



Industry Update Report

Feb 2022

What to Expect in 2022?

Companies continue “panic buying” to build up inventories.

- “Mini peak” season expected during typical slow season.
- Higher import activity prior to Chinese New Year (Feb) and potential West Coast dock worker strike (July).
- Retail inventory-to-sales ratios are historically low
- 2021 the best year on record for container shipping, 2022 expected to be better.

Will demand stay strong?

- 2020/2021 demand supported by US stimulus (now over), student loan deferrals (ending on May 1st)
- Consumer demand may continue to decline resulting in retailers bringing in less than original forecasts.
- Current expectation is that strong peak season volumes will continue to push into Q4.

Potential Disruptions

- COVID outbreaks – China’s “Zero COVID” policy and impacts to production/transportation, rise in domestic absenteeism from surge in infections – reducing an already depleted workforce.
- International Longshore and Warehouse Union contract

Inflation Surges in December

Consumer Price Index (CPI) up 7% December YOY

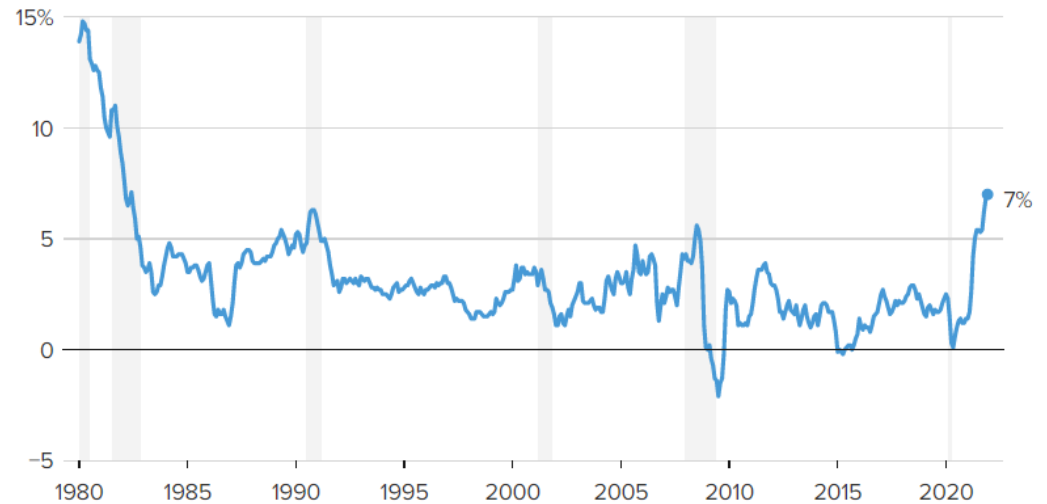
- Fastest increase since June 1982 (7.1%)
- December 2021 up 0.5% from November 2021

Price increases widespread YOY

- Gasoline up 49.6%
- Food prices up 6.3%
- Used car/truck prices up 37.3%

Consumer price index, percent change from a year ago

All items in U.S. city average

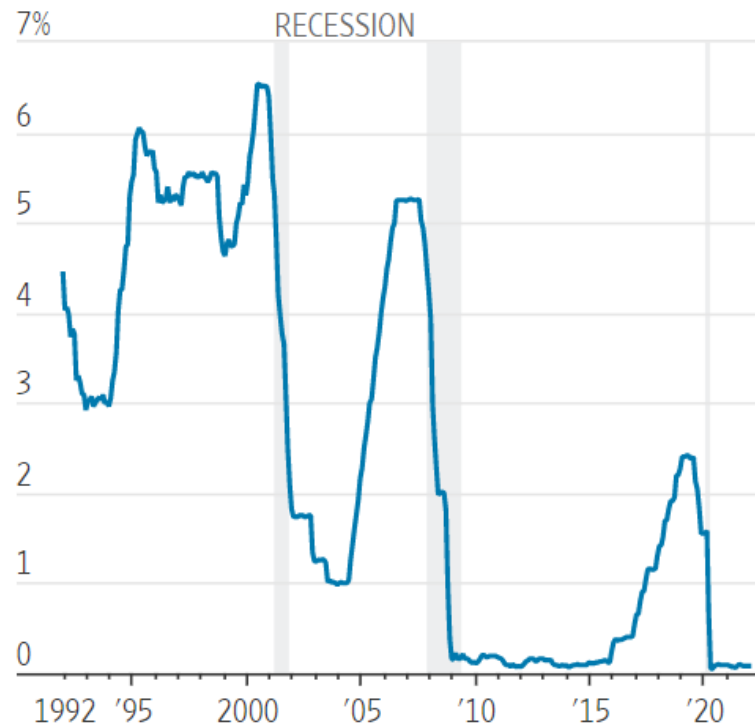


Federal Reserve expected to raise interest rates in March.

- Fed Chairman Jerome Powell stated high inflation a threat to full recovery
- Focus on shifting from growth to slowing inflation.
- Higher rates to raise borrowing costs which will temper down demand.

Federal Funds

The Fed's short-term benchmark rate has been held near zero since March 2020



Source: Federal Reserve via St. Louis Fed

Global Port Tracker forecasts remain high but down slightly from original projections

- JAN - 8.6% increase (YOY) – down from estimate of 9%.
- FEB – 4.4% increase (YOY) – down from estimate of 7.3%.

IHS Markit Gross Domestic Product

- Reporting 5.7% growth in GDP in 2021
- Forecasting 4.1% growth in 2022 (down from original projection of 4.3%).
- Year end numbers from 2021 estimated 17.9

2022 to surpass biggest year ever in 2021.

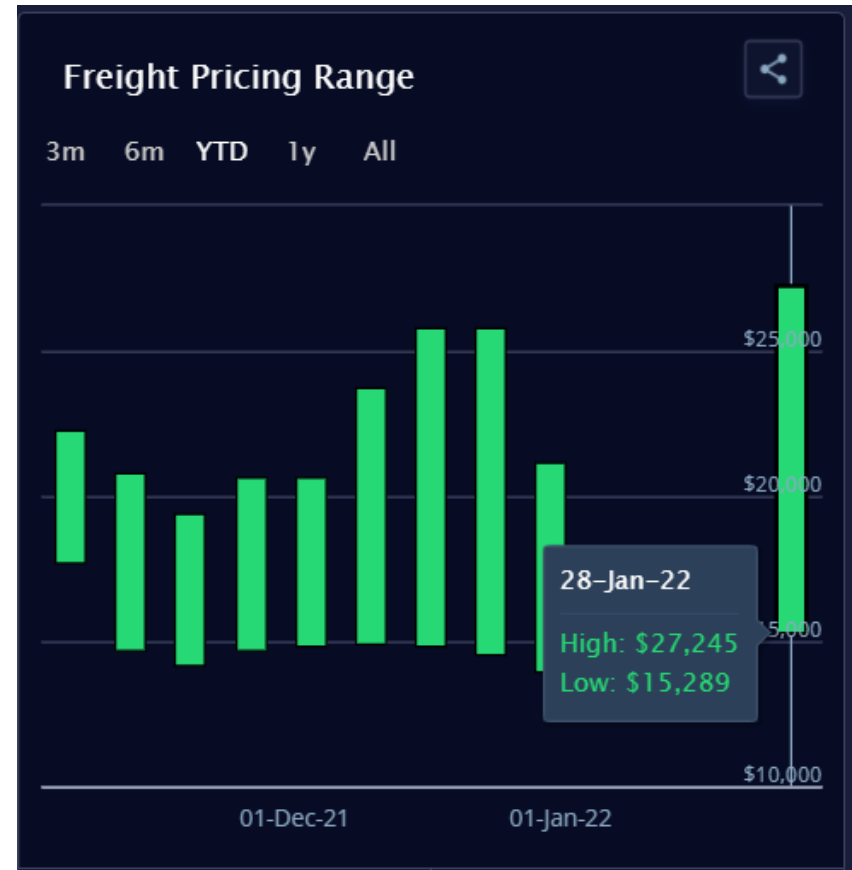
- Year end numbers from 2021 estimated 17.9% higher than previous record-breaking numbers in 2020.
- Double digit growth numbers not sustainable, expect single digit growth in 2022.

Freightos Data

- Average container costs spike again after temporary drop to start 2022.
- Range between \$15,289 to \$27,245 per container as of 1/31
- Higher range of prices for last minute spot quotes.

Expect increases in Q1

- China seeing increase in positive COVID cases
 - “Zero COVID” policies will impact operations at major port of Ningbo.
 - Expect manufacturing limitations, closures and restrictions into the area, access to the port.
- Result - higher rates



Congestion not Improving

- More ships waiting offshore - 109 ships waiting in early January (record)
- Lack of terminal space main cause of backlog.
 - 5 to 10 of the roughly 35 ships waiting at berth aren't being unloaded due to lack of space.
- Waiting at anchor times increasing
 - LA - 2019 average 3 days (normal); 2021 average was about 7 days.
 - Long Beach – 2019 average 3 days; 2021 average was 5 days
- COVID infections
 - 1,700 West Coast dock workers test positive in January.
 - More than total COVID infections in all of 2021.

Relief not expected until demand eases

- Inflation, high interest rates likely to shift volumes back to normal levels.
- Easing likely not to start occurring until back half of 2022.
- Consumer spending expected to taper off
 - Less disposable income
 - Potential shift toward spending on services as pandemic shifts to endemic.



Higher ship counts waiting at Berth to start 2022

- 2022 averaging 10-12 ships waiting; up from 2021 average of 4-5 ships
- Wait times 4–5-day average for open berth; up from 1.5 days in 2021
- Container sitting on docks for 10-12 days; up from 7–10-day average in 2021.

Contributors

- Higher number of vessel calls to close out the year – 190 calls during December – up from 183-187 average per month.
- Two mandatory holidays on Christmas / New Years
- Rise in COVID cases from Omicron
 - 275 out to end 2021; 525 workers out as of 1/7
 - Benefit – will have faster return times due to shortened quarantine period of 5 days.
 - Currently seeing more people returning than going out right now.



OSHA Vaccine Mandate Blocked

Occupational Safety & Health Administration (OSHA) / Biden Vaccine Mandate

- Scheduled to take effect on February 9, 2022
- Require mandatory vaccines or weekly tests/mask for non vaccinated employees
- Would have applied to companies with 100+ employees.

Supreme Court issued ruling on Thursday Jan 13th.

- Blocked enforcement on mandate for businesses with 100+ employees.
- Allowed requirement for certain health care workers.

Big relief for many companies, especially in supply chain.

- 62% of Americans are fully vaccinated
- 40-50% of drivers are NOT vaccinated

Canada Vaccine Mandate Effective

Prime Minister Justin Trudeau Enforcing for International Truckers

- Effective January 15th from freight from US to CAN
- Drivers from US must show proof of vaccination
- First policy measure taken since pandemic that could limit cross border traffic, truck drivers not limited before because



Vehicles from the protest convoy are parked blocking lanes on a road, Sunday, Jan. 30, 2022 in Ottawa. Residents of the national capital are again being told to avoid traveling downtown as a convoy of trucks and cars snarl traffic protesting government-imposed vaccine mandates and COVID-19 restrictions. (Adrian Wyld/The Canadian Press via AP)

Policy Not Well Received

- Could force 16,000 cross border drivers off the road / 15-20% of drivers unvaccinated.
- Expect more products shortages, higher prices on cross border goods.
- Policy goals to protect public health, argued bigger health risk if experiencing further shortages of food, fuel, vaccines, medicines.
- Hundreds of Canadian truckers participating in slow rolling convoy from Vancouver to Ottawa
 - Protests occurred upon arrival in Ottawa 1/30
 - Ottawa businesses on lockdown as a result of protests.



US Cross Border Vaccine Mandate

US closes borders to unvaccinated drivers

- Effective January 22nd for drivers entering the US from Canada or Mexico.
- Announced by Department of Homeland Security

Another hit to driver supply

- 160,000 drivers regularly cross border from US to CAN. 75% of drivers are Canadian.
- Canadian Trucking Alliance and American Trucking Alliance project 10-15% of drivers will stop cross border trucking.

What to expect?

- Rate increase inevitable - Biggest impact likely in the spot market.
- More delays in transit with cross border
- Carriers need to get creative – use more drop and hook scenarios so vaccinated drivers can quickly cross.
- Canada LTL carriers may see increase in capacity as unvaccinated cross border drivers will run locally.

Cass Information Dec Index

Shipment count 7.7% YOY - (up 4.2% from Nov)

Freight expenses (Dec) up 43.6% YOY, up 62.3% from Dec 2019

Implied freight rates (freight costs/shipments) up 33.4% YOY

- Truckload more than half the index freight spend.
- LTL, Parcel and Rail other top modes on index.

Cass Freight Index - Expenditures

January 2010 - December 2021 (01'1990=1.00)



Source: Cass Information Systems, Inc., ACT Research Co., LLC. Copyright 2022



Q4 Transportation Records

Landstar

- Ranks #9 on the Transport Topic list of largest for-hire carriers in North America.
- Q4 Total revenue increased 50% from \$1.3B to \$1.95B - Surpasses Wall Street analyst expectations of \$1.85B.
- Operating income increase 76% from \$84.4MM to \$148.7MM
- Load counts increased 7% from Q3 to Q4 - Highest increase in company history for this time period.

Knight-Swift

- Ranks #6 on the Transport Topic list of largest for-hire carriers in North America.
- Q4 earnings increased 78.9%, revenues increased 42.2%
- Success in truckload market enables strategic investments – purchased AAA Cooper / Midwest Motor Express

JB Hunt

- Ranks #4 on the Transport Topic list of largest for-hire carriers in North America.
- Q4 Total revenue increased 28%, operating income up 55%
- Capex expected at \$1B for 2021 – missed by \$130MM – direct results of supply chain delays impacting delivery of new equipment.
- Acquired final mile furniture hauler, Bassett, for \$87MM



LTL Shipment Trends / Capacity

Shipment Levels Remain Elevated

- Carriers only seeing small decline from December volumes (3-6%).
- Declines tied to COVID cases, winter storm shutdowns.
- Demand remains high, still working backlogs around the ports.

LTL Carriers still dealing with spillover from parcel, truckload markets

- Parcel shipments converted to LTL network
 - Avoid large package surcharges
 - FedEx LTL – handled 1.75 million packages for FedEx Ground in previous fiscal year (ended May 31st).
- Truckload shippers break loads into large LTL shipments.
 - LTL carriers enforcing high-capacity charges, embargo volume quotes.

Carriers Take Advantage of Central Freight Lines (CENF) Closure.

- CENF: 2,100 employees; 1,325 drivers; 1,600 power units; 65 terminals
- LTL Carriers hire CENF drivers, purchase terminals, purchase tractors/trailers.
 - Estes Express purchased seven (7) CENF terminals; Added 250 drivers; 1,000 trailers



LTL Networks Stressed

COVID Cases

- Carriers seeing spike in infections, absenteeism
 - US Census Bureau reporting in early January that 8.8 million people were out sick or caring for someone with COVID symptoms.
 - Highest number since survey started in 2020 – previous record was 6.6 million people
 - Adds further stress to already depleted labor market – less people in workforce than before pandemic.
- Create quick Hot Spots, Backlogs – forced to issue temporary embargos.
- Most following new CDC guidelines – 5-day quarantine, return with a mask
 - Quick return times experienced with team members.

Weather Disruptions

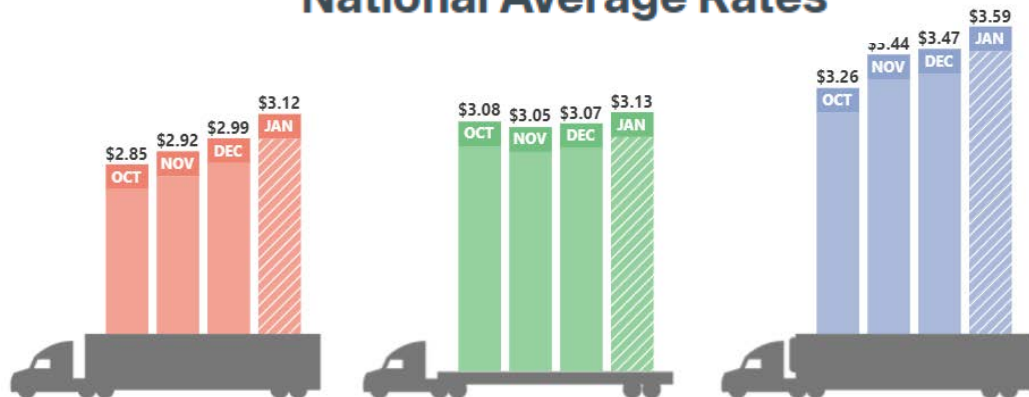
- Winter storms forcing terminals to temporarily close or limit operations.
 - Jan 16/17 snow – impacting major markets, hubs (Harrisburg, PA; Norristown, PA; Philadelphia, PA; Columbus, OH; Baltimore, MD; Minneapolis, MN; Denver, CO; Salt Lake City, UT)
 - Jan 29/30 snow – impacting major markets in northeast, eastern shore.
 - Another storm projected this week will impact major interstates across central and northeast US including I-35, I-40, I-44, I-55, I-69, I-70, I-72, I-80 and I-90.
 - The longest stretch of highway with the most impacts will probably be I-70
 - Large wave of shipments tendered to/from impacted areas when embargos removed.
 - Difficult to manage, extend delays well beyond down time.

Load to Truck Ratios

- Load to Truck ratios spiked immediately after holidays – slight improvements over past two weeks but still at all time highs for average costs per mile rates.
- DAT reporting that load posts are up 70% compared to this time last year.

INDUSTRY TRENDS		WEEK JAN 17 - JAN 23 VS. JAN 10 - JAN 16	MONTH DEC 2021 VS. NOV 2021	YEAR DEC 2021 VS. DEC 2020
	Spot Load Posts ⓘ	-4.8%	+13.7%	+48.4%
	Spot Truck Posts ⓘ	-2.7%	-10.5%	+6.9%
	Van Load-To-Truck ⓘ	-2.8%	+25.9%	+35.2%
	Van Spot Rates ⓘ	+0.2%	+2.4%	+21.7%
	Flatbed Load-To-Truck ⓘ	+6.1%	+36.3%	+27.3%
	Flatbed Spot Rates ⓘ	-0.3%	+0.7%	+24.0%
	Reefer Load-To-Truck ⓘ	-15.5%	+17.6%	+64.6%
	Reefer Spot Rates ⓘ	+0.4%	+0.9%	+29.9%

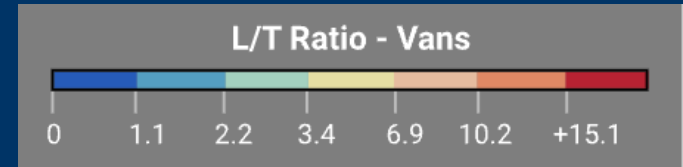
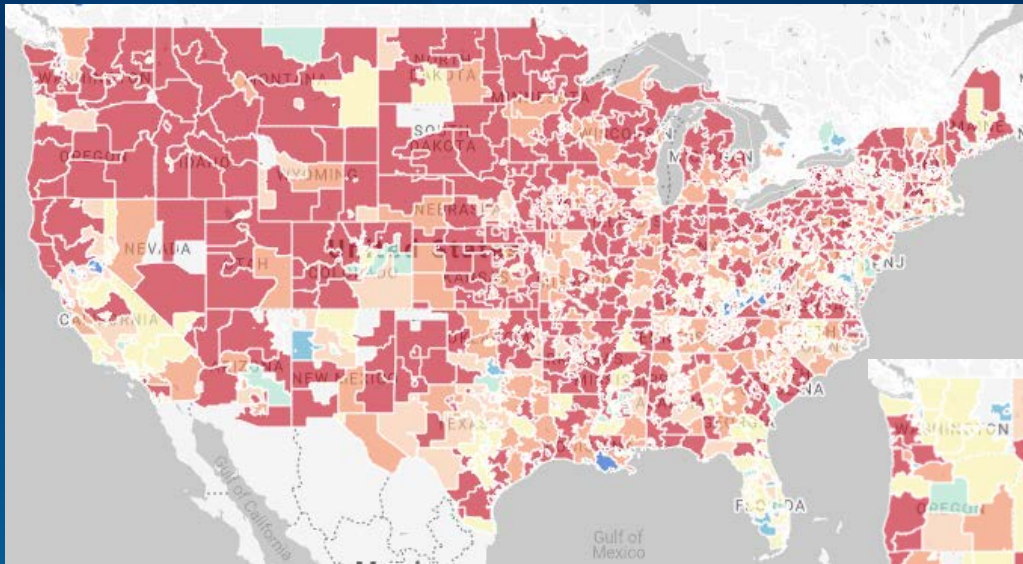
National Average Rates



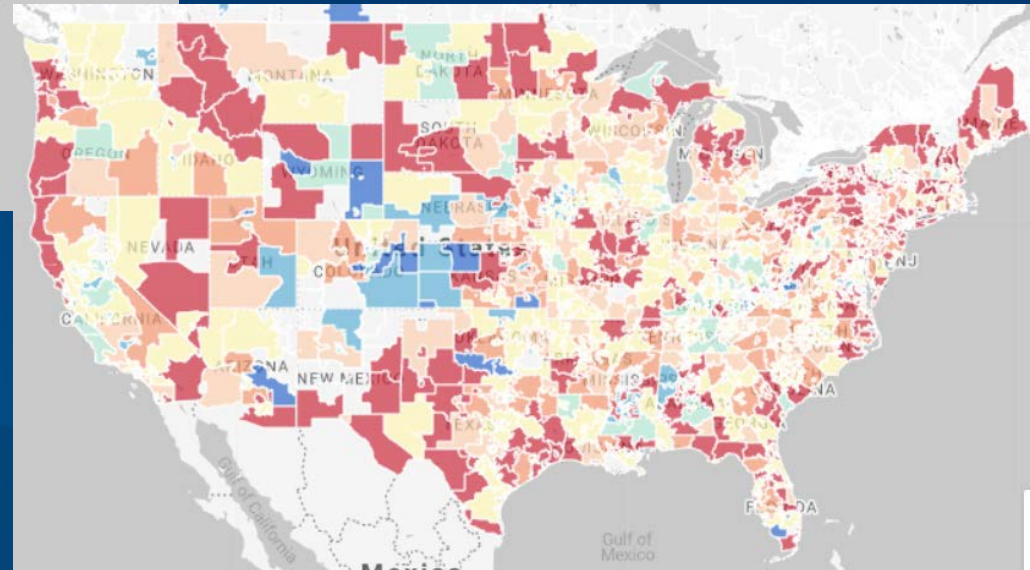
Load to Truck Heat Map

DATA Market Conditions

January 5th to January 12th

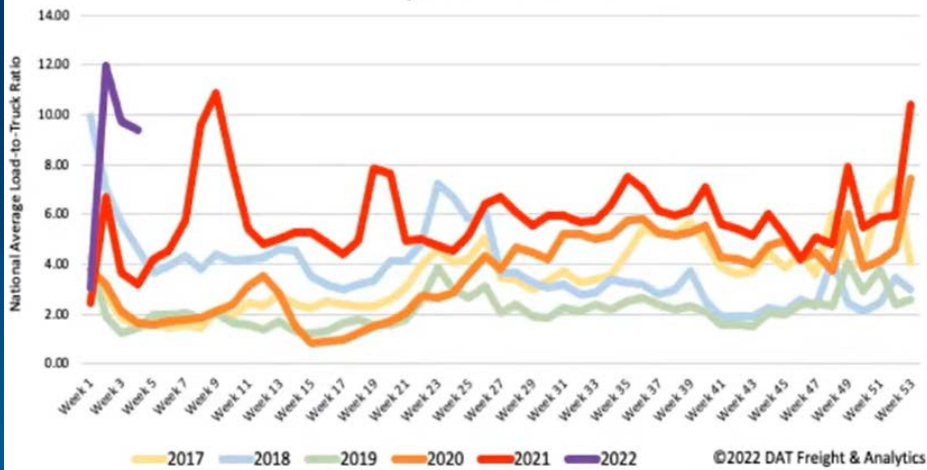


January 24th to January 31st

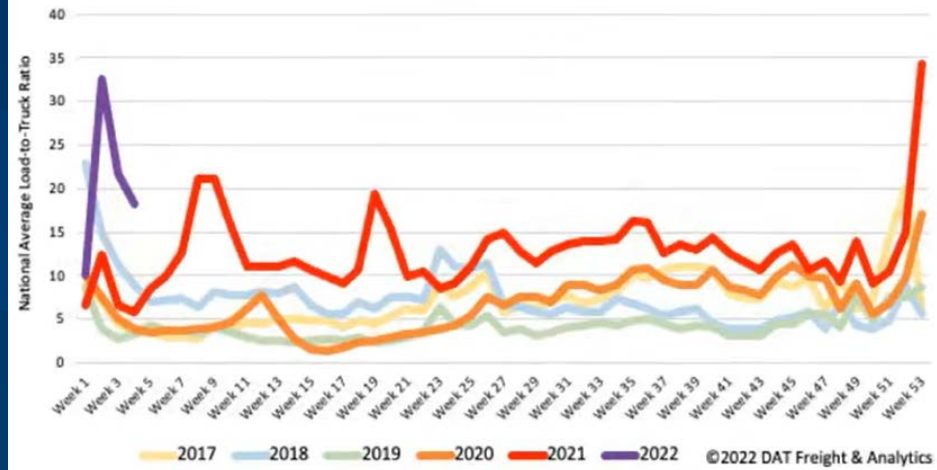


DAT Market Conditions

DAT Dry Van Load-to-Truck Ratios



DAT Reefer Load-to-Truck Ratios



- LTRs for Van and Reefer deceiving.
- LTRs still above 2021 numbers to start the year.



Fuel Price Update...

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

Date	Diesel (\$ per Gallon)	
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Date	Diesel (\$ per Gallon)	
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Date	Diesel (\$ per Gallon)	
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Q1 AVERAGE	\$	3.694
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Q2 AVERAGE		
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Q3 AVERAGE		
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Q4 AVERAGE		
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KDL Recommendations

Modernize Logistics Solutions

- Focus on digitization, workflow automation.
- Risk mitigation
- Eliminate key strokes involved with carrier selection, BOL creation, shipment execution.
- Access to pertinent data directly in your ERP.

Middleware

- Disconnect between quoted and invoiced – Systems disconnected. Customers rely on manually tying back costs to ERP for billing – results in gaps, lack of controls, missed billings.
- Need for system integration – automatically pull back costs, tracking numbers, carrier information to ERP.

Input costs flow through to consumer

- Develop freight policy – is freight being charged back, are you marking up?
- Need to capture data
- Measure and evaluate to ensure policies are met.

Control Inbound Freight

- Don't want to assume supplier has better freight program.
- Vendors are marking up freight – cost avoidance opportunity.
- No control on the carriers being used.



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
- 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.

Capability 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 corrections.



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.

