percentage of Operating Revenue			Percentage Change Between Years	
	2007	**2006**	**2005**	**2007 vs. 2006**	**2006 vs. 2005**
Operating revenues	100.0%	100.0%	100.0%	4.9%	6.4%
Operating expenses:					
Rents and purchased transportation	35.3	33.8	33.8	9.8	6.3
Salaries, wages and employee benefits	25.4	26.8	27.3	(0.4)	4.3
Fuel and fuel taxes	13.3	13.4	12.4	3.6	15.0
Depreciation and amortization	5.9	5.5	5.2	11.7	12.6
Operating supplies and expenses	4.5	4.4	4.3	6.9	9.7
Insurance and claims	2.0	2.2	1.8	(2.7)	29.5
Operating taxes and licenses	1.0	1.0	1.2	(2.6)	(3.9)
General and administrative expenses, net of asset dispositions	1.4	1.0	1.5	45.1	(27.7)
Communication and utilities	0.6	0.7	0.7	(6.2)	(0.1)
Arbitration settlement			0.8		
Total operating expenses	89.4	88.8	89.0	5.6	6.2
Operating income	10.6	11.2	11.0	(1.0)	8.4
Net interest expense	1.3	0.5	0.2	180.4	172.4
Equity in loss of affiliated company	0.0	0.1	0.2	(61.3)	(32.5)
Earnings before income taxes	9.3	10.6	10.6	(8.3)	6.2
Income taxes	3.2	4.0	4.0	(16.7)	6.4
Net earnings	6.1%	6.6%	6.6%	(3.1)%	6.1

2007 Compared With 2006

Consolidated Operating Revenues

Our total consolidated operating revenues rose to $3.5 billion in 2007, a 4.9% increase over 2006. Significantly higher fuel prices resulted in fuel surcharge (FSC) revenues of $480 million in 2007, compared with $430 million in 2006. This FSC revenue impacted our year-to-year comparison. If FSC revenues were excluded from both years, the increase of 2007 revenue over 2006 was 3.9%. This increased level of revenue, excluding FSC, was primarily a result of increases in load volume and price improvements as a result of our capacity management actions and ICS business growth. A 17.3% and 148.4% increase in 2007 JBI and ICS load volume, respectively, contributed to our higher levels of revenue. The increases in revenue of our JBI, DCS, and ICS segments were partially offset by decreases in our JBT segment as a result of a smaller tractor fleet, rate declines and reduced tractor utilization due to decreasing freight demand in the JBT segment.

Consolidated Operating Expenses

Our total 2007 consolidated operating expenses increased 5.6% over 2006. The combination of the 4.9% increase in 2007 revenue over 2006 and this increase in operating expenses resulted in a slight increase in our operating ratio to 89.4% from 88.8% in 2006. Rents and purchased transportation costs rose 9.8% in 2007, primarily due to additional funds paid to railroads, drayage companies and third-party carriers servicing ICS. This increase was partially offset by a decrease in trailing equipment rentals due to our decision to purchase certain trailing equipment off operating leases during 2007. The total cost of salaries, wages and employee benefits decreased less than 1% in 2007 from 2006, primarily due to decreases in total driver pay. This reduction in total driver pay was primarily a result of a 27% decrease in the number of drivers in the JBT segment.

Fuel and fuel taxes expense increased 3.6% in 2007, primarily due to 6.9% higher fuel cost per gallon and slightly lower fuel miles per gallon. We have fuel surcharge programs in place with the majority of our customers that allow us to recognize and adjust revenue charges relatively quickly when fuel costs change. It is not meaningful to compare the amount of FSC revenue or the change of FSC revenue between reporting periods to fuel and fuel taxes expense or the change of fuel expense between periods, as a significant portion of fuel costs is included in our payments to railroads, dray carriers and other third parties. These payments are classified as purchased transportation expense. While we are not always able to recover all fuel cost increases, partly due to empty miles run and engine-idling time, we were able to recover the majority of our increased fuel costs.

The 11.7% increase in depreciation and amortization expense was driven by our purchases of trailing equipment, including new containers and chassis for our JBI segment, as well as trailers purchased off operating leases. Operating supplies and expenses rose 6.9% in 2007, partly as a result of higher revenue equipment maintenance, including tractors and trailing equipment, as well as increased tire costs. The 45.1% increase in general and administrative expenses was primarily related to the $8.4 million pretax charge in the fourth quarter to write down the value of certain assets held for sale to fair value, less costs to sell. This increase was also due to losses on asset sales of $0.4 million in 2007 compared with gains on asset sales of $2.9 million in 2006.

Our effective income tax rate was 34.4% in 2007 and 37.9% in 2006. The decrease in our effective tax rate compared with the prior-year rate is primarily the result of our settlement on a proposed Internal Revenue Service (IRS) adjustment, which resulted in a $12.1 million decrease of income tax expense in the second quarter 2007. See Note 6, Income Taxes, for further information regarding this settlement. We expect our effective income tax rate to approximate 39% for calendar year 2008. The equity in loss of affiliated company item on our Consolidated Statement of Earnings reflects our share of the operating results of TPI.

Segments

We operated four business segments during calendar year 2007. The operation of each of these businesses is described in our notes to the Consolidated Financial Statements. The following tables summarize financial and operating data by segment.

Operating Revenue by Segment

	Years Ended December 31 (in millions)		
	2007	2006	2005
JBI	$ 1,653	$ 1,430	$ 1,284
DCS	937	915	844
JBT	842	966	990
ICS	92	42	30
Subtotal	3,524	3,353	3,148
Inter-segment eliminations	(34)	(25)	(20)
Total	$ 3,490	$ 3,328	$ 3,128

Operating Income by Segment

	Years Ended December 31 (in millions)		
	2007	2006	2005
JBI(1)	$ 239	$ 182	$ 124
DCS	94	104	100
JBT(2)	32	84	117
ICS	4	3	2
Other		-	1
Total	$ 369	$ 373	$ 344

(1) Reflects a $25.8 million BNI arbitration settlement charge in 2005.

(2) Includes an $8.4 million pretax charge in 2007 to write down the value of certain assets held for sale.

Operating Data By Segment

	For Years Ended December 31		
	2007	2006	2005

JBI			
Loads	738,207	629,533	598,857
Average length of haul (miles)	1,925	1,989	2,010
Revenue per load	$ 2,239	$ 2,272	$ 2,145
Average tractors (during the period)(1)	1,689	1,485	1,259
Tractors (end of period)			
Company-owned	1,795	1,551	1,341
Independent contractor	6	23	16
Total Tractors	1,801	1,574	1,357
Containers (end of period)	34,019	27,622	23,755
Average effective trailing equipment usage(2)	30,069	25,269	22,881

DCS			
Loads	1,398,892	1,376,538	1,346,480
Average length of haul (miles)	249	264	265
Revenue per truck per week(3)	$3,515	$3,466	$3,290
Average trucks (during the period)(1)	5,224	5,176	5,012
Trucks (end of period)			
Company-owned	4,941	5,177	4,771
Independent contractor	100	122	152
Customer-owned (DCS-operated)	92	59	87
Total Trucks	5,133	5,358	5,010
Trailers (end of period)	8,233	6,519	6,352
Average effective trailing equipment usage(2)	13,321	12,457	11,909
JBT			
Loads	785,860	864,622	878,810
Average length of haul (miles)	513	533	558
Loaded miles (000)	408,486	465,366	497,175
Total miles (000)	466,293	524,565	557,644
Average nonpaid empty miles per load	73.2	66.6	62.0
Revenue per tractor per week(3)	$3,763	$3,704	$3,671
Average tractors (during the period)(1)	4,872	5,347	5,430
Tractors (end of period)			
Company-owned	3,572	4,233	4,368
Independent contractor	978	962	1,142
Tractors held for sale	(570)		
Total Tractors	3,980	5,195	5,510
Trailers (end of period)	18,345	18,740	19,626
Trailers held for sale	(2,500)		
Total Trailers	15,845	18,740	19,626
Average effective trailing equipment usage(2)	13,074	13,474	14,309
ICS			
Loads	64,663	26,032	21,617

(1) Includes company-owned and independent contractor tractors for JBI and JBT segments, and also includes customer-owned trucks for the DCS segment

(2) Reflects average use of corporatewide trailing equipment

(3) Using weighted workdays

JBI Segment

JBI segment revenue grew by 15.6% to $1.65 billion in 2007, from $1.43 billion in 2006. A significant portion of this revenue growth was driven by a 17.3% increase in load volume. The remaining portion of revenue growth was primarily a result of changes in freight mix and fuel surcharge revenue. The increase was partially offset by a decrease in revenue per load due to a decrease in the average length of haul of 3.2% from 2006.

Operating income in our JBI segment rose to $239 million in 2007, from $182 million in 2006. While increased volumes contributed to higher operating margins, we were able to reduce the number of empty truck miles in our pickup and delivery operations, increase our driver productivity and significantly reduce our reliance on third-party equipment and drayage. All of these factors contributed to increasing our operating income by 31.4% in 2007.

DCS Segment

DCS segment revenue grew 2.3% to $937 million in 2007, from $915 million in 2006. This increase in revenue was primarily due to a 1.4% increase in revenue per truck per week and a slightly higher average truck count.

Operating income decreased to $94 million in 2007, compared with $104 million in 2006. The decrease in operating income was primarily the result of an increase in driver compensation, increases in fuel costs and higher casualty and workers compensation costs in 2007 compared with 2006.

JBT Segment

JBT segment revenue declined 12.8% to $842 million in 2007, from $966 million in 2006. The decrease in revenue was primarily a result of a 9.1% decrease in load count, due to much softer demand in 2007 compared with 2006. An approximate 2% decrease in rates also contributed to the decrease in revenue.

Operating income in our JBT segment declined to $32 million in 2007, from $84 million in 2006. In addition to reduced revenue from lower load volume, operating expenses were higher in 2007, compared with 2006, due to increases in tractor maintenance and tire costs. In addition, we recorded an $8.4 million pretax charge in December 2007 to write down the value of certain assets held for sale.

ICS Segment

ICS segment revenue grew 118.9% to $92 million in 2007, from $42 million in 2006. This increase in revenue was primarily due to a 148.4% increase in load volume from both new and existing customers

Operating income increased nearly 27.7% to $4 million in 2007, compared with $3 million in 2006. The large revenue growth was partially offset by increased operating expenses, including higher personnel and technology costs related to growing and investing in the ICS segment. In the second half of 2007, we were able to gain operating leverage from the higher revenue growth that began to cover higher operating expenses.

2006 Compared With 2005

Overview of Consolidated 2006 Results

Our total consolidated operating revenues rose to $3.33 billion in 2006, a 6.4% increase over 2005. Significantly higher fuel prices resulted in FSC revenues of $430 million in 2006, compared with $336 million in 2005. This FSC revenue impacted our year-to-year comparison. If FSC revenues were excluded from both years, the increase of 2006 revenue over 2005 was 3.8%. This increased level of revenue, excluding FSC, was primarily a result of increases in load volume and price improvements as a result of our capacity management actions. A 5.1% and 2.2% increase in 2006 JBI and DCS load volume, respectively, contributed to our higher levels of revenue. The increases in revenue of our JBI and DCS segments were partially offset by decreases in our JBT segment as a result of a smaller tractor fleet and a decline in tractor utilization. Demand for dry-van truck capacity was softer, particularly during the fourth quarter of 2006. Comparisons of 2006 dry-van volumes to 2005 were negatively impacted by hurricane relief shipments in 2005 and lower-than-expected seasonal demand during August through November of 2006. Partly in response to changing market conditions, we increased the size of our JBI and DCS tractor fleets by 16% and 7%, respectively, and decreased our JBT fleet by 6%.

Consolidated Operating Expenses

Our total 2006 consolidated operating expenses increased 6.2% over 2005. The combination of the 6.4% increase in 2006 revenue over 2005 and this increase in operating expenses resulted in our 2006 operating ratio improving slightly to 88.8% from 89.0% in 2005. Rents and purchased transportation costs rose 6.3% in 2006, primarily due to additional funds paid to railroads and drayage companies related to JBI growth. The total cost of salaries, wages and employee benefits increased 4.3% in 2006 over 2005, primarily due to higher levels of driver compensation.

Fuel and fuel taxes expense was up 15.0% in 2006, primarily due to 12.6% higher fuel cost per gallon and slightly lower fuel miles per gallon. It is not meaningful to compare the amount of FSC revenue or the change of FSC revenue between reporting periods to fuel and fuel taxes expense or the change of fuel expense between periods, as a significant portion of fuel costs is included in our payments to railroads, dray carriers and other third parties. These payments are classified as purchased transportation expense. While we are not always able to recover all fuel cost increases, partly due to empty miles run and engine-idling time, we were able to recover the majority of our increased fuel costs.

The 12.6% increase in depreciation and amortization expense was driven by our trailing equipment purchases, higher new-tractor purchase prices, and an approximate 5% increase in the size of our company-owned tractor fleet. Operating supplies and expenses rose 9.7% in 2006, partly a result of higher tractor maintenance, tires and tolls costs. A number of states have raised their rates for highway and bridge tolls. The 27.7% decrease in general and administrative expenses reflects driver recruiting and testing costs, legal and professional fees related to our arbitration proceeding, and charitable contributions in 2005 that declined or did not reoccur in 2006. Also included in the general and administrative expense category, we recognized a $2.9 million net gain on the disposition of assets in 2006, compared with a $1.8 million gain in 2005. The arbitration settlement expense incurred during 2005 was due to the BNI arbitration decision discussed in the section on Operating Segments.

We accrued approximately $3.0 million of interest expense during 2006 related to an IRS contingency. Our effective income tax rate was 37.9% in 2006 and 2005. The equity in loss of affiliated company item on our Consolidated Statement of Earnings reflects our share of the operating results of TPI.

JBI Segment

JBI segment revenue grew by 11.4% to $1.43 billion in 2006, from $1.28 billion in 2005. A significant portion of this revenue growth was driven by a 5.1% increase in load volume. In addition, freight rates increased nearly 4% over 2005. The remaining portion of revenue growth was primarily a result of changes in freight mix and fuel surcharge revenue.

Operating income in our JBI segment rose to $182 million in 2006, from $124 million in 2005. The $25.8 million arbitration settlement charge incurred in September 2005 favorably impacted this comparison. While this settlement also increased rail purchased transportation expense subsequent to October 1, 2005, higher freight rates, increased volumes and reduced use of rail control equipment increased 2006 operating income.

DCS Segment

DCS segment revenue grew 8.4% to $915 million in 2006, from $844 million in 2005. This increase in revenue was primarily due to a 2.2% increase in load volume, an approximate 4% increase in rates and higher fuel surcharge revenue.

Operating income increased to $104 million in 2006, compared with $100 million in 2005. Similar to 2005, we conducted reviews of our underperforming dedicated accounts and identified opportunities to either improve margins or redeploy assets. Financial discipline in the area of pricing and contract structure helped ensure that new business during 2006 generated appropriate financial returns. We also remained focused on cost controls and raised rates when appropriate.

JBT Segment

JBT segment revenue declined 2.4% to $966 million in 2006, from $990 million in 2005. This decline was primarily due to a 1.6% reduction in load volume. While rates from consistent shippers increased approximately 2% during 2006, a decline in rates from spot and backup pricing and paid empty movements partly offset these increases.

Operating income in our JBT segment declined to $84 million in 2006, from $117 million in 2005. The decrease was due, in part, to lower levels of tractor utilization and to higher driver compensation and insurance costs.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $458 million in 2007, $423 million in 2006 and $332 million in 2005. The increase in 2007 cash provided by operating activities relative to 2006, after consideration of adjustments for noncash items such as depreciation, share-based compensation and impairment charges, was due primarily to the timing of cash activity related to trade accounts receivable and payable.

Cash flows used in investing activities primarily reflect additions to and dispositions from our fleet of revenue equipment. The lower level of cash used in investing activities during 2007 was primarily a result of decreases in trailing-equipment purchases. At December 31, 2007, we had no revenue equipment on capital leases.

Net cash used in financing activities during 2007 increased over 2006, primarily due to the purchase of $603 million of our common stock. This increase was partially offset by an increase in proceeds from long-term debt issuances. During 2007, we issued $400 million of senior notes. Funds from these issuances were used primarily for purchases of our company stock, purchases of revenue equipment and for general working capital purposes.

Selected Balance Sheet Data

As of December 31	**2007**	**2006**	**2005**
Working capital ratio	.93	.98	1.72
Current maturities of long-term debt (millions)	$ 234.0	$ 214.0	
Total debt (millions)	$ 913.1	$ 396.4	$ 124.0
Total debt to equity	2.66	.52	.15
Total debt as a percentage of total capital	.73	.34	.13

Our dividend policy is subject to review and revision by the Board of Directors and payments are dependent upon our financial condition, earnings, capital requirements and any other factors the Board of Directors may deem relevant. We paid a $0.06 per share dividend in February, April, July and October 2005. In January 2006, we announced an increase in our quarterly cash dividend from $0.06 to $0.08. We paid an $0.08 per share dividend in February, April, July, and October 2006. In January 2007, we announced an increase in our quarterly cash dividend from $0.08 to $0.09, effective with our payments in February, April, July, and October 2007. In January 2008, we announced an increase in our quarterly cash dividend from $0.09 to $0.10, effective with our payment in February 2008. We currently intend to continue paying cash dividends on a quarterly basis. However, no assurance can be given that future dividends will be paid.

Liquidity

Our need for capital has typically resulted from the acquisition of intermodal trailing equipment, trucks, tractors and dry-van trailers required to support our growth and the replacement of older equipment with new, late-model equipment. We are frequently able to accelerate or postpone a portion of equipment replacements depending on market conditions. We have, during the past few years, obtained capital through cash generated from operations and revolving lines of credit and most recently issued long-term debt to acquire trailers that were previously leased. We have also periodically utilized operating leases to acquire revenue equipment. We had no capital lease arrangements at December 31, 2007. To date, none of our operating leases contains any guaranteed residual value clauses.

At December 31, 2007, we were authorized to borrow up to a total of $575 million under two different revolving lines of credit. The first line of credit is supported by a credit agreement with a group of banks for a total commitment amount of $350 million. Effective March 29, 2007, we entered into a new senior revolving credit facility agreement, which replaced our previous senior revolving credit facility dated April 27, 2005. This new credit facility has a five-year term expiring March 29, 2012. In June 2007, we exercised a feature of the agreement that allowed us to increase our total commitment amount from $250 million to $350 million. The applicable interest rate under this agreement is based on either the prime rate or LIBOR, depending upon the specific type of borrowing, plus a margin based on the level of borrowings and our credit rating. At December 31, 2007, we had $210.6 million outstanding at an average interest rate of 5.84% under this agreement.

Our second line of credit is an Accounts Receivable Securitization program with a revolving-credit facility up to $225 million. This facility is secured by our accounts receivable, and we renewed this facility at maturity on July 30, 2007, for a one-year term maturing on July 28, 2008. The applicable interest rate under this agreement is the prevailing A1/P1 commercial paper rate in the market plus a margin based on our level of borrowing and commercial paper dealer fees. At December 31, 2007, we had $220 million outstanding at an average interest rate of 5.32% under this agreement.

On March 29, 2007, we sold $200 million of 5.31% Senior Notes (2011 Notes), which mature March 29, 2011, to various purchasers through a private placement offering pursuant to our Note Purchase Agreement dated March 15, 2007. The proceeds were used for the purchase of trailing equipment off operating leases and for general working capital purposes. The 2011 Notes were issued at par value. Interest payments are due semiannually, in March and September of each year.

On July 26, 2007, we sold $200 million of 6.08% Senior Notes (2014 Notes), which mature July 26, 2014, to various purchasers through a private placement offering pursuant to our Note Purchase Agreement dated July 15, 2007. Proceeds from these notes have been utilized to purchase shares of our common stock, pay down existing debt on our revolving-credit facilities and finance capital expenditures for revenue equipment. The 2014 Notes were issued at par value. Principal payments in the amount of $50.0 million are due July 26, 2012, and July 26, 2013, with the remainder due upon maturity. Interest payments are due semiannually, in January and July of each year. The Note Purchase Agreements describe the terms and conditions of both Notes, which include requirements to maintain certain covenants and financial ratios.

On September 29, 2006, we entered into a $100 million term loan and credit agreement in connection with our purchase of used, dry-van trailers. This $100 million facility is collateralized by a security interest in the trailing equipment and matures September 29, 2009. We are required to make minimum quarterly principal payments in the amount of $3.5 million, through June 29, 2009, with the remainder due upon maturity. Stated interest on this facility is a three-month LIBOR variable rate. Concurrent with the loan and credit agreement, we entered into an interest rate swap agreement to effectively convert this floating rate debt to a fixed rate basis of 5.85%. The swap expires September 29, 2009, when the related term loan is due. At December 31, 2007, we had $82.5 million outstanding under this credit agreement.

Our revolving lines of credit and debt facilities require us to maintain certain covenants and financial ratios. We were in compliance with all covenants and financial ratios at December 31, 2007.

We believe that our liquid assets, cash generated from operations and revolving lines of credit will provide sufficient funds for our operating and capital requirements for the foreseeable future. Decreases in our working capital ratio were primarily driven by our increases in debt issuances to purchase revenue equipment and our common stock.

As mentioned above, we had significant expenditures related to new trailing equipment for 2007. We are currently committed to spend approximately $122.4 million during 2008, which is primarily related to tractors and containers. The actual cash expended will be net of proceeds from sale or trade-in allowances on revenue equipment.

Off-Balance Sheet Arrangements

Our only off-balance sheet arrangements are related to our operating leases for trailing equipment and some limited data processing equipment and facilities. As of December 31, 2007, we had approximately 303 trailers and 1,005 containers/chassis that were subject to operating leases, and we had approximately $1.8 million of obligations remaining under these leases.

Contractual Cash Obligations

As of December 31, 2007

(000)

		Amounts Due By Period			
	Total	**One Year Or Less**	**One To Three Years**	**Four To Five Years**	**After Five Years**
Operating leases	$ 7,293	$ 4,275	$ 2,331	$ 687	$
Long-term debt obligations	913,100	234,000	68,500	460,600	150,000
Commitments to acquire revenue equipment	121,204	121,204			
Facilities/Land	1,150	1,150			
Total	$ 1,042,747	$ 360,629	$ 70,831	$ 461,287	$ 150,000

We had standby letters of credit outstanding of approximately $11.3 million at December 31, 2007, that expire at various dates in fiscal year 2008, which are related to (1) our self-insured retention levels for casualty and workers compensation claims, and (2) our operating lease agreements. We plan to renew these letters of credit in accordance with our third-party agreements. The table above excludes $22.7 million of liabilities under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, as we are unable to reasonably estimate the ultimate timing of settlement. See Note 6, Income Taxes, in the Notes to Consolidated Financial Statements for further discussion.

RECENT ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. FAS 157 does not expand or require new fair value measures, but is applicable whenever an asset or liability is permitted or required to be measured at fair value. FAS 157 became effective for us beginning January 1, 2008. In February 2008, the FASB agreed to a one-year delay of FAS 157 for certain nonfinancial assets and liabilities. Accordingly, adoption of this standard is limited to financial assets and liabilities, which primarily applies to the valuation of our interest rate swap. We do not believe the initial adoption of FAS 157 will have a significant impact on our earnings or financial condition. We are still in the process of assessing the impact of FAS 157 on our Consolidated Financial Statements for nonfinancial assets and liabilities.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159). FAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. FAS 159 became effective for us on January 1, 2008. We do not believe the adoption of this statement will have a significant impact on our earnings or financial condition as we expect election of this option to be limited.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Of our total $913.1 million of debt, we had $430.6 million of variable rate debt outstanding at December 31, 2007, under our revolving lines of credit. The interest rates applicable to these agreements are based on either the prime rate or LIBOR. Our earnings would be affected by changes in these short-term interest rates. Risk can be quantified by measuring the financial impact of a near-term adverse increase in short-term interest rates. At our current level of borrowing, a 1% increase in our applicable rate would reduce annual pretax earnings by approximately $4.3 million. Our remaining debt is effectively fixed rate debt, and therefore changes in market interest rates do not directly impact our interest expense. Periodically, we enter into derivative instruments in response to market interest rates.

Although we conduct business in foreign countries, international operations are not material to our consolidated financial position, results of operations or cash flows. Additionally, foreign currency transaction gains and losses were not material to our results of operations for the year ended December 31, 2007. Accordingly, we are not currently subject to material foreign currency exchange rate risks from the effects that exchange rate movements of foreign currencies would have on our future costs or on future cash flows we would receive from our foreign investment. To date, we have not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather and other market factors. Historically, we have been able to recover a majority of fuel price increases from our customers in the form of fuel surcharges. We cannot predict the extent to which high fuel price levels will continue in the future or the extent to which fuel surcharges could be collected to offset such increases. As of December 31, 2007, we had no derivative financial instruments to reduce our exposure to fuel price fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements, notes to Consolidated Financial Statements and reports thereon of our independent registered public accounting firms as specified by this Item are presented following Item 15 of this report and include:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Earnings for years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Stockholders Equity for years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for years ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by Regulation S-K, Item 304(a) has previously been reported and is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held May 1, 2008. There have been no disagreements with our accountants, as defined in Regulation S-K, Item 304(b).

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarize and disclose this information within the time periods specified in the SEC rules. Based on an evaluation of our disclosure controls and procedures, as of the end of the period covered by this report, and conducted by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, the Chief Executive Officer and Chief Financial Officer believe that these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in our reports filed with the SEC within the required time periods.

The certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on our assessment, we believe that as of December 31, 2007, our internal control over financial reporting is effective based on those criteria.

The effectiveness of internal control over financial reporting as of December 31, 2007, has been audited by Ernst & Young LLP, an independent registered public accounting firm that also audited our Consolidated Financial Statements. Ernst & Young LLP s report on internal control over financial reporting is included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter ended December 31, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The schedule of directors is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held May 1, 2008.

Executive Officers

The schedule of executive officers is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held May 1, 2008.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer/controller, and all other officers, employees and directors. Our code of ethics is available on our Internet website at www.jbhunt.com. If we make substantive amendments to this code of ethics or grant any waiver, including any implicit waiver, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K within four days of such amendment or waiver.

Corporate Governance

In complying with the rules and regulations required by the Sarbanes-Oxley Act of 2002, NASDAQ, Public Company Accounting Oversight Board (PCAOB) and others, we have attempted to do so in a manner that clearly meets legal requirements but does not create a bureaucracy of forms, checklists and other inefficient or expensive procedures. We have adopted a code of conduct, code of ethics, whistleblower policy and charters for all of our Board of Director Committees and other formal policies and procedures. Most of these items are available on our Company website, www.jbhunt.com. If we make significant amendments to our code of ethics or whistleblower policy, or grant any waivers to these items, we will disclose such amendments or waivers on our website or in a report on Form 8-K within four days of such action.

ITEM 11. EXECUTIVE COMPENSATION

The information required for Item 11 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on May 1, 2008.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SECURITY HOLDER MATTERS

The information required for Item 12 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on May 1, 2008.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for Item 13 is hereby incorporated by reference from Note 10, Related-Party Transactions, and Note 12, Affiliated Company, of the Notes to Consolidated Financial Statements and from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on May 1, 2008.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required for Item 14 is hereby incorporated by reference from the Notice and Proxy Statement for Annual Meeting of Stockholders to be held on May 1, 2008.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) Financial Statements, Financial Statement Schedules and Exhibits:

(1) Financial Statements

The financial statements included in Item 8 above are filed as part of this annual report.

(2) Financial Statement Schedules
Financial statement schedules have been omitted either because they are not applicable or because the required information is included in our Consolidated Financial Statements or the notes thereto.

(3) Exhibits
The response to this portion of Item 15 is submitted as a separate section of this report on Form 10-K (Exhibit Index).

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Lowell, Arkansas, on the 29th day of February, 2008.

J.B. HUNT TRANSPORT SERVICES, INC.
(Registrant)

By:	/s/ Kirk Thompson	
		Kirk Thompson President and Chief Executive Officer
By:	/s/ Jerry W. Walton	
		Jerry W. Walton Executive Vice President, Finance and Administration, Chief Financial Officer
By:	/s/ Donald G. Cope	
		Donald G. Cope Senior Vice President, Controller, Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on the 29th day of February, 2008, on behalf of the registrant and in the capacities indicated.

/s/ Wayne Garrison Wayne Garrison	Member of the Board of Directors (Chairman)
/s/ Gary C. George Gary C. George	Member of the Board of Directors
/s/ J. Bryan Hunt, Jr. J. Bryan Hunt, Jr	Member of the Board of Directors
/s/ Johnelle D. Hunt Johnelle D. Hunt	Member of the Board of Directors (Corporate Secretary)
/s/ Coleman H Peterson Coleman H. Peterson	Member of the Board of Directors
/s/ James L. Robo James L. Robo	Member of the Board of Directors
/s/ Kirk Thompson Kirk Thompson	Member of the Board of Directors (President and Chief Executive Officer)
/s/ Leland E. Tollett Leland E. Tollett	Member of the Board of Directors

/s/ John A. White John A. White	Member of the Board of Directors (Presiding Director)

EXHIBIT INDEX

Exhibit Number	Description
3A	The Company s Amended and Restated Articles of Incorporation dated May 19, 1988 (incorporated by reference from Exhibit 4A of the Company s S-8 Registration Statement filed April 16, 1991; Registration Statement Number 33-40028)
3B	The Company s Amended Bylaws dated September 19, 1983 (incorporated by reference from Exhibit 3C of the Company s S-1 Registration Statement filed February 7, 1985; Registration Statement Number 2-95714)
10A	Material Contracts of the Company (incorporated by reference from Exhibits 10A-10N of the Company s S-1 Registration Statement filed February 7, 1985; Registration Statement Number 2-95714)
10B	The Company had an Employee Stock Purchase Plan filed on Form S-8 on February 3, 1984 (Registration Statement Number 2-93928) and has a Management Incentive Plan filed on Form D-8 on April 16, 1991 (Registration Statement Number 33-40028). The Management Incentive Plan is incorporated herein by reference from Exhibit 4B of the Registration Statement 33-40028. The Company amended and restated its Employee Retirement Plan on Form S-8 (Registration Statement Number 33-57127) filed December 30, 1994. The Employee Retirement Plan is incorporated herein by reference from Exhibit 99 of Registration Statement Number 33-57127. The Company amended and restated its Management Plan on Form S-8 (Registration Statement Number 33-40028) filed May 9, 2002. The Company filed the Chairman s Stock Option Incentive Plan as part of a definitive 14A on March 26, 1996.
10.2	Summary of Compensation Arrangements with Named Executive Officers
21	Subsidiaries of J.B. Hunt Transport Services, Inc.
23.1	Consent of Ernst & Young LLP
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002

INDEX TO CONSOLIDATED FINANCIAL INFORMATION

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

J.B. Hunt Transport Services, Inc. and subsidiaries

We have audited the accompanying consolidated balance sheets of J.B. Hunt Transport Services, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of earnings, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of J.B. Hunt Transport Services, Inc. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 6 to the consolidated financial statements, in 2007 the Company changed its method of accounting for income taxes, and as discussed in Note 5 to the consolidated financial statements, in 2006 the Company changed its method of accounting for share-based compensation.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), J.B. Hunt Transport Services, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Rogers, Arkansas

February 27, 2008

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for the preparation, integrity and fair presentation of our Consolidated Financial Statements and related information appearing in this report. We take these responsibilities very seriously and are committed to maintaining controls and procedures that are designed to ensure that we collect the information we are required to disclose in our reports to the SEC and to process, summarize and disclose this information within the time periods specified by the SEC.

Based on an evaluation of our disclosure controls and procedures, as of the end of the period covered by this report, and conducted by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, we believe that our controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in our reports filed with the SEC within the required time periods.

We are responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. We assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on our assessment, we believe that as of December 31, 2007, our internal control over financial reporting is effective based on those criteria.

The effectiveness of internal control over financial reporting as of December 31, 2007, has been audited by Ernst & Young LLP, an independent registered public accounting firm that also audited our Consolidated Financial Statements. Ernst & Young LLP s report on internal control over financial reporting is included herein.

/s/ Kirk Thompson
Kirk Thompson
President and Chief Executive Officer

/s/ Jerry W. Walton
Jerry W. Walton
Executive Vice President, Finance and
Administration,
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

J.B. Hunt Transport Services, Inc. and subsidiaries

We have audited J.B. Hunt Transport Services, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). J.B. Hunt Transport Services, Inc. and subsidiaries management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, J.B. Hunt Transport Services, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of J.B. Hunt Transport Services, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of earnings, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2007 and our report dated February 27, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Rogers, Arkansas

February 27, 2008

J. B. HUNT TRANSPORT SERVICES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2007 and 2006

(in thousands, except share data)

Assets	**2007**	**2006**
Current assets:		
Cash and cash equivalents	$ 14,957	$ 7,371
Trade accounts receivable, net	330,202	346,251
Income tax receivable		11,824
Inventories	15,445	13,921
Assets held for sale	39,747	
Prepaid licenses and permits	20,477	21,410
Prepaid insurance	49,129	62,537
Other current assets	18,937	7,929
Total current assets	488,894	471,243
Property and equipment, at cost:		
Revenue and service equipment	1,804,876	1,618,155
Land	24,280	23,857
Structures and improvements	114,358	108,296
Furniture and office equipment	137,379	134,010
Total property and equipment	2,080,893	1,884,318
Less accumulated depreciation	722,170	600,767
Net property and equipment	1,358,723	1,283,551
Other assets	15,129	15,263
	$ 1,862,746	$ 1,770,057
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of long-term debt	$ 234,000	$ 214,000
Trade accounts payable	189,987	170,672
Claims accruals	19,402	20,042
Accrued payroll	34,310	42,352
Other accrued expenses	26,663	7,961
Deferred income taxes	20,070	23,703
Total current liabilities	524,432	478,730
Long-term debt	679,100	182,400
Other long-term liabilities	34,453	54,656
Deferred income taxes	281,564	294,534
Total liabilities	1,519,549	1,010,320
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $100 par value. 10 million shares authorized; none outstanding		
Common stock, $.01 par value. 1 billion shares authorized;		
167,099,432 shares outstanding at December 31, 2007 and 2006	1,671	1,671
Additional paid-in capital	170,536	177,065
Retained earnings	1,192,628	1,035,804
Accumulated other comprehensive loss	(993)	(148)
Treasury stock, at cost (42,527,311 shares at December 31, 2007 and 22,543,991 shares at December 31, 2006)	(1,020,645)	(454,655)
Total stockholders equity	343,197	759,737
	$ 1,862,746	$ 1,770,057

See Notes to Consolidated Financial Statements.

J. B. HUNT TRANSPORT SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

Years Ended December 31, 2007, 2006 and 2005

(in thousands, except per share amounts)

		2007		**2006**		**2005**
Operating revenues, excluding fuel surcharge revenues	$	3,009,819	$	2,897,816	$	2,791,926
Fuel surcharge revenues		480,080		430,171		335,973
Total operating revenues		3,489,899		3,327,987		3,127,899
Operating expenses:						
Rents and purchased transportation		1,235,390		1,124,734		1,058,406
Salaries, wages and employee benefits		888,594		892,066		855,272
Fuel and fuel taxes		463,538		447,309		388,962
Depreciation and amortization		205,133		183,604		163,034
Operating supplies and expenses		155,893		145,794		132,895
Insurance and claims		69,655		71,582		55,266
Operating taxes and licenses		33,540		34,447		35,827
General and administrative expenses, net of asset dispositions		48,211		33,232		45,939
Communication and utilities		21,156		22,566		22,597
Arbitration settlement						25,801
Total operating expenses		3,121,110		2,955,334		2,783,999
Operating income		368,789		372,653		343,900
Interest income		1,011		978		966
Interest expense		43,523		16,137		6,531
Equity in loss of affiliated company		1,230		3,181		4,709
Earnings before income taxes		325,047		354,313		333,626
Income taxes		111,913		134,361		126,315
Net earnings	$	213,134	$	219,952	$	207,311
Weighted average basic shares outstanding		134,334		148,581		157,583
Basic earnings per share	$	1.59	$	1.48	$	1.32
Weighted average diluted shares outstanding		137,639		152,317		162,559
Diluted earnings per share	$	1.55	$	1.44	$	1.28
Dividends declared per common share	$	0.36	$	0.32	$	0.24

See Notes to Consolidated Financial Statements.

J. B. HUNT TRANSPORT SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

Years Ended December 31, 2007, 2006, and 2005

(in thousands, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Stockholders Equity
Balances at December 31, 2004	$ 836	$ 197,452	$ 694,230	$	$ (31,568)	$ 860,950
Comprehensive income:						
Net earnings			207,311			207,311
Cash dividend paid ($0.24 per share)			(37,955)			(37,955)
Stock split	835	(835)				
Tax benefit of stock options exercised		19,276				19,276
Purchase of treasury shares					(239,234)	(239,234)
Stock option exercises, net of stock repurchased for payroll taxes		(33,213)			39,890	6,677
Balances at December 31, 2005	$ 1,671	$ 182,680	$ 863,586	$	$ (230,912)	$ 817,025
Comprehensive income:						
Net earnings			219,952			219,952
Unrealized loss related to derivatives accounted for as hedges, net of tax				(148)		(148)
Total comprehensive income						219,804
Cash dividend paid ($0.32 per share)			(47,734)			(47,734)
Tax benefit of stock options exercised		12,367				12,367
Purchase of treasury shares					(257,395)	(257,395)
Stock compensation		7,651				7,651
Stock option exercises and restricted share issuances, net of stock repurchased for payroll taxes		(25,633)			33,652	8,019
Balances at December 31, 2006	$ 1,671	$ 177,065	$ 1,035,804	$ (148)	$ (454,655)	$ 759,737
Comprehensive income:						
Net earnings			213,134			213,134
Unrealized loss related to derivatives accounted for as hedges, net of tax				(845)		(845)
Total comprehensive income						212,289
Cash dividend paid ($0.36 per share)			(48,847)			(48,847)
Tax benefit of stock options exercised		13,885				13,885
Purchase of treasury shares					(603,371)	(603,371)

FIN 48 entries to recognize uncertain tax positions			(7,463)			(7,463)
Stock compensation		9,389				9,389
Stock option exercises and restricted share issuances, net of stock repurchased for payroll taxes		(29,803)			37,381	7,578
Balances at December 31, 2007	$ 1,671	$ 170,536	$ 1,192,628	$ (993)	$ (1,020,645)	$ 343,197

See Notes to Consolidated Financial Statements.

J. B. HUNT TRANSPORT SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 2007, 2006, and 2005

(in thousands)

	2007	2006	2005
Cash flows from operating activities:			
Net earnings	$ 213,134	$ 219,952	$ 207,311
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	205,133	183,604	163,034
Share-based compensation	9,389	7,171	
(Gain)/loss on sale of revenue equipment	456	(2,891)	(1,808)
Impairment on assets held for sale	8,374		
Provision for deferred income taxes	3,499	4,915	5,761
Equity in loss of affiliated company	1,230	3,181	4,709
Tax benefit of stock options exercised			19,276
Changes in operating assets and liabilities:			
Trade accounts receivable	16,049	(2,750)	(54,355)
Income tax receivable	21,784	(11,824)	19,418
Other assets	12,317	20,218	8,052
Trade accounts payable	14,993	7,923	(28,147)
Claims accruals	(640)	4,391	(2,884)
Accrued payroll and other accrued expenses	(47,913)	(10,827)	(8,515)
Net cash provided by operating activities	457,805	423,063	331,852
Cash flows from investing activities:			
Additions to property and equipment	(363,552)	(483,188)	(285,364)
Proceeds from sale of equipment	32,917	72,985	81,458
Net purchases of available for sale investments	(8,756)		
Increase in other assets	(1,096		