Industry Update Report

Dec 2022

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Drewry World Container Index



- Container imports from China to U.S. down 23% in Oct from Aug *(WSJ 11/9)*
- Chinese PPI fell 1.3% in Oct y/y *(National Bureau of Statistics)*
- Further deterioration feared as China bookings lag container scheduling — fewer shipments being booked in recent weeks *(Freightwaves Nov 23)*
- Jan 2022 109 container ships waited to access the LA/LB ports. It's now zero. *(Long Beach Bus Journal Nov 23)*

- DAT, a load board in U.S. spot market, loads down 52% y/y in Oct
- U.S. exports to European Union surging, up 17% in Oct y/y *(WSJ 11/20)*
- Port NY/NJ nation's busiest port in Sep handling 35% more cargo vs. Sep 2019

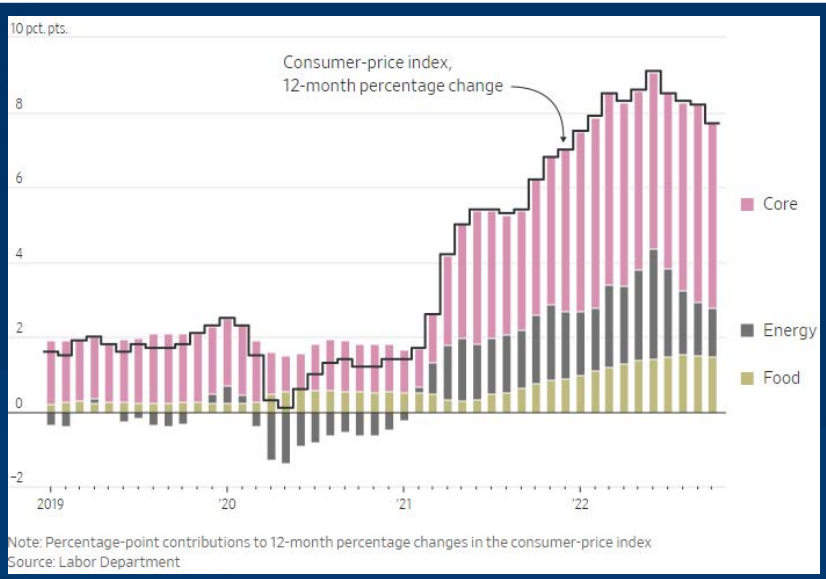
Route	10-Nov-22	17-Nov-22	24-Nov-22	Weekly change (%)	Annual change (%)
Composite Index	$2,773	$2,591	$2,404	-7% ▼	-74% ▼
Shanghai - Rotterdam	$3,126	$2,687	$2,192	-18% ▼	-84% ▼
Rotterdam - Shanghai	$867	$840	$819	-3% ▼	-48% ▼
Shanghai - Genoa	$3,494	$3,404	$3,221	-5% ▼	-74% ▼
Shanghai - Los Angeles	$2,262	$2,130	$2,069	-3% ▼	-79% ▼
Los Angeles - Shanghai	$1,186	$1,184	$1,184	0%	-8% ▼
Shanghai - New York	$5,351	$5,045	$4,846	-4% ▼	-63% ▼
New York - Rotterdam	$1,318	$1,322	$1,321	0%	11% ▲
Rotterdam - New York	$7,336	$7,363	$7,224	-2% ▼	16% ▲

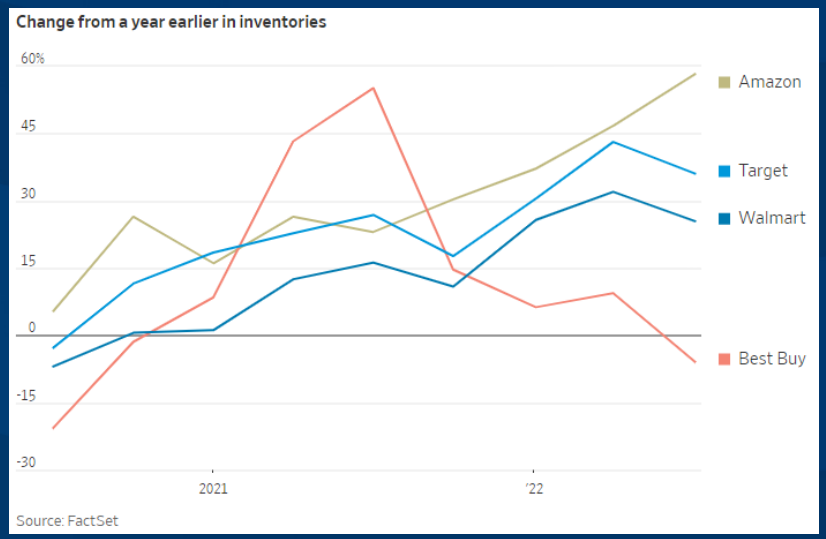
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Macro Economic Indicators

QUICK FACTS

- CPI 7.7% in Oct y/y, down from 9.1% Jun - highest in 40 years *(Labor Dept.)*
- US PPI 8.0% in Oct y/y, down from 11.7% Mar - highest since records began in 2010 *(Labor Dept.)*
- Food inflation multidecade highs, prices globally up 25% pre-pandemic *(United Nations Food Price Index)*
- Fed funds rate 4.0%, fastest 9 month increase since 1980; rate rose from 4.6% Jan 1977 to 19.7% March 1980
- US composite output index, incl services & manufacturing activity, fell to 46.3 in Nov. Below 50 signals contracting economic activity *(S&P Global)*
- 30-year mortgage 6.5% - 3.5% Nov 2021 - highest level in 20 years; existing-home sales down 28% y/y Oct *(Freddie Mac)*
- US Oct retail sales up 1.3% over Sep; Walmart & Home Depot Q3 comparable US sales up y/y *(WSJ 11/16)*
- Home Depot customers spent 8.8% avg. more per transaction while number of transactions fell 4.3% - inflation
- Major retailers slowing / cancelling orders, resisting supplier price increases; price ceilings below equilibrium - quantity demanded exceeds quantity supplied; product shortages result

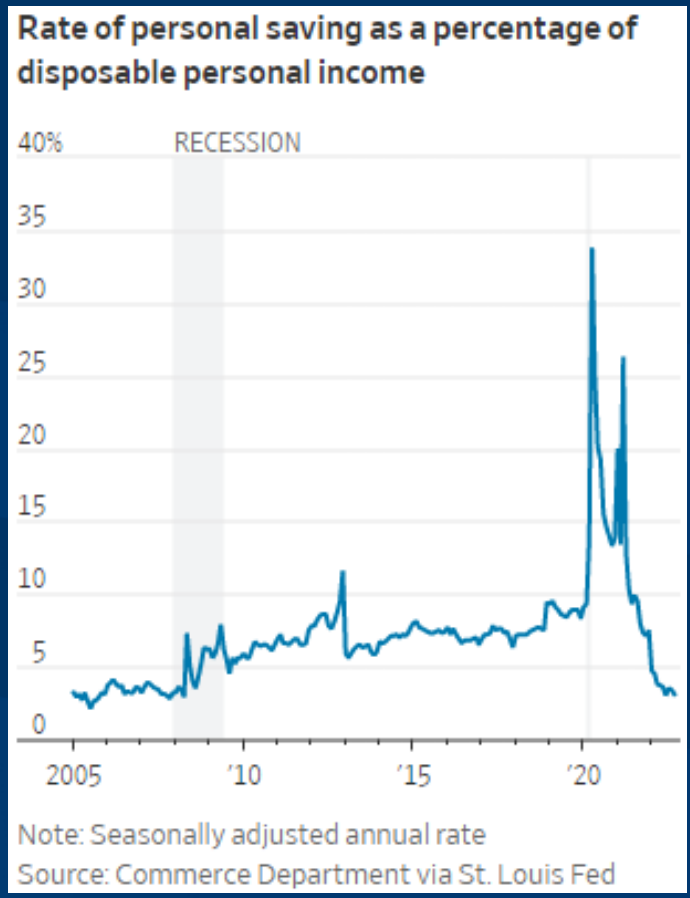




Macro Economic Indicators

QUICK FACTS

- US Consumers have $1.2 - $1.7 trillion in excess savings compared to pre-pandemic levels headed into Q3 *(JP Morgan Chase)*
- Pre-pandemic, households saved 8.8% of disposable income; rate jumped to 16.8% in 2020; currently 3.1% lowest since 2008
- US consumer spending makes up 68% GDP; China consumer spending just 38% GDP *(CEIDATA)*
- Credit-card balances up 15% Q3, largest increase in 20 years (Federal Reserve Bank of New York)
- US SMB's increasing credit lines; suppliers require prepay before ship
- Amazon lays off 10,000 workers, headcount down 78,000 from Q1 2022; Facebook Meta laying off 11,000 workers (WSJ Nov 14)
- China easing restrictions led resurgence industrial metals prices (WSJ Nov 15); producers warn mirage if US demand drops. Rio Tinto, among world's largest mining co's, "aluminum demand slowed considerably in recent months"
- China PPI down 2.18%; PPI down 13.04% y/y
- China Nov manufacturing PMI contracts further to 48.0 vs 49.2 in Oct
- Eurozone Nov CPI up 10.7% y/y; fastest increase since 1997.
- Eurozone economic output index fell to 47.8 in Nov. Below 50 signals contracting economic activity *(S&P Global)*



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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
Aug 23, 2022	$ 4.909
Aug 30, 2022	$ 5.115
Sep 07, 2022	$ 5.084
Sep 13, 2022	$ 5.033
Sep 20, 2022	$ 4.964
Sep 27, 2022	$ 4.889
Q3 AVERAGE	**$ 5.152**

Date	Diesel ($ per Gallon)
Oct 04, 2022	$ 4.836
Oct 12, 2022	$ 5.224
Oct 18, 2022	$ 5.339
Oct 25, 2022	$ 5.341
Nov 01, 2022	$ 5.317
Nov 08, 2022	$ 5.333
Nov 15, 2022	$ 5.313
Nov 22, 2022	$ 5.233
Nov 29, 2022	$ 5.141
Q4 AVERAGE	**$ 5.231**

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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.
- Companies spending 52.4% more on only 3.7% more shipments

	October 2022	Year-over-year change	2-year stacked change	Month-to-month change	Month-to-month change (SA*)
Cass Freight Index - Shipments	1.224	2.9%	3.7%	-1.4%	0.3%
Cass Freight Index - Expenditures	4.399	11.1%	52.4%	-4.9%	-4.0%
Cass Inferred Freight Rates	3.594	7.9%	NA	-3.6%	-4.3%
Truckload Linehaul Index	153.9	2.0%	14.4%	-1.5%	--

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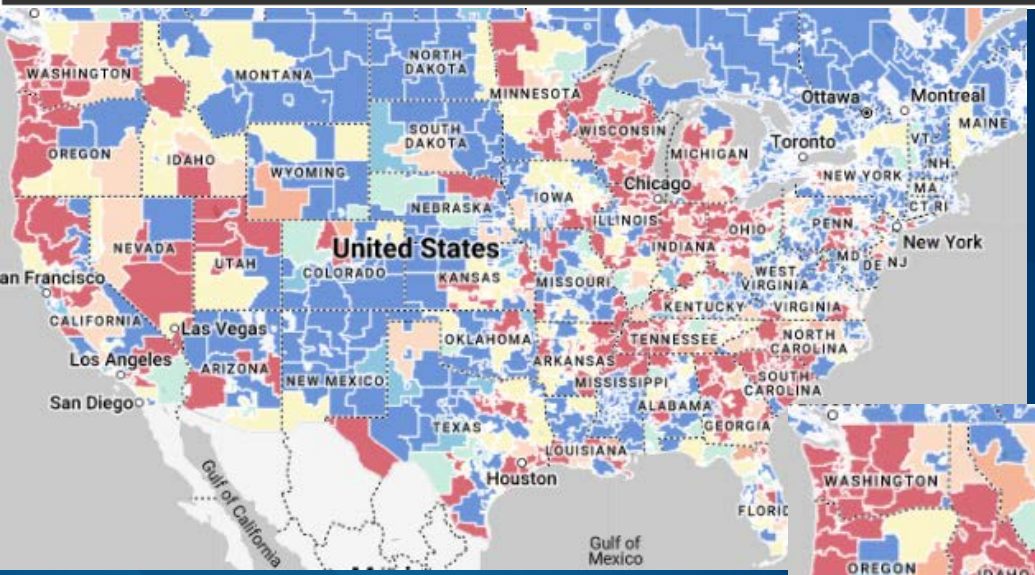
Trends by Equipment Type

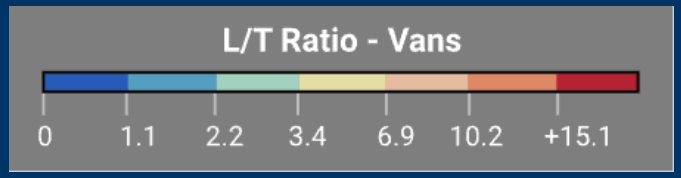
Trendlines Powered by DAT iQ	WEEK NOV 21 - NOV 27 VS. NOV 14 - NOV 20	MONTH NOV 2022 VS. OCT 2022	YEAR NOV 2022 VS. NOV 2021
Spot Load Posts	-45.5%	-31.7%	-63.6%
Spot Truck Posts	-33.7%	-11.7%	+2.1%
Van Load-To-Truck	-9.2%	-21.6%	-56.0%
Van Spot Rates	+2.3%	-1.7%	-18.7%
Flatbed Load-To-Truck	-16.9%	-29.6%	-76.6%
Flatbed Spot Rates	-0.7%	-1.6%	-7.1%
Reefer Load-To-Truck	-31.9%	-11.5%	-62.1%
Reefer Spot Rates	+0.7%	+0.2%	-18.8%
Fuel Prices	-1.5%	+0.8%	+41.0%

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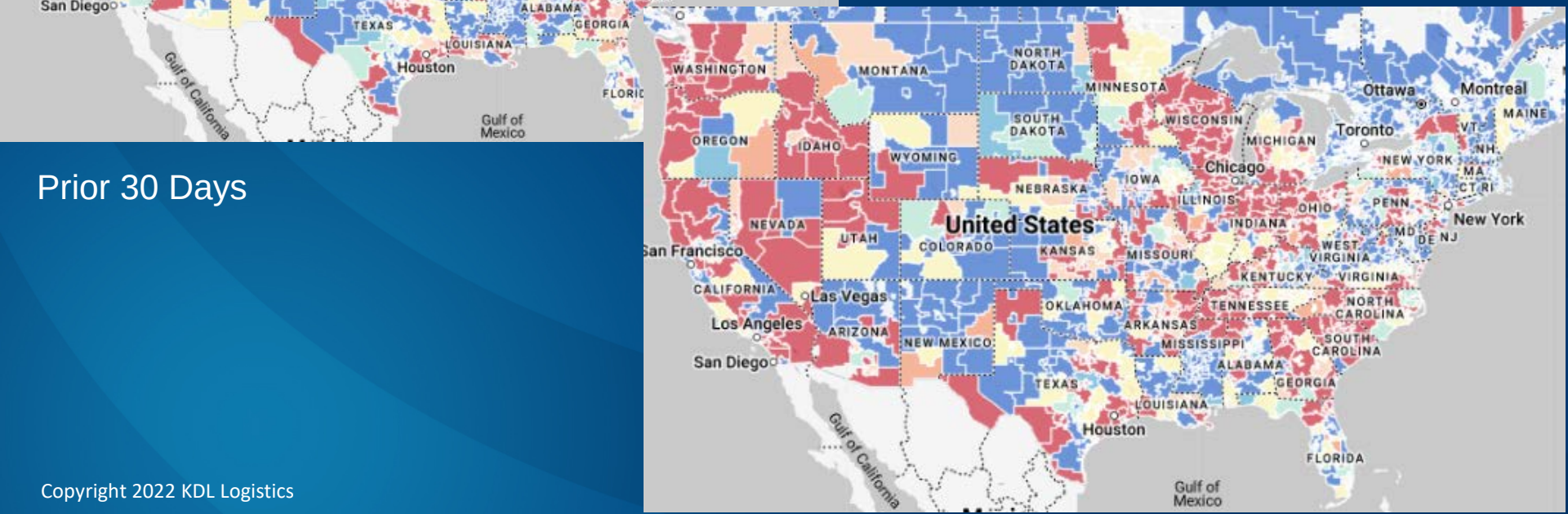
Load to Truck Heat Map

DAT Market Conditions





Prior 8 Days

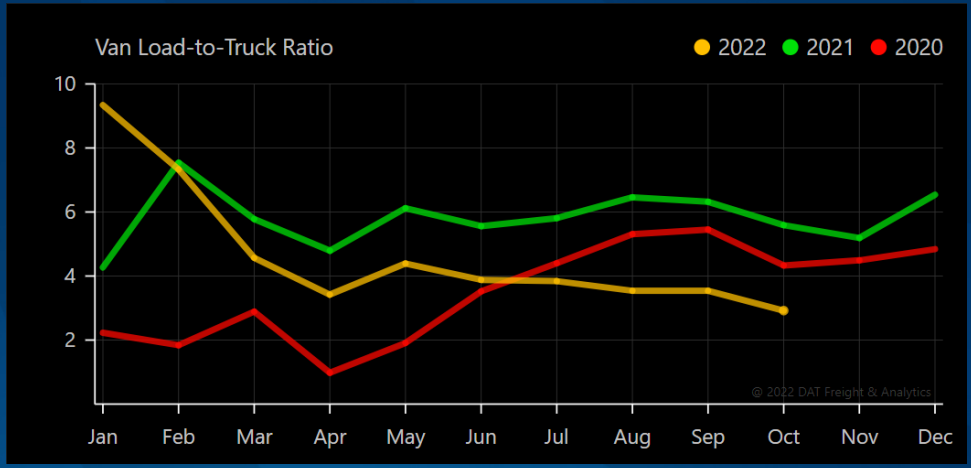


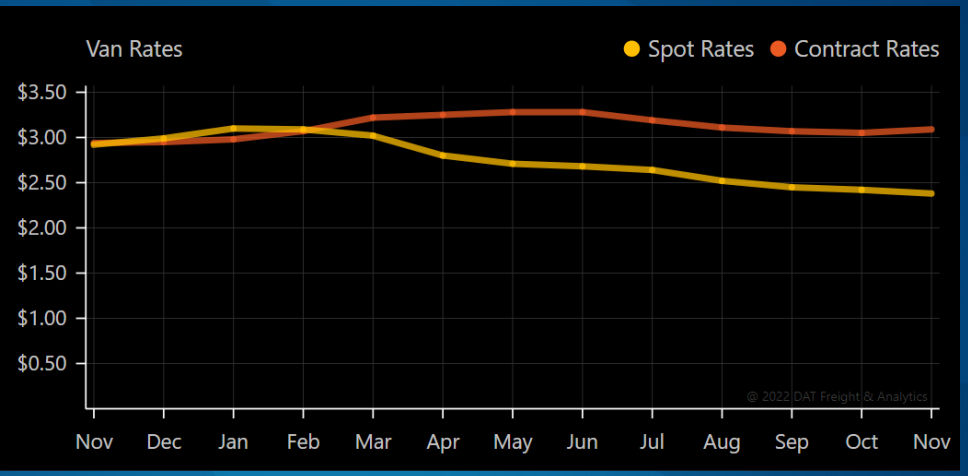
Prior 30 Days

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Load to Truck Heat Map

DAT Market Conditions





Load to Truck Ratio

- Decreased from 2.43(oct) to 2.13 (Nov).
- Second lowest recorded in past six years.
- Carrier posting equipment up 24% YOY.

Spot Rates Outperforming Contract

- Oversupply of drivers in spot market.
- May start to see drivers shift back from owner operator to work for larger fleet.

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LTL Carrier Q3 Report Cards

Old Dominion Freight Lines (ODFL) Q3 Update

- Rev / day up 14.5% y/y
- Rev / hundredweight up 23%
- Tonnage / day down 0.9% y/y
- Shipments / day down 2.5% y/y

ABF Freight Q3

- Revenues up 16% y/y
- Operating income up 30.7%
- Tonnage up 4.4% y/y
- Rev / hundredweight up 16.4% y/y
- YTD income up 76%

TFI Freight Q3

- Revenues $989.3MM
- Operating income $85.1MM
- Operating ratio LTL 90.7 OR

XPO Q3

- LTL rev $1.204B up 12.4% y/y
- Operating income $182MM; up 22.1% y/y
- 82.8 operating ratio
- Goal to shed 30% (former UPS freight) freight that doesn't fit XPO aspirational profile

YELLOW Corp Q3

- Operating revenue $1.36B, up 4.5% y/y
- LTL revenue / shipment up 22.4% y/y
- LTL tonnage / day down 16.2% y/y; down 24% in Oct
- Operating ratio 94.6

SAIA Q3

- Rev $729MM, up 18.4% y/y
- LTL rev / shipment $359, up 20.1% y/y
- Daily shipments down 2.5% y/y
- Daily tonnage down 0.4% y/y
- 82.4 operating ratio

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Carrier Recalibrating

Shipment volumes have carriers recalibrating *(Freightwaves 11/22)*

- Most carriers reporting 4-6% decline in shipment counts per day
- LTL leaders noting year-over-year (y/y) tonnage declines in Nov have accelerated from the levels recorded in Sep and Oct
- "As we've done in the past, some of our terminals are doing local voluntary furloughs to right size their teams over the holidays," a spokesperson with XPO stated.
- Yellow's CEO Darren Hawkins said the company "would look to align labor to freight volumes"
- "Let's talk about the elephant in the room — our October tonnage," *(Yellow CEO Darren Hawkins)*
- FedEx Freight said it planned to implement voluntary furloughs for drivers beginning in December
- FedEx putting aircraft in temporary storage to offset falling e-commerce revenue, eliminating 8 – 9 daily international flights and 23 domestic frequencies *(CFO Mike Lenz Nov 22)*
- Saia could delay plans to open 10 to 15 new terminals next year if the economy worsens
- ODFL down 300 employees – "We aren't really hiring other than filling vacancies." *(CEO Greg Gantt Oct 22)*
- Warehouses and storage companies dropped 50,000 since Jun *(Bureau of Labor Statistics)*
- "We will not replace and hire new people" *(Stefan Paul CEO Kuehne + Nagle Oct 22)*

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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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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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KDL Recommendations

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 corrections.

Input costs flow through to consumer

- Evaluate customer freight policies; Do you offer free freight based on order size?
  - Adjust minimum order quantities, add surcharges if min quantities are not met
- Small LTL shipments, single shipment pick up, remote location - could experience disproportionate impact with FUEL impact of transport charge
  - Look for opportunities to hold/consolidate orders
- Is freight being accounted for and charged back on NON-free freight orders?
- Capture data to measure how freight affects customer profitability (CPA)
- Input costs that CANNOT flow though are accommodated through process improvement/change
  - Is the best cost carrier chosen?
  - Typically added transit = lesser cost, is this acceptable to customer?
  - Is the appropriate DC fulfilling the order?
  - Remove unexpected fees – determine delivery services, ensure proper classification and confirm weights

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