transported approximately 75 percent of our truckload shipments in 2008. In our truckload business, no single carrier represents more than one percent of our carrier capacity.

Our goals. Since we became a publicly-traded company in 1997, our long-term compounded annual growth target has been 15 percent for gross profits, income from operations, and earnings per share. This goal was based on an analysis of our performance in the previous twenty years, during which our compounded annual growth rate was 15 percent. Although there have been periods where we have not achieved these goals, since 1997, we have exceeded this compounded growth goal in all three categories.

Our expectation is that over time, we will continue to achieve our long-term target of 15 percent growth, but that we will have periods in which we exceed that goal and periods in which we fall short. We expect to reach our long-term growth primarily through internal growth but acquisitions that fit our growth criteria and culture may also augment our growth.

In 2008, our gross profits grew 10.5 percent to $1.4 billion. Our income from operations increased 12.1 percent to $571.6 million and our diluted earnings per share increased 11.8 percent to $2.08. Due to overall economic conditions and the rapid decline in North American truckload volumes, which are the largest source of our gross profits, we did not achieve our long-term growth goal of 15 percent in 2008. Truckload volumes in the marketplace and in our business slowed as the year progressed, and on a per business day basis our North American truckload gross profits declined in December. The environment remains unpredictable. Based on published industry freight indexes and reductions in overall economic activity and manufacturing production, 2009 may be very challenging for growth and it is more likely that we will not achieve our long-term growth goals.

2008 COMPARED TO 2007

Revenues. Gross revenues for 2008 were $8.58 billion, an increase of 17.3 percent over $7.32 billion in 2007. Gross profits in 2008 were $1.37 billion, an increase of 10.5 percent over $1.24 billion in 2007. This was the result of an increase in our Transportation gross profits of 10.4 percent to $1.21 billion, an increase in our Sourcing gross profits of 11.4 percent to $111.6 million, and an increase in our Information Services gross profits of 11.5 percent to $50.8 million.

During 2008, our gross profit margin, or gross profits as a percentage of gross revenues, decreased to 16.0 percent from 17.0 percent in 2007. Transportation gross profit margin decreased to 17.0 percent in 2008 from 18.4 percent in 2007, primarily due to the increased cost of fuel and its impact on our truckload business. While our different pricing arrangements with customers and carriers make it very difficult to measure the precise impact, we believe that fuel costs essentially act as a pass-through to our business. Therefore, in times of higher fuel prices, our gross profit margin percentage declines. Sourcing gross profit margin increased to 8.0 percent in 2008 from 7.7 percent in 2007. Information Services is a fee-based business which generates 100 percent gross profit margin.

Transportation gross profits increased 10.4 percent to $1.21 billion in 2008 from $1.10 billion in 2007. Transportation revenues are generated through several transportation services, including truck, intermodal, ocean, air, and miscellaneous services.

Truck gross profits, which consists of truckload and less-than-truckload (LTL), increased 8.5 percent to $1.03 billion in 2008. Truckload volumes increased approximately seven percent in 2008, but deteriorated as the year progressed. Truckload gross profit margins decreased in 2008 due to the higher cost of fuel for most of 2008 compared to 2007. Including fuel, our truckload rates increased approximately nine percent; excluding estimated impacts of fuel, underlying linehaul rates increased approximately one percent. Our LTL volumes increased approximately 19 percent in 2008. LTL gross profit margins for 2008 were consistent with 2007. Despite weakening demand for trucking services in the marketplace, we were able to capture additional market share and grow our volumes with existing customers and gain new customers.

Intermodal gross profits increased 12.8 percent to $43.6 million from $38.7 million in 2007, due to an increase in volumes offset partially by a decrease in our gross profit margins. Cross-selling with existing customers and new customer growth drove our volume growth.

Our ocean transportation gross profits increased 42.6 percent to $62.1 million in 2008. Our growth was driven by an increase in volumes and an increase in our gross profit margins. Our previously disclosed acquisition of Transera on August 1, 2008, contributed approximately 15.3 percent to the overall increase. Our volumes grew due to adding new customers and growth with existing customers. Gross profit margins expanded due to more widely available capacity in the marketplace.

Our air transportation gross profits increased 13.0 percent to $35.4 million in 2008. The increase was driven by significant volume increases partially offset by a decline in our gross profit margins. Our acquisition of Transera contributed approximately five percent to the overall increase.

Miscellaneous transportation gross profits consist primarily of customs brokerage fees and transportation management fees. The increase of 17.5 percent to $41.4 million in 2008 was driven primarily by increases in transportation management business.

Sourcing gross profits increased 11.4 percent to $111.6 million in 2008. Our Sourcing business is the buying and selling of fresh fruits and vegetables. For several years, we have actively sought to expand our Sourcing customer base, focusing on large retailers, restaurant chains, and foodservice providers. As a result, we continue to see the long-term trend of growth in our integrated relationships and value-added products and an expansion of our services, which have resulted in increased volumes and gross profit margins in 2008.

Information Services is comprised entirely of revenue generated by our subsidiary, T-Chek Systems. For 2008, Information Systems gross profits growth of 11.5 percent to $50.8 million was driven primarily by volume growth in local fleet card services, some of our carrier compliance services, cash advance services, maintenance fees, and merchant services. Higher fuel prices contributed to some of our growth because with certain merchants our fee is based on a percentage of the sale amount. Volumes in our over-the-road fuel card declined slightly due to the reduction in freight demand in marketplace, resulting in a smaller number of transactions.

Selling, general, and administrative expenses. Personnel expenses increased 6.0 percent to $601.8 million in 2008, and decreased as a percentage of gross profits to 43.8 percent in 2008 from 45.7 percent in 2007. Personnel expenses account for nearly 75 percent of our total selling, general, and administrative expenses. The increase is largely due to growth in our headcount, which increased by over 600 people, or 8.6 percent in 2008. Expenses related to our restricted stock program and various other incentive plans are variable, based on growth in our earnings. Our slower earnings growth in 2008 compared to 2007 resulted in a decrease in expense related to some of these incentive plans. This contributed to our personnel expenses growing slower than our gross profits.

Other selling, general, and administrative expenses for 2008 were $201.6 million, an increase of 21.3 percent from $166.1 million in 2007. The increase in our selling, general, and administrative expenses was driven by several expense categories, including provision for doubtful accounts, occupancy, and claims. As a percentage of gross profits, other selling, general, and administrative expenses increased to 14.6 percent in 2008 compared to 13.4 percent in 2007.

Our total provision for doubtful accounts was $14.3 million for the year compared to $6.7 million in 2007. Due to economic conditions, we had a higher level of customer-specific payment issues and bankruptcies than we typically experience. It is very difficult for us to predict whether other accounts will have issues in the future but believe our reserve for doubtful accounts is appropriate.

Our occupancy expense increased faster than our gross profits primarily due to primarily to an increase in office space. Occupancy expense is driven primarily by contractual lease agreements of our branch locations, which are fixed in the short-term and therefore difficult to reduce as our gross profit growth slows.

Income from operations. Income from operations increased 12.1 percent to $571.6 million for 2008. This increase was primarily driven by the growth in our gross profits. Income from operations as a percentage of gross profits was 41.6 percent and 40.9 percent for 2008 and 2007.

Investment and other income. Investment and other income decreased 50.8 percent to $6.8 million in 2008. Our investment yield declined significantly from 2007 to 2008 due to changes in the short term high-quality interest rate market. During 2008, nearly all of our investments were in money market funds that generally have a lower yield. During 2007, we were invested in auction rate securities and variable rate demand notes which had a higher investment yield.

Provision for income taxes. Our effective income tax rate was 37.9 percent for 2008 and 38.1 percent for 2007. The effective income tax rate for both periods is greater than the statutory federal income tax rate primarily due to state income taxes, net of federal benefit.

Net income. Net income increased 10.8 percent to $359.2 million for 2008. Basic net income per share increased 11.6 percent to $2.12. Diluted income per share increased 11.8 percent to $2.08 for 2008.

2007 COMPARED TO 2006

Revenues. Gross revenues for 2007 were $7.32 billion, an increase of 11.6 percent over $6.56 billion in 2006. Gross profits in 2007 were $1.24 billion, an increase of 14.9 percent over $1.08 billion in 2006. This was the result of an increase in our Transportation gross profits of 16.1 percent to $1.10 billion, an increase in our Sourcing gross profits of 6.4 percent to $100.2 million, and an increase in our Information Services gross profits of 7.5 percent to $45.5 million.