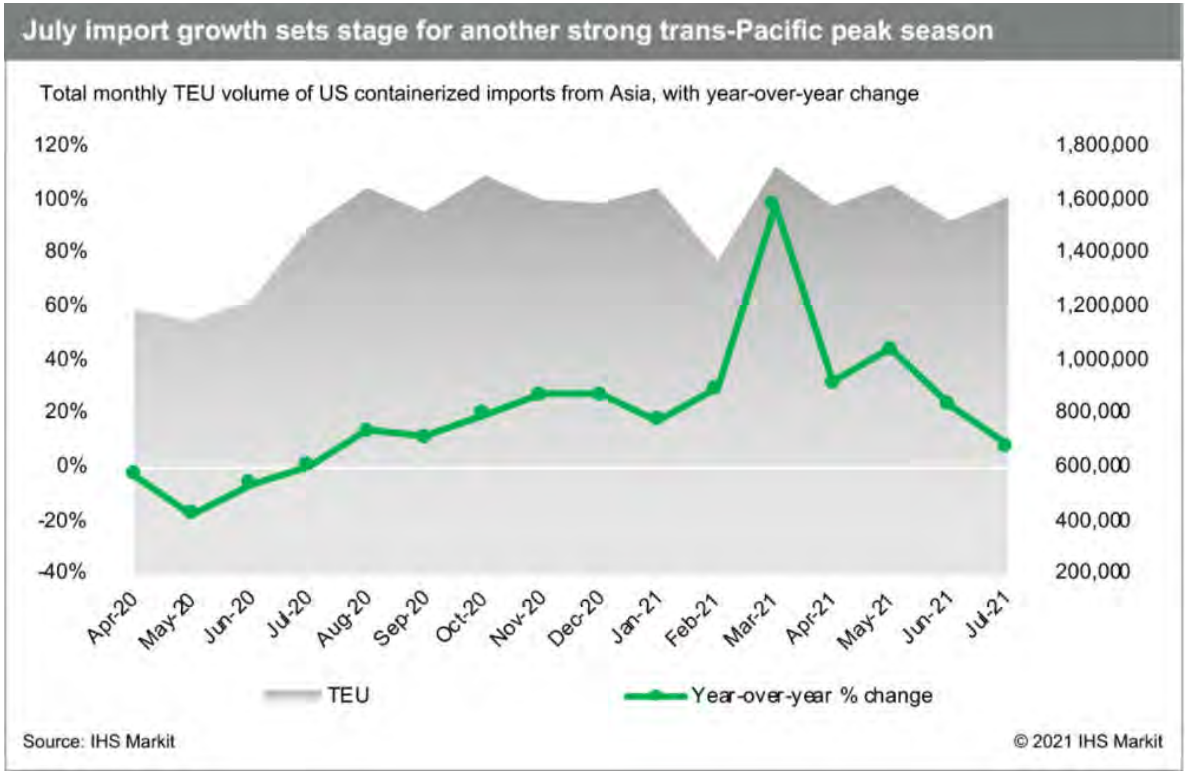


Industry Update

August / 2021

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US - Asia imports



- **Imports rose 7.9% (YOY)**
  - New baseline for imports has been established – 30% higher
  - July typically last month before peak season (Aug-Oct)
- **Imports to West coast increased from 59.9% to 61.7%**
  - Carriers deployed new extra loader vessels to SoCal, Seattle. Long Beach had 11 extra-loader calls in July
- **Walmart chartering vessels**
  - "Out of Stocks" running above normal
  - Not the first big box retailer to charter – Home Deport
- **Long Beach New Container Terminal at Middle Harbor completed 8/20.**
  - 4,200 ft long wharf
  - Unload up to 3 ships at a time.
  - One of the most technologically advanced terminals in the world.

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SoCal Truck Demand Spiking…

- **Importers continue to shift to truckload to avoid delays at LA, Long Beach ports**
  - Waiting weeks for train service, chassis shortages at inland ramps
  - Not enough boxes or train capacity to transload onto domestic containers.

- **Los Angeles to Chicago**
  - Truckload posts up 40% in past four weeks.
  - Spot rates up to $8,150 per container, truckload around $6,500-$6,800

- **Railroads price increases making it more cost effective for shippers to move as truckload.**
  - Small shippers looking to avoid Union Pacific $5,000 surcharges
  - Spot rates inflated to match surcharges – rates rising over $1,900 per container.

- **Ocean Network Express (ONE)**
  - Announced July 27th that it would limit inland point intermodal (IPI) – movement of intact ocean boxes within the US, urging customer to book port-to-port
  - Other carriers denying IPI booking requests through LA, Long Beach, and Oakland.

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Ningbo & Shanghai Congestions

Busiest Ports in the World

- Shanghai #1, Ningbo-Zhoushan #3

Productivity slowing, causing congestion at both ports

- July typhoons caused temporary closures – bottlenecking ships and causing berthing delays up to 7 days
- Anti-Covid measures in place to prevent spread of Delta variant.

Meidong Container Terminal (Ningbo)

- Suspended operations Wednesday August 11th after coronavirus case emerged
  - 17% of total container volume for Ningbo
- Shipping companies diverted vessels to other terminals in Ningbo, some skipped docking completely.
- Terminal expecting steady ramp up starting August 25th, normal operations by September 5th
  - Less severe than Yantian disruption.

Shanghai Pudong International Airport PACTL Terminal

- Two positive cases reported – all personnel requested to stop work immediately.
- All international cargo and passenger cargo departure operations suspended.
- Rate from Shanghai to North America hit $7.80 per kg this week – 246% higher than same week in 2019.

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Asia COVID Concerns

CHINA

- **More aggressive responses after Yantian Port shutdown in late May**
  - Yantian operations cut down by 70% for most of June
- **Community spread infections forcing provinces to increase mass testing and localized lockdowns.**
- **Many ports requiring Nucleic Acid Test (NAT) for all crew members**
  - Vessels forced to remain at anchor until negative tests confirmed.
- **Requiring vessels to quarantine for 14-28 days if they previously berthed in India.**

VIETNAM

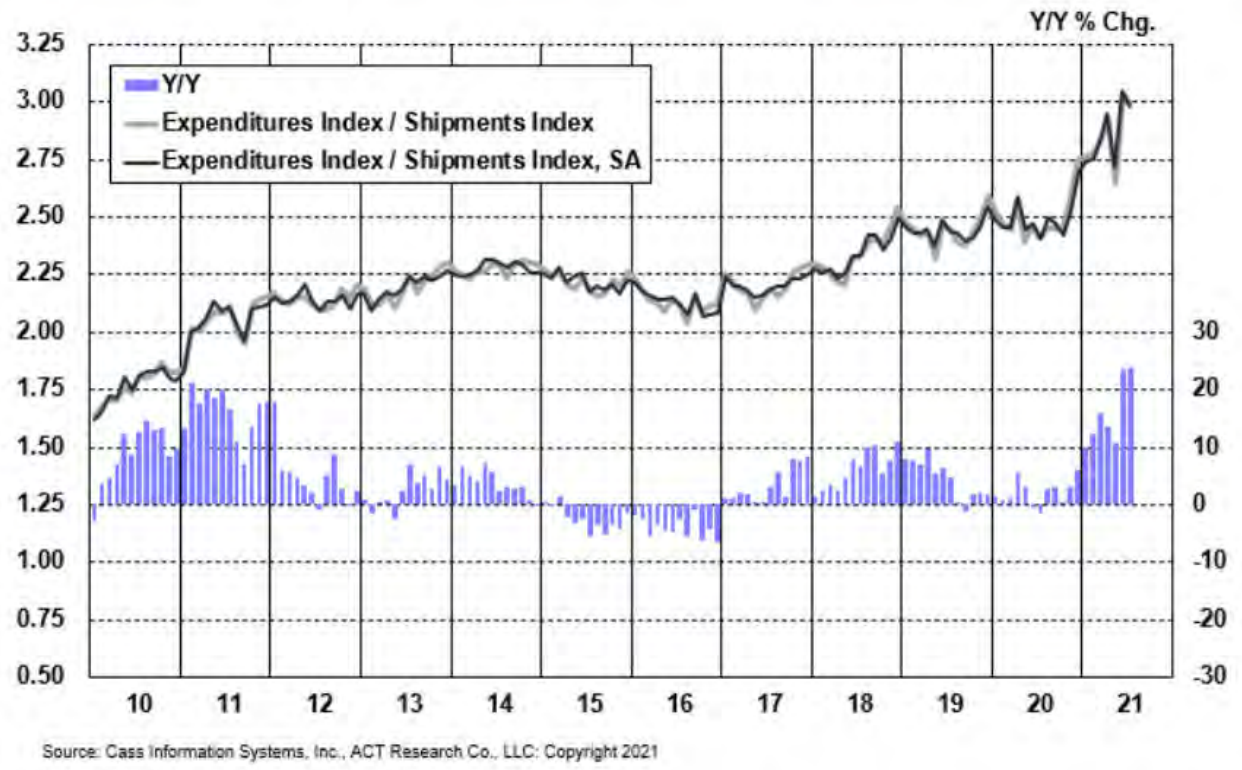
- **Ho Chi Minh City in lockdown starting on July 8th – recently extended until August 15th.**
  - Residents only allowed to leave home to buy food and medicine
- **Some factories reopened with restrictions**
  - Must close if COVID case is discovered.
  - Workers forced to eat and sleep in factories to remain isolated from public.
- **Port terminals severely congested – ships at anchor at Vung Tau waiting for berth space to open up.**
- **Port Cat Lai stopped receiving imports for a week – reassign workers to help with outbound backlogs.**

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Cass July Index

- **July shipment counts up 15.6% YOY**
- **July freight expenses up 43.1% YOY**
- **Implied freight rates** (freight costs / shipments) **up 23.8% YOY**

Chart: Cass Inferred Freight Rates, January 2009 – July 2021 (01'1990=1.00)



Source: Cass Information Systems, Inc., ACT Research Co., LLC: Copyright 2021

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LTL Market Update…

- **Carriers trying to compete with ODFL, XPO, SAIA Operating Ratio (O/R).**
  - ODFL (72.3%); XPO (82.7%), SAIA (85.5%)
  - TForce Freight (90.1%) – original goal was sub-95% by end of Q2.
  - ABF (90.2%) – improvement from 2020Q2 (94.4%)
  - Yellow (97.9%) – improvement from 2020Q2 (100.5%)

- **Carriers reporting lower number of RFPs.**
  - 40% less bid activity
  - Win percentages on RFPs incredibly low (less than 1%)
  - Scrutinizing bids to determine if they want to participate
    - Local terminals have authority to reject.
  - Not honoring awards
    - Conditions changed by the time it was awarded
    - Do not want the lanes awarded
    - Not enough revenue to support contract pricing
  - If bidding, offers will reflect O/Rs of 85% or better – much worse than incumbent pricing.

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LTL Market Update…

- **July shipments counts down slightly from June.**
  - June was record month
  - July was not typical “catch your breath” month- still stronger than typical activity.
  - Carriers seeing slight improvement with On-Time % on regional activity, not long haul.

- **Hotspot areas consistent with carriers**
  - Atlanta, Dallas, Chicago, New York/NJ, Phoenix, Seattle, Portland
    - Memphis becoming an issue – tough labor market.
  - Long haul moves (West to East; East to West) remain an issue
    - Carriers relying heavily on truckload, rail
  - Carriers continue to embargo lanes to provide relief to terminals.

- **COVID cases rising again**
  - Carriers reporting much higher levels of COVID infections
  - Spread quickly at terminals, instantly create hotspot.

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LTL Market Update…

- **LTL Carriers not gaining traction on driver shortage**
  - Falling short of aggressive driver hiring plans
  - Successfully adding drivers but losing them at a similar same rate
    - Drivers leaving for more pay, retirement
  - XPO adding 100 drivers per week, losing 35 to 40 per week.
    - XPO paying students to attend driver schools
  - Estes – below goal of adding 1,500 drivers in 2021
    - Added 859 but not net gain due to turnover/retirement.
  - Majority of driver additions on P&D, linehaul still a major issue.

- **Carrier continue to be selective with current business**
  - Targeting Overlength Freight (Dayton now applying at 7 ft)
  - Aggressive approach on Collections
    - Implementing late payment fees
    - Credit holds
    - Discontinuing CODs
  - Shedding less desirable/profitable freight – putting more pressure to push back into the truckload market.

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LTL Market Update…

- **Yellow Rebranding / Consolidations**
  - Merging all companies onto one system (New Penn complete, working on Reddaway now, Holland will be final piece) – Expected completion December 31st.
  - Rebranding all equipment, merging all onto Yellow (YRC) pro numbers.
  - Consolidating terminals – may see "different" carrier pick up shipment
    - EX: Holland picking up shipment for Yellow.
    - Trying to avoid having multiple drivers bump the dock on the same day.
  - Creating a "Velocity Center"
    - Avoiding common break bulks
    - Reduce linehaul, reduce use of rail.
    - Planning to set up 10 Velocity Centers across the country – not yet defined.

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Equipment Load to Truck Ratios …

DAT Trendlines™

powered by DAT iQ

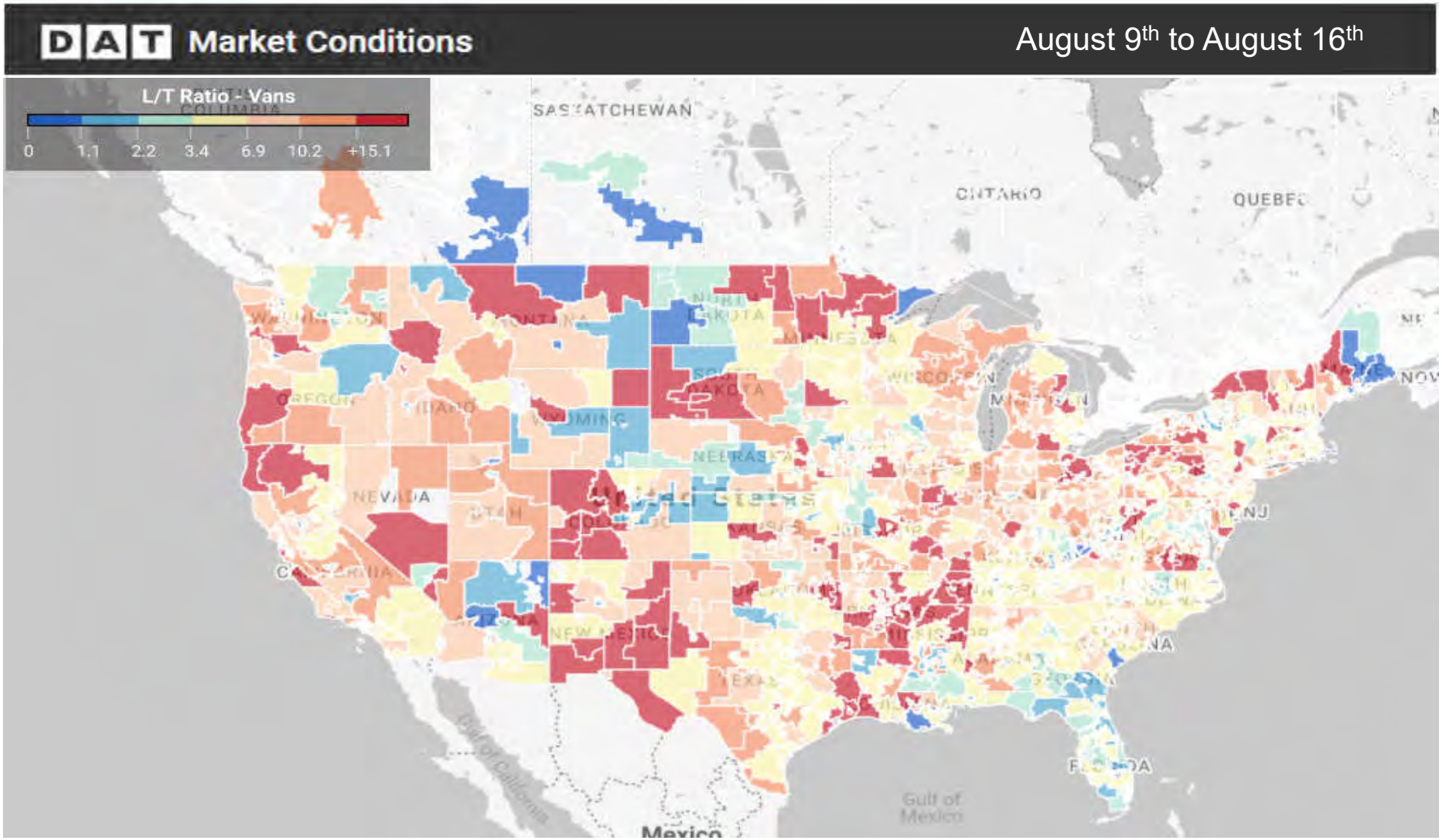
DAT TRENDLINES | VAN | FLATBED | REEFER

INDUSTRY TRENDS	WEEK AUG 02 - AUG 08 VS. JUL 26 - AUG 01	MONTH JUL 2021 VS. JUN 2021	YEAR JUL 2021 VS. JUL 2020
Spot Load Posts	-1.6%	-17.1%	+45.8%
Spot Truck Posts	+3.6%	-6.6%	+0.1%
Van Load-To-Truck	-6.1%	+4.5%	+32.0%
Van Spot Rates	+0.7%	+1.8%	+33.4%
Flatbed Load-To-Truck	-10.1%	-33.5%	+54.3%
Flatbed Spot Rates	-0.2%	-1.2%	+41.4%
Reefer Load-To-Truck	+1.1%	+8.4%	+70.3%
Reefer Spot Rates	+1.0%	+1.2%	+36.1%

- Freight market did not see the typical decrease after the Fourth of July.
- Spot market rates still up over 30% YOY due to supply-chain bottlenecks and material shortages.
- Van and Reefers rates coming off all time highs in July 2021 – usually don't see truckload rate peaks until Oct/Nov
- Expect rates to remain high even if volumes reduce slightly.
  - Drop in freight volumes does not reflect demand, its an inability to move freight

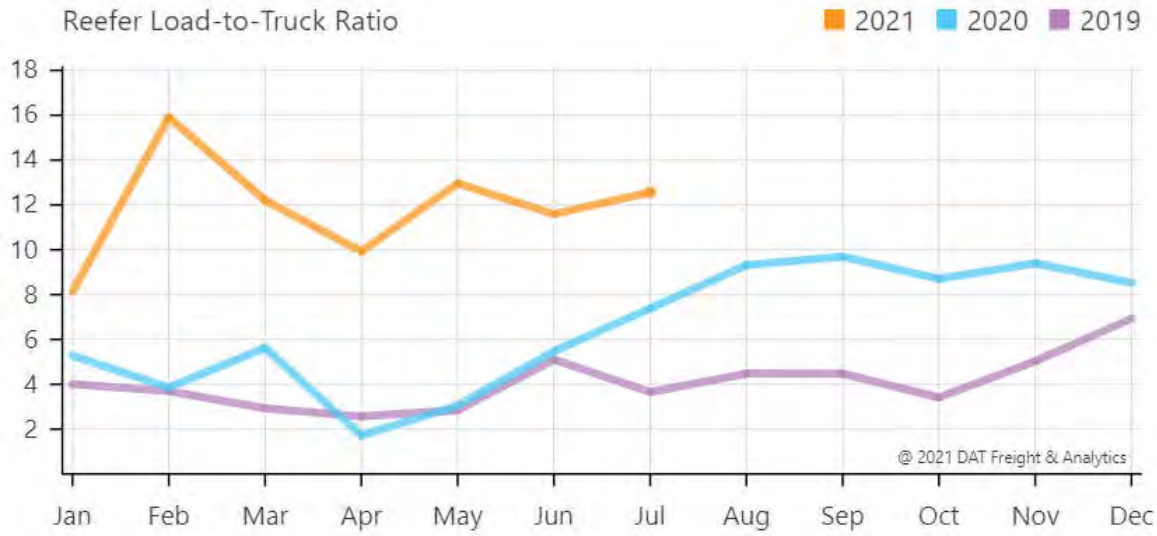
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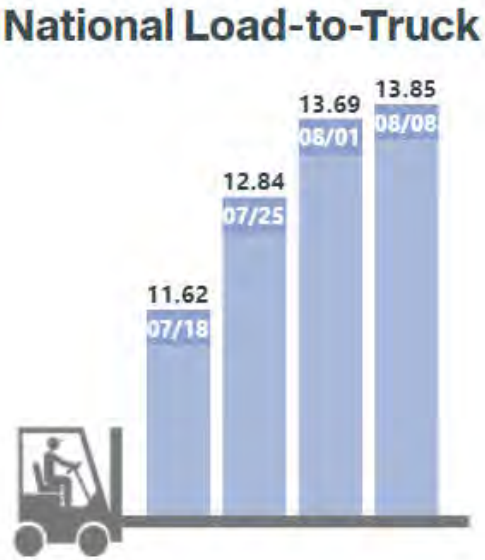
Load to Truck Ratios…



Reefer LTR Increasing…

- **LTR continues to rise during the first two weeks of August.**
- **Usually see a drop off in demand as produce season comes to an end in mid-August…**





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Rail Volumes…

Weekly North American Rail Volumes by Segment

y/y % change

Week ending:	5/1/21	5/8/21	5/15/21	5/22/21	5/29/21	6/5/21	6/12/21	6/19/21	6/26/21	7/3/21	7/10/21	7/17/21	7/24/21	7/31/21	8/7/21
Intermodal	26.9%	26.5%	26.2%	24.1%	31.3%	13.3%	16.8%	11.1%	9.9%	11.4%	-3.5%	3.0%	2.8%	2.6%	0.0%
Chemicals	11.1%	15.8%	18.3%	18.4%	20.2%	20.9%	18.5%	13.7%	9.1%	15.7%	4.4%	10.0%	10.7%	5.8%	7.6%
Metals	28.1%	51.5%	46.4%	33.2%	53.9%	41.5%	32.9%	31.3%	38.8%	41.2%	47.5%	44.0%	32.3%	35.9%	26.5%
Automotive	751.6%	727.8%	626.6%	326.0%	156.4%	43.0%	11.6%	-2.7%	-6.8%	-2.7%	-16.5%	-17.3%	-27.7%	-23.5%	-24.2%
Petroleum	17.4%	19.6%	20.4%	22.8%	25.2%	30.2%	20.1%	20.1%	24.8%	18.1%	11.8%	10.7%	17.7%	16.7%	15.3%
Minerals/Sand	13.3%	13.4%	11.2%	15.7%	27.2%	8.5%	11.5%	10.3%	15.0%	21.3%	5.2%	3.6%	12.4%	12.3%	9.7%
Paper/Lumber	15.0%	15.7%	12.9%	15.4%	20.2%	16.5%	14.7%	11.5%	15.6%	12.7%	2.6%	5.3%	7.8%	5.1%	4.7%
Grain/Food	21.5%	12.8%	15.3%	9.6%	15.1%	3.0%	4.6%	-2.7%	4.4%	-3.4%	-12.7%	-7.7%	-8.4%	-8.1%	-13.1%
Coal	36.2%	36.2%	49.1%	41.9%	42.5%	36.3%	38.4%	34.3%	32.0%	35.0%	16.8%	18.6%	16.6%	12.8%	20.0%
Total	**27.9%**	**27.3%**	**29.0%**	**26.7%**	**31.7%**	**17.2%**	**17.5%**	**12.2%**	**12.6%**	**14.1%**	**0.4%**	**4.9%**	**4.5%**	**4.2%**	**2.6%**
Carloads, ex-Intermodal	28.9%	28.2%	31.8%	29.4%	32.2%	21.3%	18.2%	13.3%	15.5%	16.9%	4.3%	6.9%	6.2%	5.8%	5.4%

Source: Company reports; ACT Research Co. LLC. Copyright 2021

- **Rail volumes continue to decline**
  - Importers transloading to truckload to avoid delays, rising rail charges.
- **Negative Automotive trends continue**
  - Nissan closes Smyrna, TN plant for two weeks starting August 16th, previously closed for two weeks in June
  - Semiconductor shortages worsened by the COVID-19 outbreak in Malaysia

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Fuel Price Update…

Date	Diesel ($ per Gallon)
Jan 07, 2020	$ 3.079
Jan 14, 2020	$ 3.064
Jan 22, 2020	$ 3.037
Jan 28, 2020	$ 3.010
Feb 04, 2020	$ 2.956
Feb 11, 2020	$ 2.910
Feb 19, 2020	$ 2.890
Feb 25, 2020	$ 2.882
Mar 03, 2020	$ 2.851
Mar 10, 2020	$ 2.814
Mar 17, 2020	$ 2.733
Mar 24, 2020	$ 2.659
Mar 31, 2020	$ 2.586
Q1 AVERAGE	**$ 2.882**

Date	Diesel ($ per Gallon)
Apr 07, 2020	$ 2.548
Apr 14, 2020	$ 2.507
Apr 21, 2020	$ 2.480
Apr 28, 2020	$ 2.437
May 05, 2020	$ 2.399
May 12, 2020	$ 2.394
May 19, 2020	$ 2.386
May 27, 2020	$ 2.390
Jun 02, 2020	$ 2.386
Jun 09, 2020	$ 2.396
Jun 16, 2020	$ 2.403
Jun 23, 2020	$ 2.425
Jun 30, 2020	$ 2.430
Q2 AVERAGE	**$ 2.429**

Date	Diesel ($ per Gallon)
Jul 07, 2020	$ 2.437
Jul 14, 2020	$ 2.438
Jul 21, 2020	$ 2.433
Jul 28, 2020	$ 2.427
Aug 04, 2020	$ 2.424
Aug 11, 2020	$ 2.428
Aug 19, 2020	$ 2.427
Aug 25, 2020	$ 2.426
Sep 01, 2020	$ 2.441
Sep 09, 2020	$ 2.435
Sep 15, 2020	$ 2.422
Sep 22, 2020	$ 2.404
Sep 29, 2020	$ 2.394
Q3 AVERAGE	**$ 2.426**

Date	Diesel ($ per Gallon)
Oct 06, 2020	$ 2.387
Oct 13, 2020	$ 2.395
Oct 20, 2020	$ 2.388
Oct 27, 2020	$ 2.385
Nov 03, 2020	$ 2.372
Nov 10, 2020	$ 2.383
Nov 17, 2020	$ 2.441
Nov 24, 2020	$ 2.462
Dec 01, 2020	$ 2.502
Dec 08, 2020	$ 2.526
Dec 15, 2020	$ 2.559
Dec 22, 2020	$ 2.619
Dec 29, 2020	$ 2.635
Q4 AVERAGE	**$ 2.466**

Date	Diesel ($ per Gallon)
Jan 05, 2021	$ 2.640
Jan 12, 2021	$ 2.670
Jan 19, 2021	$ 2.696
Jan 26, 2021	$ 2.716
Feb 02, 2021	$ 2.738
Feb 09, 2021	$ 2.801
Feb 17, 2021	$ 2.876
Feb 23, 2021	$ 2.973
Mar 02, 2021	$ 3.072
Mar 09, 2021	$ 3.143
Mar 16, 2021	$ 3.191
Mar 23, 2021	$ 3.194
Mar 30, 2021	$ 3.161
Q1 AVERAGE	**$ 2.913**

Date	Diesel ($ per Gallon)
Apr 06, 2021	$ 3.144
Apr 13, 2021	$ 3.129
Apr 20, 2021	$ 3.124
Apr 27, 2021	$ 3.124
May 04, 2021	$ 3.142
May 11, 2021	$ 3.186
May 18, 2021	$ 3.249
May 25, 2021	$ 3.253
Jun 02, 2021	$ 3.255
Jun 08, 2021	$ 3.274
Jun 15, 2021	$ 3.286
Jun 22, 2021	$ 3.287
Jun 29, 2021	$ 3.300
Q2 AVERAGE	**$ 3.212**

Date	Diesel ($ per Gallon)
Jul 06, 2021	$ 3.331
Jul 13, 2021	$ 3.338
Jul 20, 2021	$ 3.344
Jul 27, 2021	$ 3.342
Aug 03, 2021	$ 3.367
Aug 10, 2021	$ 3.364
Aug 17, 2021	$ 3.356
Aug 24, 2021	$ 3.324
Q3 AVERAGE	**$ 3.346**

Date	Diesel ($ per Gallon)
Q4 AVERAGE	

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KDL Recommendations

Educate your Customers, Customer Service and Sales Team

- Better understanding of current market challenges
  - Service disruption - expect delays in LTL carrier transit, especially geographic 'hot spots'
  - Rising costs impacting All companies, All modes
- Route appropriately to ensure delivery expectations are met

Make efforts to become a Shipper of Choice for Carriers

- Reduce times to load and unload a carrier.
- Provide more advanced notice on pickups
- Prevent small, single shipment pickups – consolidate onto carriers already scheduled to come in.
- Consider packaging improvements to make your freight easier to handle.

Review Customer Markup Policies

- Inflation has freight, labor, material costs rising.
- Evaluate freight policies to customers
  - Adjust outbound freight commensurate with rising inbound freight and operating costs
- Evaluate freight modes independently
  - LTL, parcel, full load, International import & export
- Talk to KDL about your current process and request an analysis.
  - Don't let profit margins be squeezed by old policies
    (Ex: Waiving freight charges or capping the amount billed)

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KDL Recommendations

Timing the market

- Not ideal time to ***initiate*** new contract pricing proposals from ***incumbent*** carriers
    - New proposals will reflect current supply / demand projected to continue through Q4
    - Carriers investing in terminals, equipment and labor, will take time for supply to meet demand

Earlier Communication from Vendors on Imports

- Space a bigger issue than container shortages right now.
- Vendors need to give pre-alerts on when orders will be ready – bookings can be made in advance of order completion
- Lack of capacity has rates soaring 2-3x YOY

Route Appropriately

- ***Prioritize Loads*** – capacity is tight. Some orders may need to go out in front of others. Be aware and adjust schedules as needed.
- ***Schedule Early*** **–** Its more difficult to secure a same day driver. Communicate expected ship dates in advance so providers can preplan their loads.
- **Ship next day orders during the week –** Drivers are less interested in shipping a next day load on Fridays. Use Fridays for longer hauls and try to move next day lanes up in the week.
- **Ship Dedicated –** Be aware if orders are hot. Move them on dedicated trucks and don't risk sending in LTL market.

We are here to help. Please contact your KDL representative with questions.

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