Industry Update Report

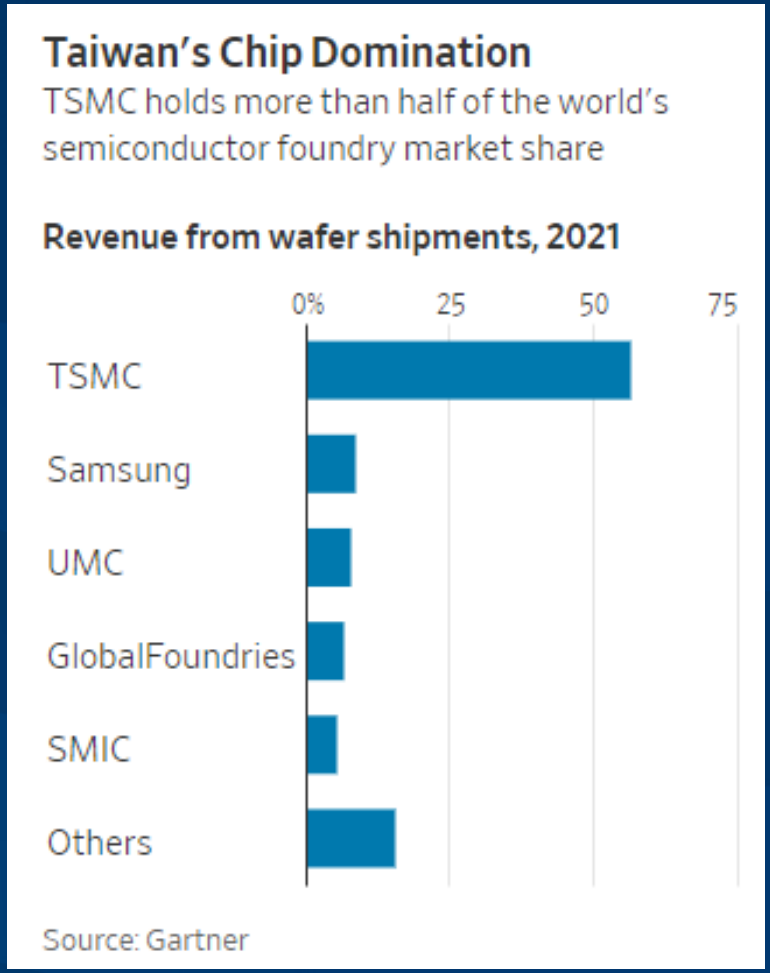
August 2022

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Imports to Slow; Taiwan Concerns

US Imports from Asia

- Record Jul imports – early peak shipping – back to school & holiday merchandise
  - Up 5.5% over Aug 2021
- Overall volumes for 2022 to slow H2 but surpass 2021 totals by 2% (National Retail Federation, Bloomberg 8/2)
- Savannah imports up 18% over Jul 2021, 40 ships anchoring awaiting dock *(American Shipper, 8/9)*
- Two of Taiwan's largest carriers — Wan Hai & Evergreen Marine — Q2 record net profit & revenue
- Fears over Chinese blockage of Taiwan / Taiwan strait
- Taiwan controls 70% global semiconductor supply led by Taiwan Semiconductor Manufacturing Company (TSMC)



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Truckers Protest AB5

AB5 Protest temporarily close Oakland largest marine terminal on 7/19

- Longshore workers refuse to cross picket line set up by drivers.
- Protest also occurred at Los Angeles and Long Beach but only Oakland was shut down.
- Work stoppage in terminal handles about 70% of Oakland's container volume.
- All Oakland terminals fully operational again on Monday 7/25
    - Expected to take 3 days to clear out import container build up from last week.



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What is AB5?

AB5 – "Employees & Independent Contractors" Bill

- Controversial Law signed in 2020 (delayed due to prelim injunction) WITHOUT a carveout amendment for freight hauling owner operators
- Determines if subcontractors classify as employee or independent contractor.
- "Miller vs. C H Robinson", declined hearing by US Supreme Court Jun 2022.

Liability

- From 2010 to 2018, the average verdict size for a lawsuit above $1 million that involves a trucking crash has increased from $2.3 million to $22.3 million, (CNBC)
- Trucking insurance rates have increased up to 25% annually in 2019 & 2020, (CNBC)
- Substantial ambiguity for 3PL's & brokers on liability / responsibility in collisions and insurance coverages

Devastate Capacity

- Makes it difficult (even impossible) for trucking and logistics companies to classify workers as independent contractors
- Approximately 70,000 owner operators in California!
- Owner operators will need to sign on with larger trucking companies, seek to relocate outside of California or change occupation; exacerbate industry driver shortage currently at 80,000

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Drewry Weekly Assessment



Composite index decreased by 3% this week

- 25th consecutive weekly decrease.

Drewery WCI Composite currently $6,224 per 40' container.

- 40% below peak of $10,377 (Sept 2021)
- Still 71% higher than 5 year avg ($3,631)

Route	4-Aug-22	11-Aug-22	18-Aug-22	Weekly change (%)	Annual change (%)
Composite Index	$6,628	$6,430	$6,224	-3% ▼	-35% ▼
Shanghai - Rotterdam	$8,939	$8,833	$8,430	-5% ▼	-38% ▼
Rotterdam - Shanghai	$1,199	$1,195	$1,187	-1% ▼	-28% ▼
Shanghai - Genoa	$9,741	$8,779	$8,587	-2% ▼	-35% ▼
Shanghai - Los Angeles	$6,985	$6,834	$6,521	-5% ▼	-41% ▼
Los Angeles - Shanghai	$1,263	$1,258	$1,253	0%	-8% ▼
Shanghai - New York	$9,774	$9,749	$9,710	0%	-28% ▼
New York - Rotterdam	$1,292	$1,290	$1,298	1% ▲	12% ▲
Rotterdam - New York	$6,939	$6,945	$6,936	0%	8% ▲

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Freightos Baltic Index

China/East Asia to North American West Coast



China/East Asia to North America East Coast

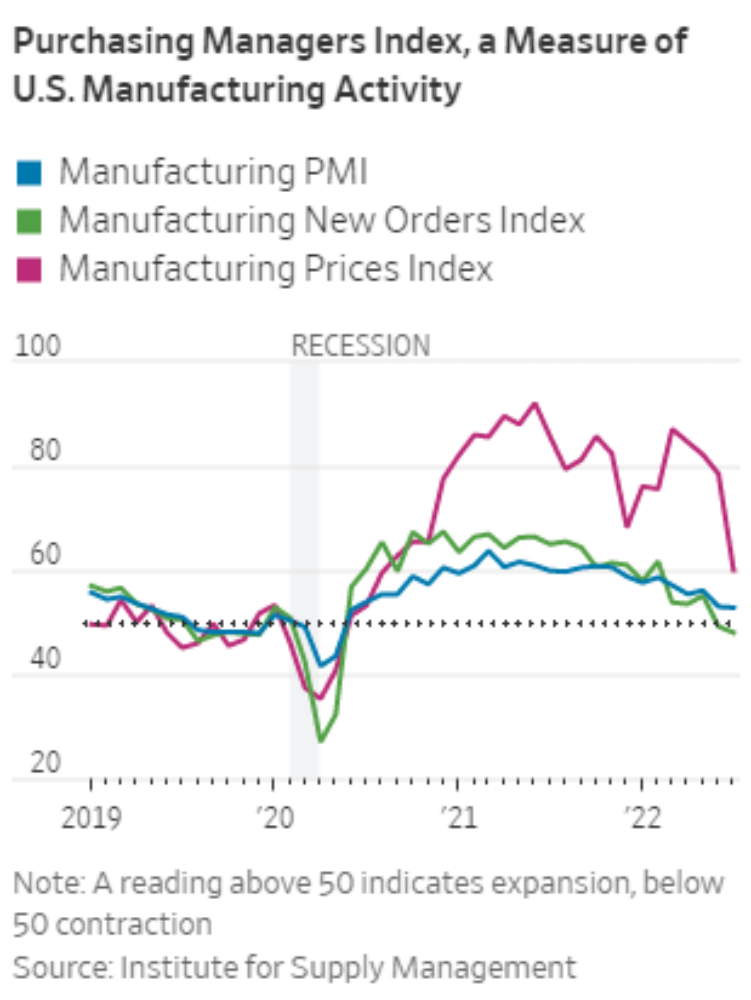


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Negative Economic Indicators

QUICK FACTS

- CPI up 8.5% over Jul 2021; down from 9.1% Jun
- Gas down 7.7% in Jul; still up 43% y/y
- PPI Jul slows to 9.8%; down from 11.3% y/y *(Labor Dept.)*
- US Jul PMI manufacturing slowest since Jun 2020; still expanding marginally; however down 18% from Jun *(ISM)*
- China PMI contracted marginally in Jul (COVID restrictions)
- Eurozone PMI contracted in Jul
- Inflation Recovery Act – $745B climate, energy programs & healthcare; tax credits for EV purchases; **carried interest unchanged;** taxes to increase
- 30-year fixed mortgage 5.22%; sub 3% last year *(Freddie Mac)*
- Housing starts down 9.6% Jul *(Commerce Dept.)*
- Yield curve inverted (8/2) 3-month T-bill briefly higher than benchmark 10-year bond yield
- Capex among S&P 500 companies growing at a faster pace than stock repurchases - first since Q1 2021 *(WSJ, 8/4)*
- Prologis adding 800 million sq. ft. warehouse space to handle excess inventories
- US industrial real estate vacancy 2.9%; 7.7% in 2012 *(CBRE)*



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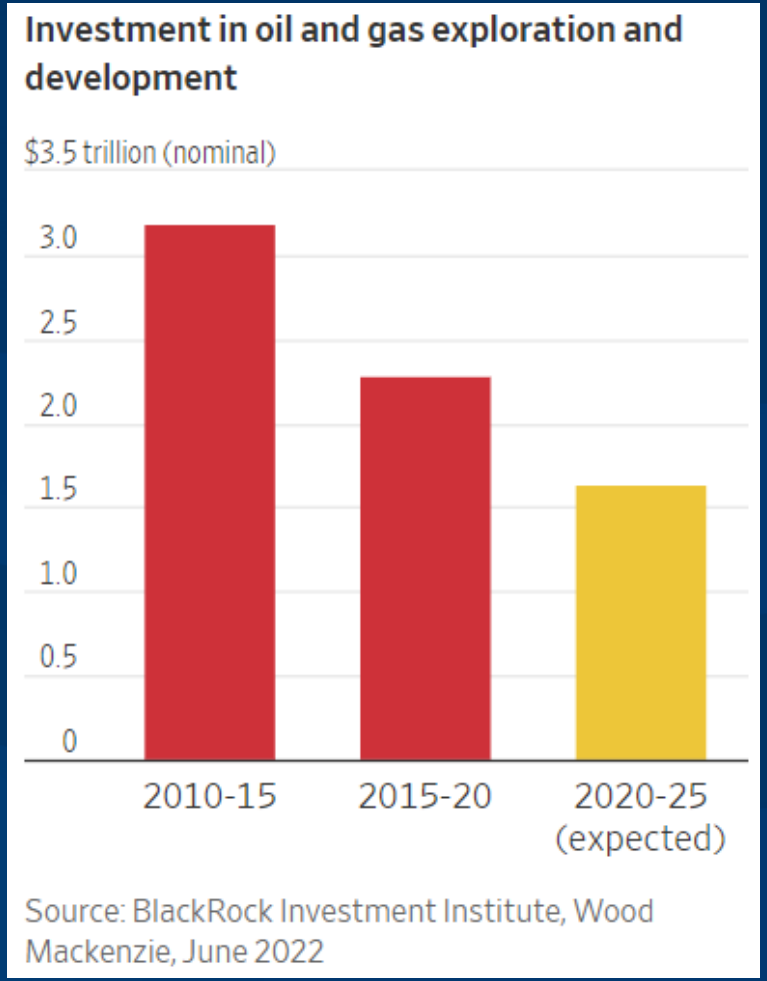
Energy & IRA 2022

Good Outlook Short Term

- U.S. crude benchmark West Texas Intermediate on the CME commodity exchange down $2.73 to $89.41/barrel
- Regular gas down 20% from Jun - $1.0/gallon *(USEIA St Louis Fed)*
- Benchmark U.S. diesel price down 8 consecutive weeks & 0.90 cents to $4.91 / gallon – lowest since Mar *(USEIA 8/16)*

Long Term Concerns

- High electricity & fuel prices create persistent pressure on inflation for extended period
- Energy 4.1% of consumer spending from 2015 to 2019 — lowest of any five-year period since in 1929 *(BCA Research, WSJ 7/30)*
- Energy represents 1/3 of 9.1% CPI in Jun
- Inflation Reduction Act of 2022 - $745 billion package with grants & incentives to reduce cost of clean energy & healthcare, along with tax reforms.
- Medium & heavy-duty EV trucks & battery-charging infrastructure purchased after Dec. 31, 2022, qualify.
- EV purchase tax credit capped at $40,000 per vehicle & $100,000 per charger.
- Some skepticism as Class 7 & Class 8 EV trucks can cost $300k



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Fuel Prices

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
Sep 28, 2021	$ 3.406
Q3 AVERAGE	**$ 3.357**

Date	Diesel ($ per Gallon)
Oct 05, 2021	$ 3.477
Oct 13, 2021	$ 3.586
Oct 19, 2021	$ 3.671
Oct 26, 2021	$ 3.713
Nov 02, 2021	$ 3.727
Nov 09, 2021	$ 3.730
Nov 16, 2021	$ 3.734
Nov 23, 2021	$ 3.724
Nov 30, 2021	$ 3.720
Dec 07, 2021	$ 3.674
Dec 14, 2021	$ 3.649
Dec 21, 2021	$ 3.626
Dec 28, 2021	$ 3.615
Q4 AVERAGE	**$ 3.665**

Date	Diesel ($ per Gallon)
Jan 04, 2022	$ 3.613
Jan 11, 2022	$ 3.657
Jan 19, 2022	$ 3.725
Jan 25, 2022	$ 3.780
Feb 01, 2022	$ 3.846
Feb 08, 2022	$ 3.951
Feb 15, 2022	$ 4.019
Feb 23, 2022	$ 4.055
Mar 01, 2022	$ 4.104
Mar 08, 2022	$ 4.849
Mar 15, 2022	$ 5.250
Mar 22, 2022	$ 5.134
Mar 29, 2022	$ 5.185
Q1 AVERAGE	**$ 4.244**

Date	Diesel ($ per Gallon)
Apr 05, 2022	$ 5.144
Apr 12, 2022	$ 5.073
Apr 19, 2022	$ 5.101
Apr 26, 2022	$ 5.160
May 04, 2022	$ 5.509
May 10, 2022	$ 5.623
May 17, 2022	$ 5.613
May 24, 2022	$ 5.571
Jun 01, 2022	$ 5.539
Jun 07, 2022	$ 5.703
Jun 14, 2022	$ 5.718
Jun 21, 2022	$ 5.810
Jun 28, 2022	$ 5.783
Q2 AVERAGE	**$ 5.488**

Date	Diesel ($ per Gallon)
Jul 04, 2022	$ 5.675
Jul 12, 2022	$ 5.568
Jul 19, 2022	$ 5.432
Jul 26, 2022	$ 5.268
Aug 02, 2022	$ 5.138
Aug 09, 2022	$ 4.993
Aug 16, 2022	$ 4.911
Q3 AVERAGE	

Date	Diesel ($ per Gallon)
Q4 AVERAGE	

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Freight Inflation

- Monthly measure of aggregate US freight deliveries
- Includes all modes of transit
  - Full Truckload represents about 50%+ of data.
  - LTL, Parcel, and Rail other top modes of index.

Jul Shipment Counts

- Up 0.4% y/y
- Up 16.1% 2-year

Jul Freight Expenses

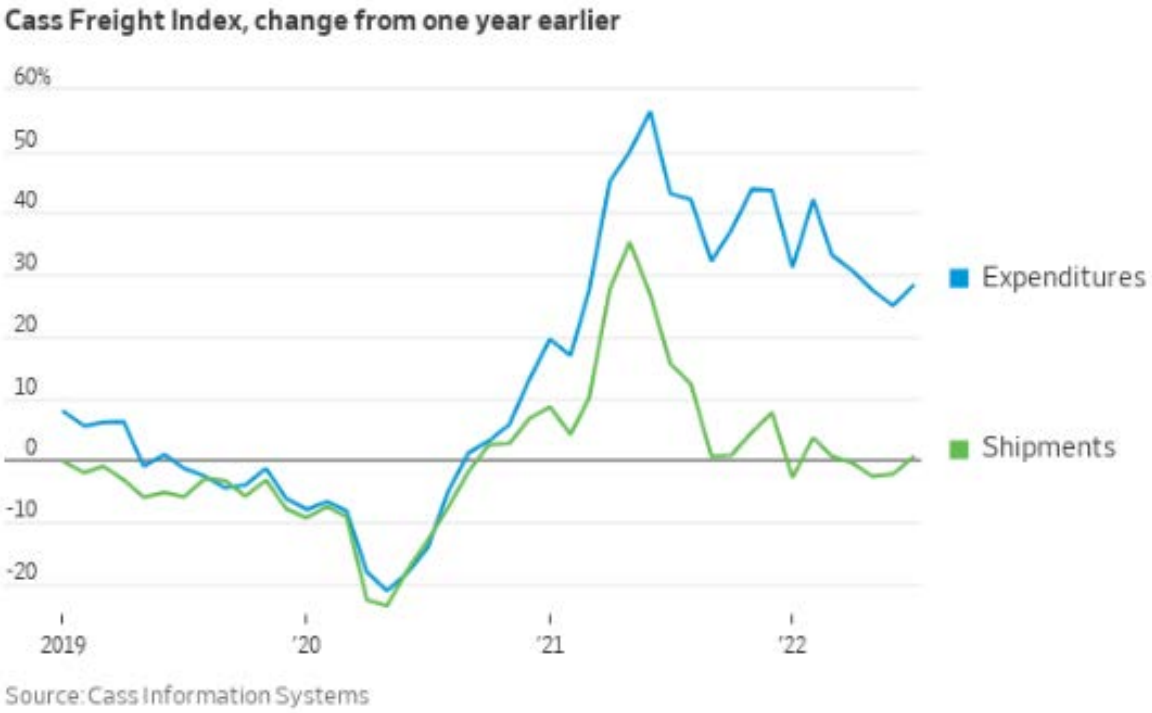
- Up 28.2% y/y
- Up 83.5% 2-year

TL Linehaul Index

- Up 10.5% y/y

Implied Freight Increase

- Up 28% y/y



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Trends by Equipment Type

DAT Trendlines™
powered by DAT iQ

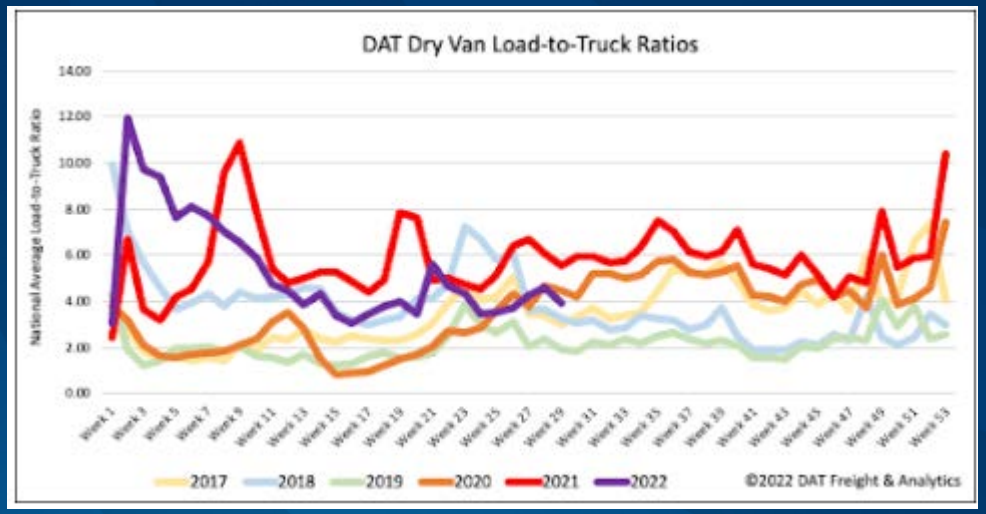
DAT Trendlines | VAN | FLATBED | REEFER

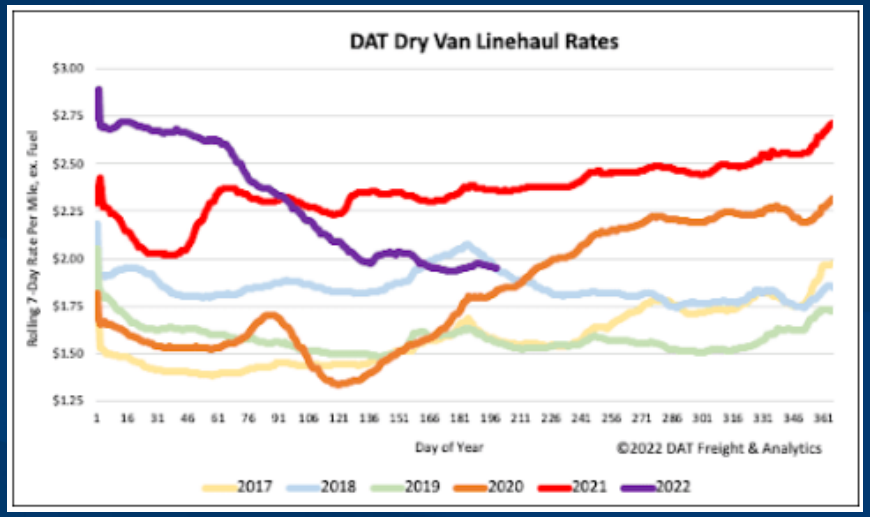
Industry Trends	WEEK AUG 08 - AUG 14 VS. AUG 01 - AUG 07	MONTH JUL 2022 VS. JUN 2022	YEAR JUL 2022 VS. JUL 2021
Spot Load Posts	-7.2%	-26.0%	-34.0%
Spot Truck Posts	+2.6%	-9.3%	+8.1%
Van Load-To-Truck	-7.0%	-0.8%	-33.8%
Van Spot Rates	-0.5%	-1.7%	-3.0%
Flatbed Load-To-Truck	-10.8%	-41.9%	-50.9%
Flatbed Spot Rates	-2.0%	-4.3%	+6.1%
Reefer Load-To-Truck	-14.3%	+3.0%	-42.3%
Reefer Spot Rates	-0.5%	-1.6%	-4.3%
Fuel Prices	-2.8%	-4.7%	+64.3%

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Load to Truck Heat Map

DAT Market Conditions



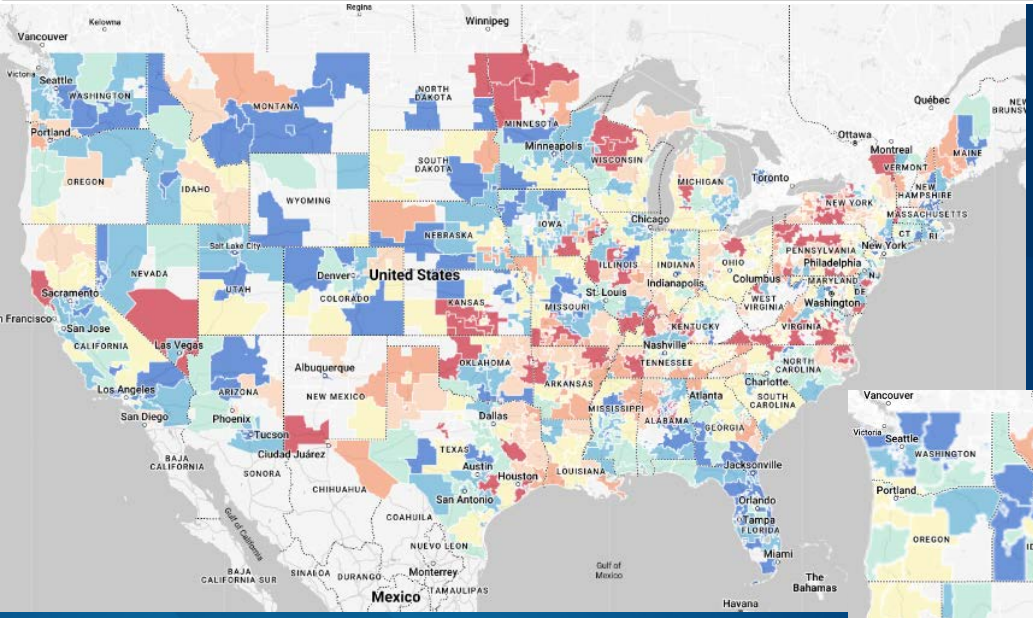


- **Dry Van Load to Truck Ratio (LTR) now below 2020**
- **Dry van posts up 12% w/w but equipment posts up 31% Highest level recorded in Mid July)**
- **Approximately 1.1 millions loads posted -> 21% lower than the previous year**
- **Dry van linehaul rates (without fuel) – not almost exactly the same as 2018.**

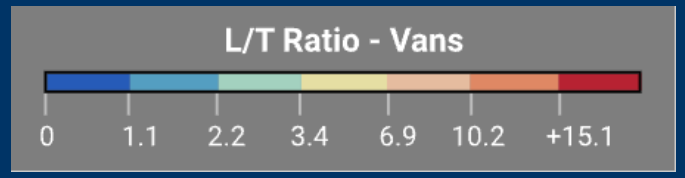
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Load to Truck Heat Map

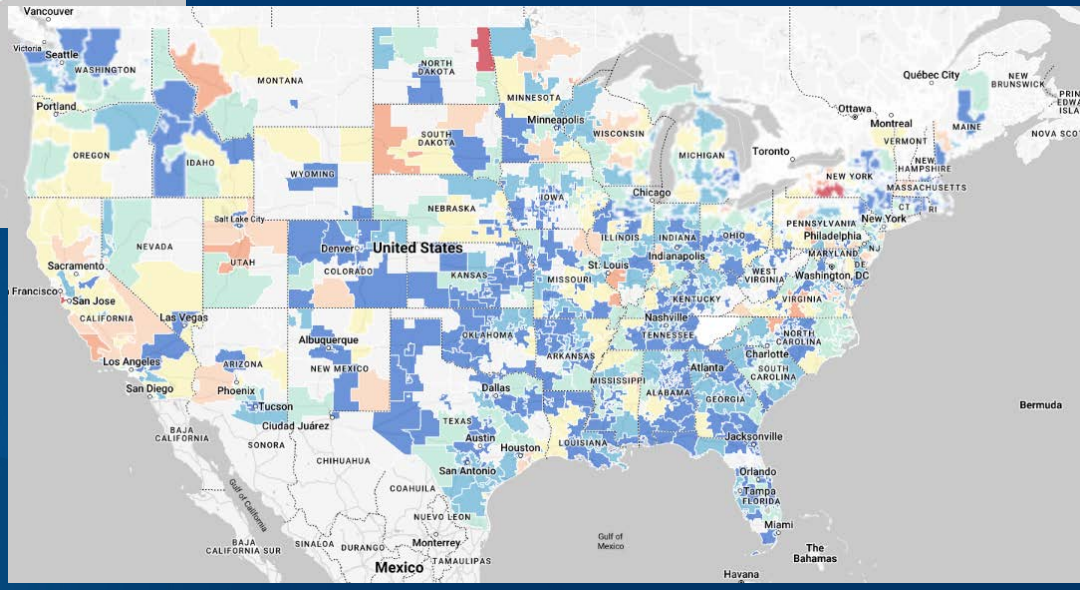
DAT Market Conditions



July 25, 2022



August 18, 2022



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LTL Carrier Q2 Report Cards

Old Dominion Freight Lines (ODFL) Q2

- Rev up 26% y/y
- Rev / hundredweight up 23%
- Ship count & tonnage up 2.8%
- CapEx for 2022 – $835 million

ArcBest (ABF) Q2

- Revenues up 46% from Q2 2021
- Ship count up 2%
- Rev / shipment up 19% y/y
- Rev / hundredweight up 17% - high fuel prices
- 83 operating ratio

XPO Q2

- Rev / hundredweight up 10.6% *excluding* fuel
- 84.5 operating ratio
- Shipment count down 5.5% yoy

TForce (TFI Intl) Q2

- LTL rev up 39% y/y
- 90 operating ratio
- Goal to shed 30% (former UPS freight) freight doesn't fit XPO aspirational profile

YELLOW Corp Q2

- Rev / hundredweight up 30% y/y
- Rev / shipment up 28% y/y
- Daily tonnage down 16% y/y

SAIA Q2

- Rev up 30% y/y
- Rev / shipment up 16% *excluding fuel*
- Daily ship count up 1.8% y/y
- Daily tonnage down 2.8% y/y

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LTL Carrier Expansion

Pitt Ohio Acquires Teals

- Teals operates 11 terminals predominately in upstate New York.
- All terminals and equipment will be integrated into Pitt Ohio existing operations.

SAIA

- Opened Macon, GA and Valdosta, GA – previously added West Chicago (2 Terminals) and West Virginia
- Plans to open 10 to 15 terminals in 2022 and relocate 10 facilities to larger locations.
- Last year, added seven facilities and nearly 1,500 employees to accommodate record growth.

Southeastern Freight Lines Opening Atlanta, GA (Union City), Columbus, GA; Carterville, GA; Houston, TX

- *Increase dock doors = increased capacity*
- *Ability to load more direct – help maintain 99% On Time performance.*

Estes Express

- Opened Dallas / Ft Worth, TX (12o doors); Increased capacity by 200% at San Antonio, TX and 250% in Oklahoma City, OK
- *Goal – reduce congestion, mitigate risk of damage.*
- *Added 1,100 tractors and 1,000 oups across their network*

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LTL Carrier Updates

Shipment Volumes Remain Down

- Most carriers reporting 4-6% decline in shipment counts per day
- Reduction not opening capacity
  - Drivers working max amount of overtime; still working overtime but not as many hours.
  - Drivers getting burnt out.
- Carriers remain selective about type of freight they accept – cautious of overlength freight.

Fuel Costs Major Driver Revenue

- Fuel accounts for 20.7% of total cost per pound for LTL – up from 13.4% in 2021.
- Major LTL carriers – average fuel costs increased from 34% in Q1 to 47.6% in Q2.

Carriers Exploring Dynamic Pricing… Again

- Allows carriers to make more real time adjustments to pricing to help drive more shipments in need lanes on specific days.
- Originally implemented by XPO and ABF in 2019; SAIA added in 2021.
- Hot item back in 2019 – fizzled over past two years due to capacity crunch, not looking to add volumes.

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Overlength Focus

Carrier	6	7	8	9	10	11	12	13	14	15	16	17	18	19
A Duie Pyle	$118.00 (6'6")		$295.00				$529.00				$646.00			
AAA Cooper			$250.00				$375.00				$535.00			
ABF Freight			$185.00				$300.00				$385.00			
Averitt Express			$160.00				$300.00				$750.00			
Daylight Transport			$200.00				$750.00							
Dayton Freight		$200.00			$285.00		$375.00		$450.00		$600.00		$750.00	
Dohrn			$85.00				$135.00				$185.00			
Estes Express			$225.00				$400.00				$750.00			
FedEx Freight			$181.00					$400.00						
New Penn			$250.00				$500.00				$1,000.00			
Oak Harbor										50% up of net freight charge				
Old Dominion			$1,000.00											
Penninsula Truck			$120.00				$300.00				$600.00			
Pitt Ohio		$115.00	$190.00				$450.00				$775.00			
R&L Carriers			$170.00				$300.00				$500.00			
Southeastern Freight Lines			$140.00				$250.00				$750.00			
T Force Freight			$250.00				$450.00							
USF Holland			$250.00				$500.00				$1,000.00			
USF Reddaway			$250.00				$500.00				$1,000.00			
Ward Trucking	$195.00 if 49" Wide or more		$175.00 / $195.00 (if 49" Wide or more)				$350.00			$525.00 / $675.00 if 49" Wide or more			$675.00 / $825.00 if 49" Wide or more	
XPO Freight			$234.00				$476.00				$1,187.00			
YRC			$250.00				$500.00				$1,000.00			

Overlength Charges shown above were pulled online from Carrier Rules Tariffs.

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KDL Recommendations

Modernize Logistics Solutions

- Focus on digitization, workflow automation.
- Risk mitigation
- Most effectively collaborate with shipper, carrier and logistics provider

Middleware

- Eliminate keystrokes involved with carrier selection, BOL creation, shipment execution.
- Connect fragmented systems – shippers often manually tie back quote & invoice cost to ERP for billing – results in gaps, lack of controls, missed billings - eroded margin.
- Integration – automatically pull back costs, tracking numbers, carrier information to ERP.

Input costs flow through to consumer

- Evaluate customer freight policies; Do you offer free freight based on order size?
- Small LTL shipments, single shipment pick up, remote location - could experience disproportionate impact with FUEL impact of transport charge
- Is freight being accounted for and charged back on NON-free freight orders?
- Capture data to measure how freight affects customer profitability (CPA)

Control Inbound Freight

- Control preferred method of transport
- Don't assume suppliers have better freight rates
- NO MORE PAPER ROUTING GUIDES!!
- Avoid suppliers marking up freight charges

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KDL Recommendations

Educate your Customers, Customer Service & Sales Team

- Amid disruption, opportunity to differentiate from other companies not planning as well
- Make it a priority to inform all parties
- New normal is delayed delivery, with longer delays to hot spots areas or when moving long distances if shipper is *PRICE* focused.
- 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.

Capability Trumps Price

- Capacity, on time delivery trumps price.
- Weigh service more than cost when selecting carriers.
- Shipping guaranteed instead of standard LTL

Be a "Shipper of Choice"

- Reduce times to load and unload a carrier.
- Mindful of pick-up caps, any near-term capacity constraints
- Shippers pledge to utilize an electronic bill of lading based on industry standards.
- Provide advanced notice on pickups
- Prevent small, single shipment pickups – consolidate onto carriers already scheduled to come in.
- Provide accurate handling dimensions, weights, descriptions, package types, counts and service requirements on BOL.
- Carriers honor handling unit dims and weights, allow appropriate (maybe 5%) tolerance for co[illegible]

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KDL Recommendations

Consider Packaging Improvements

- Carrier damages on the rise
- Can't afford rework - Lack of inventory , labor shortage.

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.

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