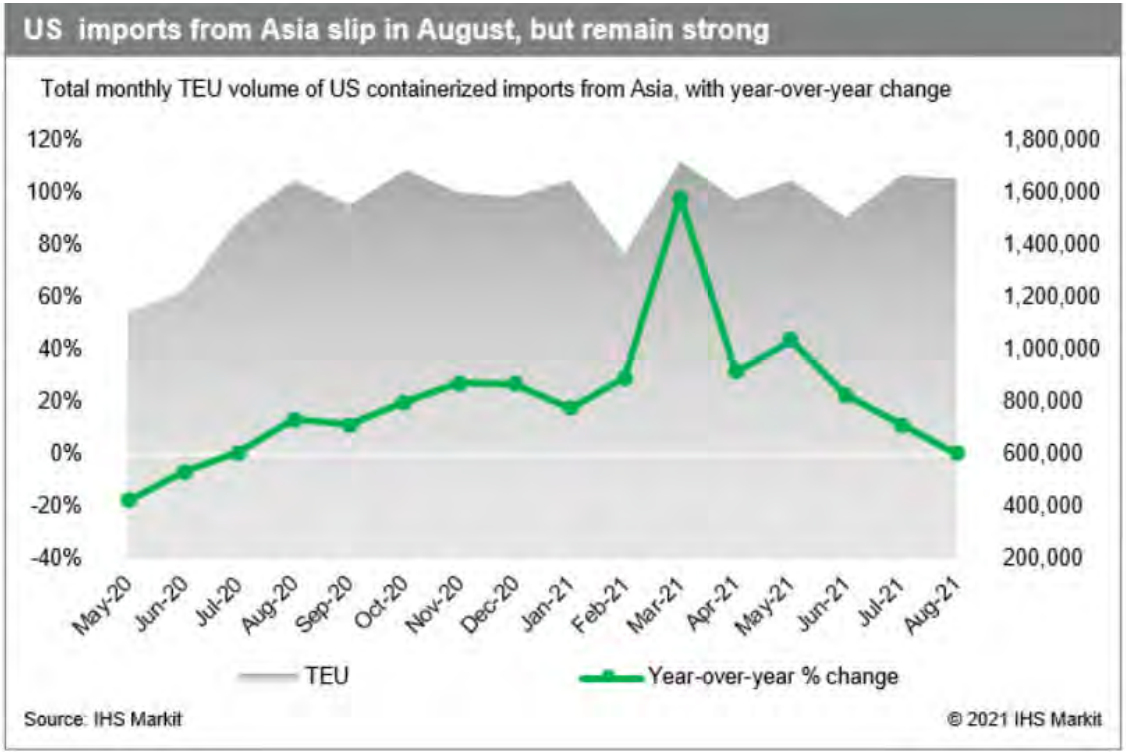


Industry Update

September / 2021

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US - Asia imports



- **August was 14th consecutive month of near record imports – no slowdown in sight.**
  - Consumer debit and credit card spending "up 19% compared to 2019" – JP Morgan
  - Retailers fearful of repeat shortages in 2022 – will increase imports to build up inventories during typical slow season (post Lunar New Year)
- **Congestion creating domino effect.**
  - Importers unable to swiftly remove containers from ports**.**
  - Delays moving to local warehouses – warehouses slow from labor shortages.
  - Marine terminals don't have space, delays ship unloading operations.

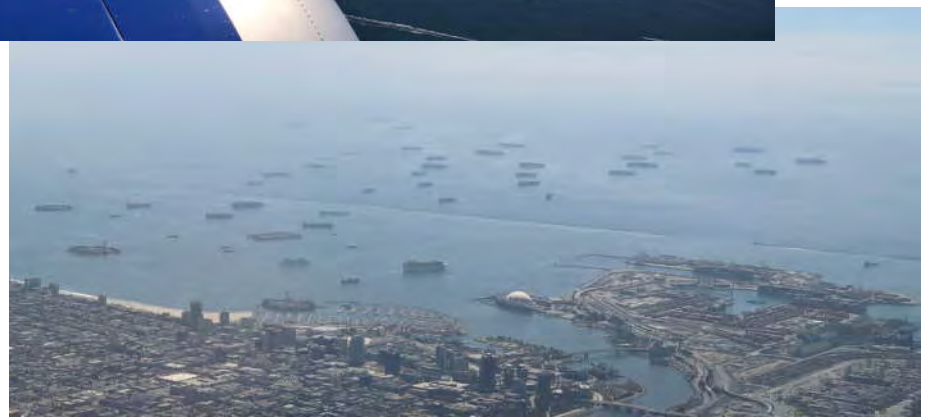
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Importers shifting ports…

- **Goods not coming through their normal ports this holiday season.**
  - Routing around congested ports of LA and Long Beach.
    - West Coast port congestion breaking records
    - 57 ships at anchor on 9/14 (17 more than Feb peak)
- **Shippers using ports of New York, New Jersey, and Philadelphia**
  - Philadelphia – four straight weeks of truckload rate increases.
  - New York, New Jersey – rates up 21% in last three months YOY – up 18% compared to 2019.
    - Biggest increase between Elizabeth and Chicago – up 45% YOY.

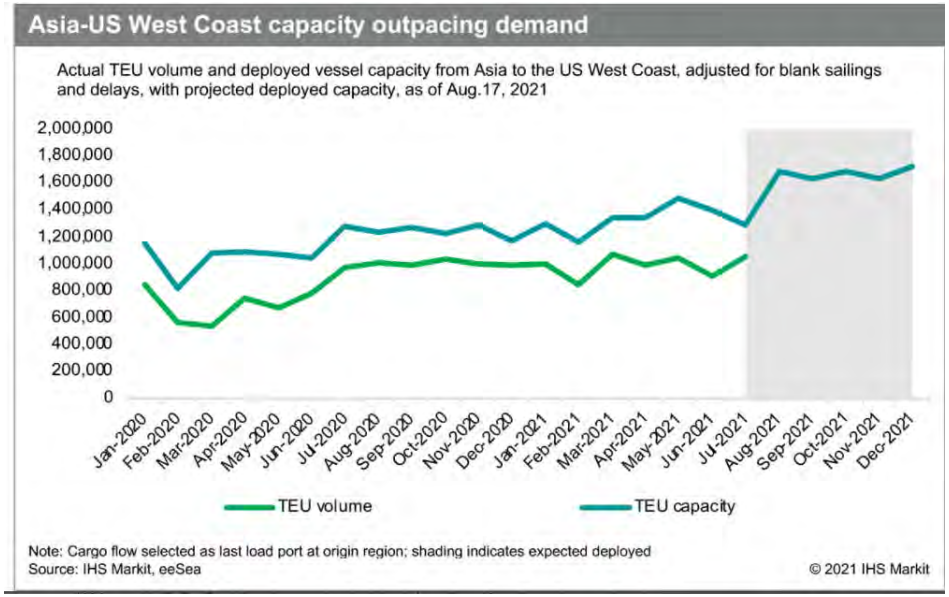
Port of Long Beach

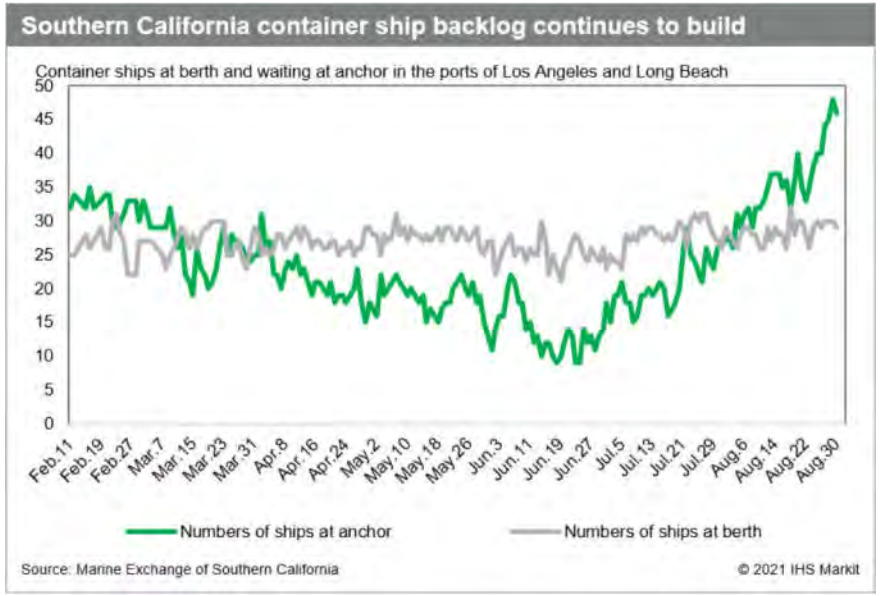




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Added Capacity Causing Bunching…





- **Container lines increasing capacity on Asia-US through December**
  - 22% increase to West Coast, 14% increase to East Coast
- **Ports stressed from vessel bunching**
  - 57 containers at berth in LA, Terminals working 30/day.
  - Average anchor time at LA is 7.6 days
- **Bunching not only occurring at LA, Long Beach**
  - Oakland, Seattle, Tacoma, Savannah, and Newark/New Jersey also dealing with delays from bunching.

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Railroads “Metering”…

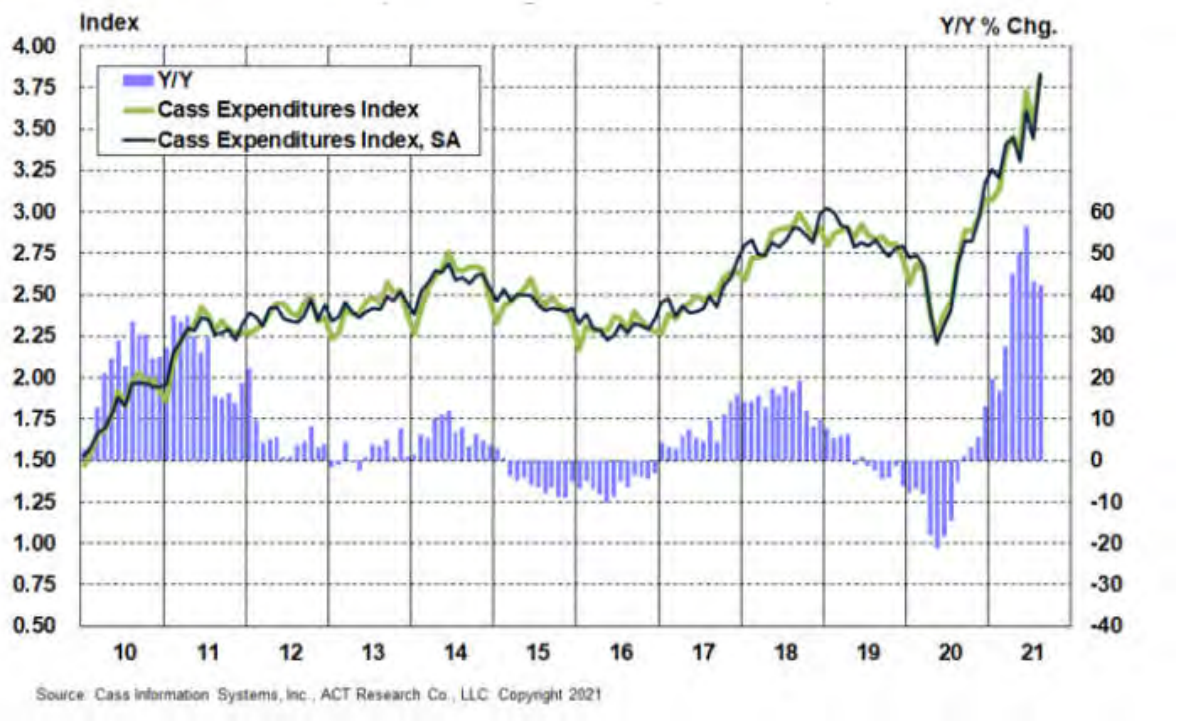
- **Inland intermodal networks and rail ramps overwhelmed**
  - Surges of ocean container volumes, chassis shortages
  - Hotspot markets include Chicago, Memphis, Kansas City, and the Ohio Valley.
- **Railroads easing congestion by “metering”**
  - Regulating flow of traffic to terminals under stress.
  - Metering being used by Pacific Railroad, BNSF Railway, Norfolk Southern, CSX Transportation
- **Ocean carriers supporting effort**
  - Restricting Inland Point Intermodal (IPI) bookings to Midwest.
  - Forcing importers to convert to Port-to-Port moves
- **Importers continue to push more to Truckload**
  - Reduce delays of waiting for rail availability.
  - Avoiding surcharge increases
    - Union Pacific raising surcharges for 5th time this year, adding new charges for Dallas/Houston.

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Cass August Index

- **August shipment counts up 12.3% YOY**
- **August expenses up 42.2% YOY**
- **Implied freight rates** (freight costs / shipments) **up 20% YOY**

Chart: Cass Expenditures Index, January 2010 – August 2021 (01'1990=1.00)



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Drivers follow the money…

- **New authority grants are up**
  - New Authority Grant over 10,000 in 2 of the past 3 months, typically 3,000-4,000
  - Capacity not growing at same rate
  - Drivers are shifting from large carriers to smaller carriers

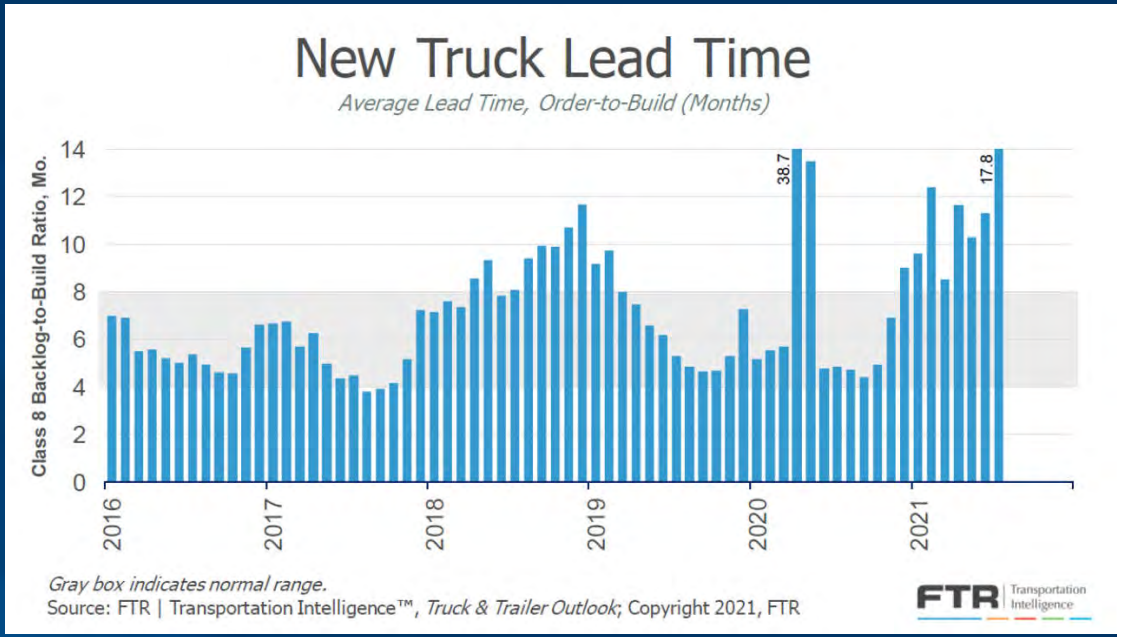
- **FMCSA stating that 233,000 power units added in past three months**
  - Smaller fleet making up 75% of that growth.
  - About 1/3 of that are from owner operators with one truck.

- **Drivers playing the "hot hand"**
  - When capacity is tight…
    - More drivers become owner operators
    - Spot rate prices are high / more profitable
    - Easy to find loads
  - When market is soft…
    - Drivers switch back to larger fleet
    - Pay is better than spot market provides.
    - Less risk

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Carriers Desperate for Equipment…

- **Class 8 truck orders reached 40,000 units in August.**
  - Up 91% YOY, 50% over July
  - Spike resulting from OEMS opening orders for 2022.
  - OEMS still limiting orders due supply chain uncertainties
    - Semiconductor, labor shortages
    - 2020 orders rolled over into 2021
- **New truck lead times rising**
  - Time from truck ordered to truck delivered jumped from 11.3 to 17.8 months



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LTL Market Update…

- **Carrier's August shipment counts steady – comparable to July**
  - XPO – still tracking around 50,000 (peaked in June at 53,000-54,000)
  - FedEx – still tracking around 104,000 (peaked in June at 115,000-120,000, forced embargo)
  - Estes – still tracking around 51,000 (peaked in June at 53,000-54,000)
  - Carrier volumes impacted by growing number of COVID cases, traffic disruptions from Hurricane Ida.

	Revenue		Shipments		Weight/Shipment		Tonnage		Revenue/cwt	
	July	Aug	July	Aug	July	Aug	July	Aug	July	Aug
ArcBest	25.0%	16.0%	3.0%	-3.0%	2.0%	-1.0%	5.0%	-4.0%	20.0%	21.0%
Old Dominion	36.7%	29.1%	23.8%	17.3%	-4.2%	-5.5%	18.6%	10.9%	14.8%	~17%
Saia	N/A	N/A	3.4%	1.9%	9.0%	7.9%	12.6%	9.9%	N/A	N/A
Yellow	+ mid-teen %		-3.9%	-6.4%	-1.9%	-2.2%	-5.7%	-8.5%	19.4%	22.5%

- **COVID cases on the rise again – create instant Hot Spots**
  - Estes - 6 weeks ago, 40-50 cases across entire network, 352 new cases on Friday 9/3
  - FedEx – 60 cases reported at their Indianapolis terminal
  - ODFL offering employees a financial incentive to get vaccinated.

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LTL Market Update…

- **Common Carrier Hotspots**
  - Typical areas - Atlanta, Dallas, Chicago, New York/NJ, Phoenix, Seattle, Portland, Los Angeles
    - High volumes of freight moving in and out of these areas.
  - Weather related - New Orleans, LA; Baton Rouge, LA; Lafayette, LA; Mobile, AL; Houston, TX

- **Hurricane Impacts**
  - New Orleans terminals are opening back up – not yet at full capacity.
    - Power was just recently restored to the area.
    - Please check with customers in the area to ensure they can receive freight before its shipped.
  - Expect delays
    - Shippers are simultaneously releasing held orders, materials to repair damages.
    - Heavy congestion will occur at the hubs moving toward the Louisiana area
      - Dallas, Memphis (both already hot spots)

- **Carrier Embargos Continue**
  - Weather related terminals OR terminals unable to keep up with IB and OB volume.
  - SAIA – recently announced two-week minimum embargo on all Overlength Freight – starting 9/22

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Carrier Service Issues Increasing…

- **Transit delays becoming more significant**
  - Many terminals expecting delays of 2+ days
  - Customer pickups in heavily congested areas often deferred until next business day.

- **Carrier Damages / Claims on the rise**
  - Trucks loaded to max capacity, overworked docks, higher use of temp labor, docks overcrowded with freight.
  - More customers failing to mark notate damages
    - Becoming used to accepting deliveries without signatures.
    - Not thoroughly inspecting freight while driver is on site.

- **Equipment shortages to become a bigger problem.**
  - Dropped trailer numbers increasing with big box retailers.
    - XPO stated 4,000 trailers are currently parked at retailer DCs (30% of trailers)
  - Retailers low on inventory – ramping up for peak season.
  - Retailers continuing to take away capacity from the smaller shippers.

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Equipment Load to Truck Ratios …

DAT Trendlines™
powered by DAT iQ

INDUSTRY TRENDS	WEEK SEP 06 - SEP 12 VS. AUG 30 - SEP 05	MONTH AUG 2021 VS. JUL 2021	YEAR AUG 2021 VS. AUG 2020
Spot Load Posts	-18.5%	+11.9%	+48.6%
Spot Truck Posts	-7.0%	+3.3%	+10.1%
Van Load-To-Truck	-10.0%	+11.3%	+21.6%
Van Spot Rates	+1.7%	+1.1%	+23.8%
Flatbed Load-To-Truck	-9.4%	-0.6%	+40.1%
Flatbed Spot Rates	+0.5%	-1.4%	+33.8%
Reefer Load-To-Truck	-18.5%	+18.7%	+60.0%
Reefer Spot Rates	+0.9%	+0.4%	+28.9%

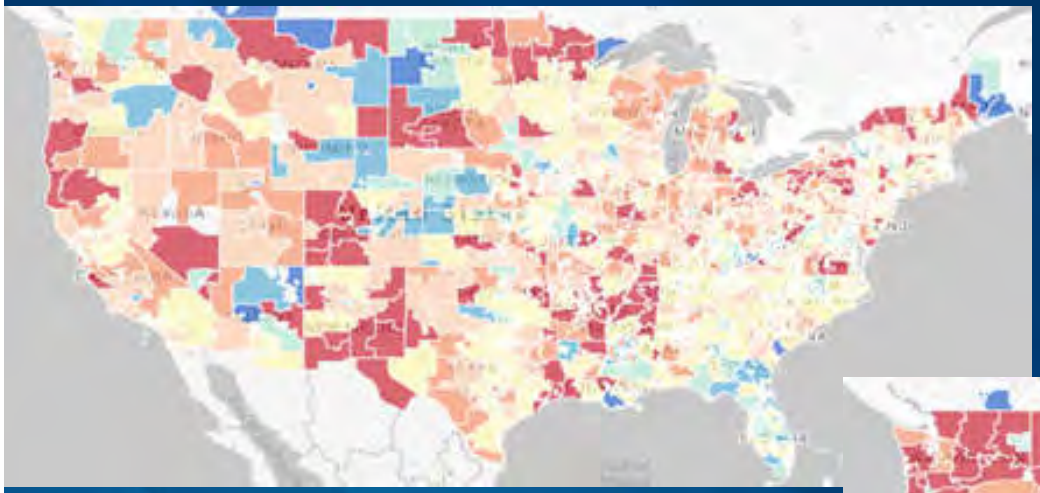
- **August dry van and reefer spot rates increase to new all-time highs.**
  - Up from $2.75 to $3.14 per mile in August
  - Spot load posts up 48.6% YOY
- **Spot volumes down 18.5% post-Labor day but spot rates continuing to climb**.
  - Carriers took some time off for holiday.
  - Hurricane seasons reducing volumes to/from customers impacted by storms.

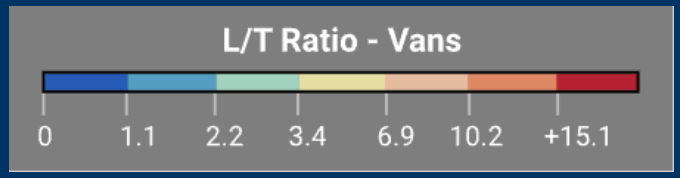
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Load to Truck Ratios…

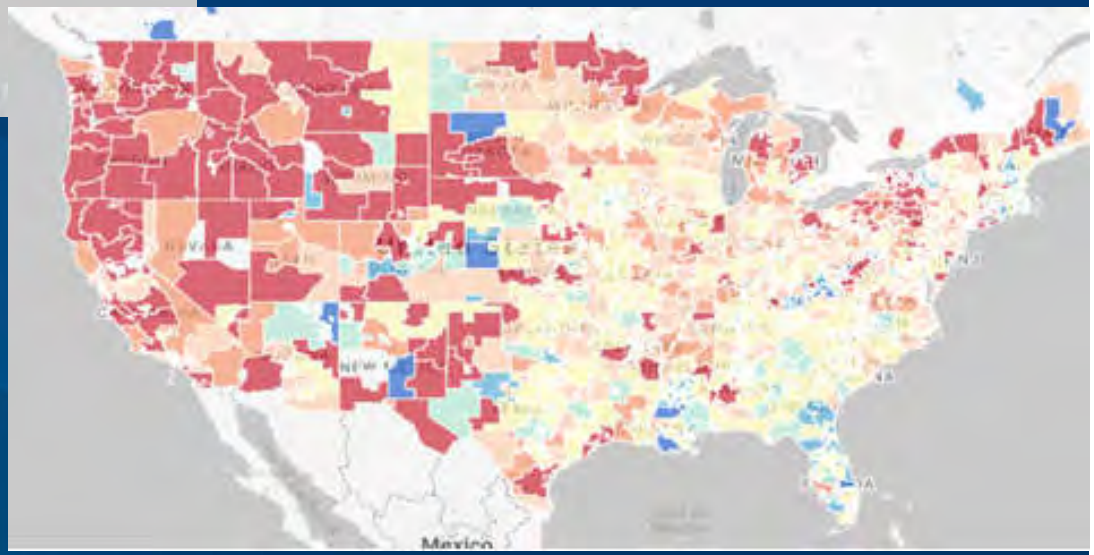
DAT Market Conditions

August 9th to August 16th





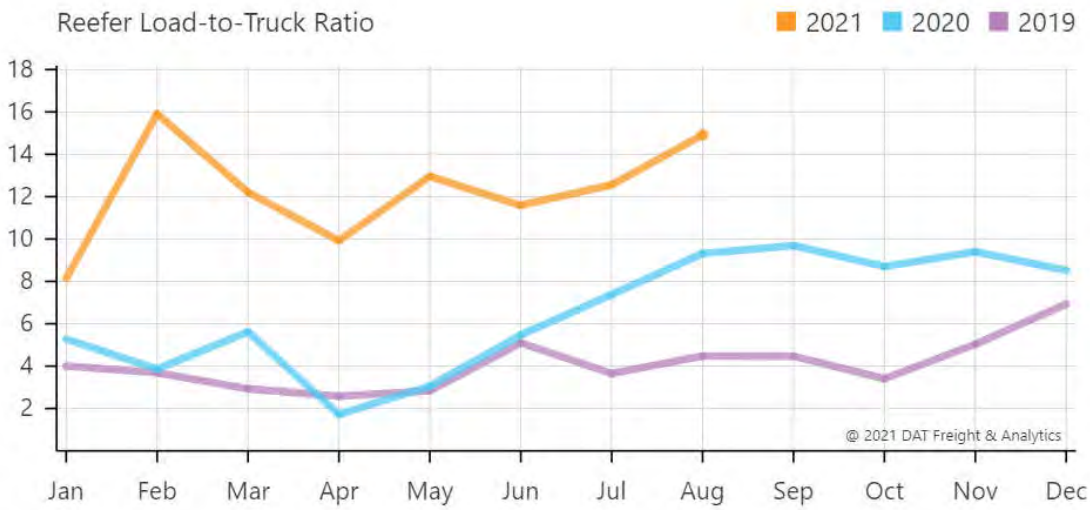
September 9th to September 16th

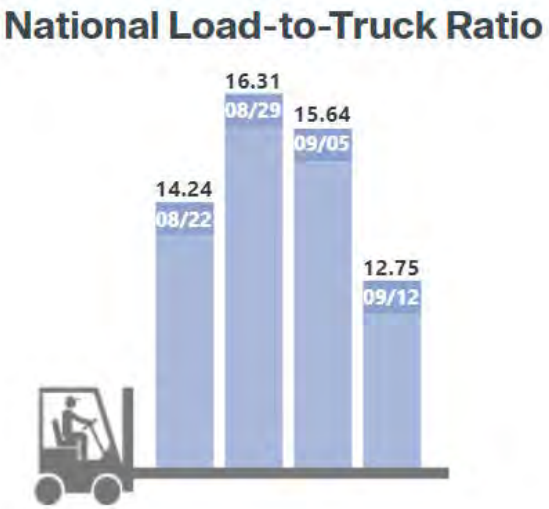


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Reefer LTR Increasing…

- **Load to Truck ratio stayed strong in August (ending produce season)**
- **September ratios are declining, rates continue to stay high.**
- **Restaurant bookings down from COVID variant**
  - Less people going to restaurants
  - Shorter hours due to labor issues.





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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
Aug 31, 2021	$ 3.339
Sep 08, 2021	$ 3.373
Sep 14, 2021	$ 3.372
Sep 21, 2021	$ 3.385
Q3 AVERAGE	**$ 3.353**

Date	Diesel ($ per Gallon)
Q4 AVERAGE	

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KDL Recommendations

Educate your Customers, Customer Service and Sales Team

- Make it a priority to inform all parties.
- The new normal is a delayed delivery with longer delays to hot spots areas or when moving long distances.
- Route appropriately – send dedicated if the order is urgent.
- On INTL side, expect delays at the port. Vessel bunching causes additional days to unload containers.

Go the Extra Mile on Vendor Communication

- On INTL side, vendors need to give pre-alerts on when orders will be ready so booking can be made in advance
- Domestically, know what materials are HOT. Shift to dedicate to prevent orders from getting stuck in LTL network

Become a "Shipper of Choice" – It's Worth the Effort

- 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.

Be Aware that Carrier Damages are on the Rise

- Trucks loaded to max capacity, overworked docks, higher use of temp labor, docks overcrowded with freight.
- Receiving parties becoming used to accepting deliveries without signatures, failing to note damages.
- Make sure you inspect before you accept.
- Consider packaging improvements to make your freight easier to handle.

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KDL Recommendations

Hang onto Existing Pricing Contracts, be Patient with Good Carriers

- Not ideal time to ***initiate*** new contract pricing proposals
- Carrier RFP rejection rates high
- New proposals will reflect current supply / demand

Update Your Markup Policies

- Inflation has freight, labor, material costs rising.
- Adjust outbound freight commensurate with rising inbound freight and operating costs
- Talk to KDL about your current process and request an analysis.
- Don't let profit margins be squeezed by old policies (Waiving freight charges or capping the amount billed)

Intelligent Route Planning

- ***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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