CRANE WORLDWIDE LOGISTICS

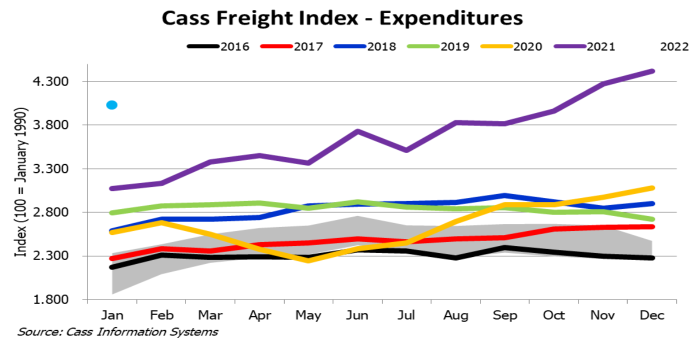
GROUND MARKET UPDATE

March 2022

CURRENT STATE

Many private Truckload carriers are commenting while spot rates have started to moderate, they continue to see strong demand trends and tight capacity. As a result, these carriers continue to see a lot of momentum in contractual pricing with double-digit contractual rate increases to start the year. So all-in rates continue to move higher, but costs are moving higher too, with particular pressure on labor, insurance, equipment, and fuel costs. So, these carriers expect TL margins to be fairly flattish despite strong yield growth this year. And with a lot of these costs now structurally higher (i.e., driver pay), they hope that contract rates can stay elevated for longer, even once the cycle eventually softens. Lastly, from an equipment standpoint, these carriers noted that new tractor prices are up around 15% vs. two years ago, while new trailer prices are up closer to 80% vs. two years ago given ongoing supply chain issues. Plus, these carriers only received about half of their tractor orders in 2021 and expect half of their orders for this year to be fulfilled.

CH Robinson's net operating margins have declined from 46% in 2015 to just 33% last year, while consolidated margins have declined from a peak of 43% a decade ago to 34% last year.

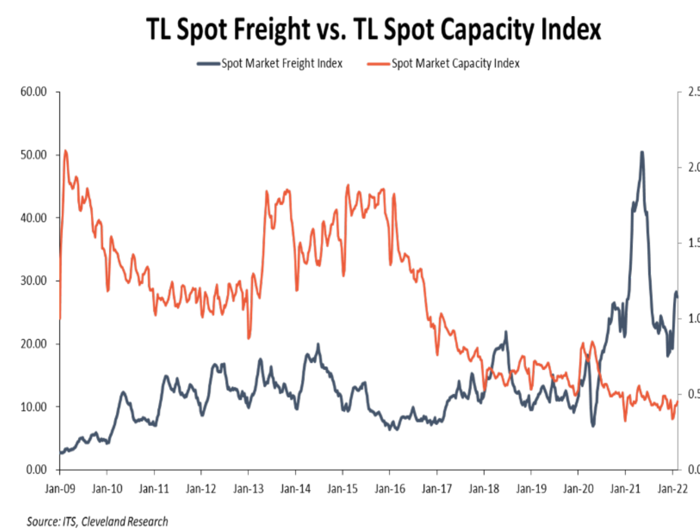


Total expenditures on freight in January was +31% year over year, with volumes down 3% and implied price/mix +27% year over year. January was the sixteenth consecutive month of year over year increase (after 14 consecutive months of declines). We continue to see price inflation across most modes of transportation (parcel, LTL, FTL, rail, airfreight/ocean).

MARKET FORECAST

Rebounding vehicle production highlights looming landside labor shortages. Automobile manufacturing is in a tentative state of recovery from the microchip shortage and COVID-19 lockdowns that have obstructed global production, but automakers and finished vehicle logistics (FVL) service providers worry a lack of car-haul drivers, dockworkers, and auto processing labor could snarl the supply chains that stretch between manufacturing plants and consumers' garages. "We are approaching the point where chips will arrive and cars stored at the automotive assembly yards will be ready to be shipped," said Trish Zarik, a 30-year supply chain management veteran and FVL consultant at the Automotive Industry Action Group (AIAG), a non-profit that seeks to bring original equipment manufacturers (OEMs) together with parts suppliers, logistics service providers, and other related entities to improve manufacturing and supply chain practices.

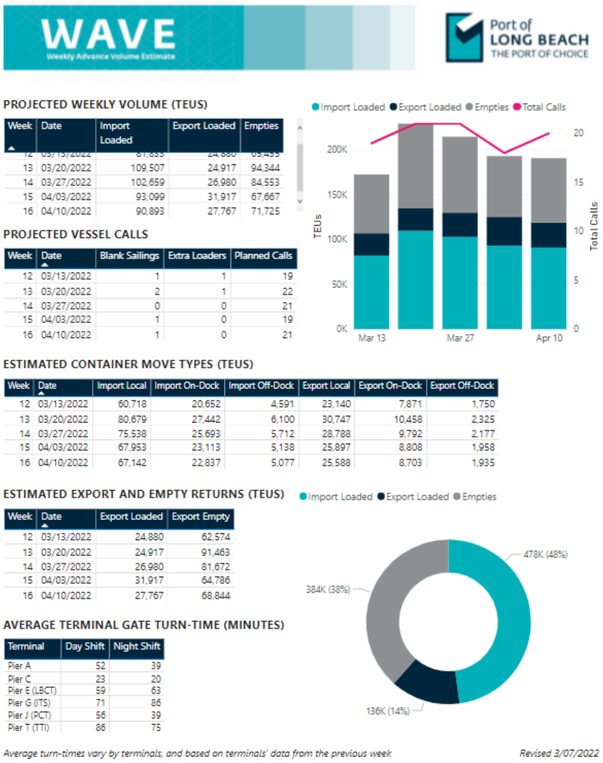
FMCSA Clearinghouse drug violations up 10% in 2021. The second year of the Drug and Alcohol Clearinghouse saw 58,215 drug violations in the system, compared to 52,810 in the program's first year in effect. The majority of violations stemmed from positive drug tests (49,013 in 2021), while 8,152 violations were drug test refusals. The remaining 1,050 violations reported in 2021 were actual knowledge violations reported by employers. Positive marijuana tests put more drivers in the Clearinghouse than any other substance, FMCSA reported, with 31,085 positive drug tests in 2021 – a 5.3% increase.



Truckload spot market demand has shot back up at the start of the new year after a lag around the holidays, as commentary indicates shippers continue to rely on spot market capacity (rather than contracts). During the second week of February, market demand is down 28% versus one year ago as we lap tougher comparisons. Due to easier comparisons, the market capacity has slightly improved since the prior month and is up 7% year over year. But experts are still saying that TL capacity will be tight through the end of the year and expect contract rates to increase low double-digit in 2022

INDUSTRY INSIGHT

The Port of Long Beach currently has 0 container vessels at berth and 1 container vessels at anchor/at drift within 40NM destined for POLB's marine terminals. Average at anchor is 0 days.



PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
12	03/13/2022	[illegible]	[illegible]	[illegible]
13	03/20/2022	109,507	24,917	94,344
14	03/27/2022	102,659	26,980	84,553
15	04/03/2022	93,099	31,917	67,667
16	04/10/2022	90,893	27,767	71,725

PROJECTED VESSEL CALLS

Week	Date	Blank Sailings	Extra Loaders	Planned Calls
12	03/13/2022	1	1	19
13	03/20/2022	2	1	22
14	03/27/2022	0	0	21
15	04/03/2022	1	0	19
16	04/10/2022	1	0	21

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
12	03/13/2022	60,718	20,652	4,591	23,140	7,871	1,750
13	03/20/2022	80,679	27,442	6,100	30,747	10,458	2,325
14	03/27/2022	75,538	25,693	5,712	28,788	9,792	2,177
15	04/03/2022	67,953	23,113	5,138	25,897	8,808	1,958
16	04/10/2022	67,142	22,837	5,077	25,588	8,703	1,935

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
12	03/13/2022	24,880	62,574
13	03/20/2022	24,917	91,463
14	03/27/2022	26,980	81,672
15	04/03/2022	31,917	64,786
16	04/10/2022	27,767	68,844

AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

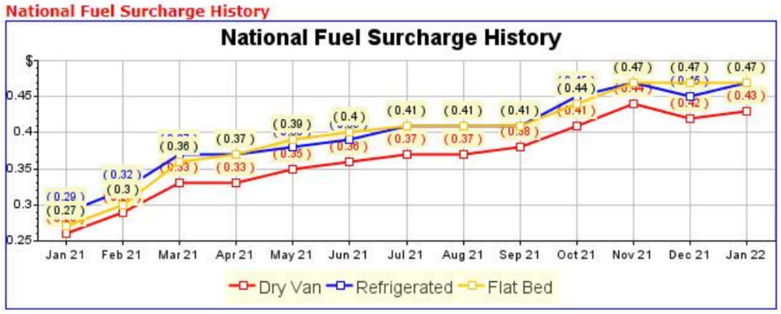
Terminal	Day Shift	Night Shift
Pier A	52	39
Pier C	23	20
Pier E (LBCT)	59	63
Pier G (ITS)	71	86
Pier J (PCT)	56	39
Pier T (TTI)	86	75

Average turn-times vary by terminals, and based on terminals' data from the previous week

Revised 3/07/2022

Diesel's rapid rise is beginning to create concerns that fuel surcharges and "all-in" expenses for independent owner-operators may not be enough to stop fuel prices from becoming a significant headwind for the industry. Surging diesel prices lag in fuel surcharges starting to raise concern. One industry analyst who requested anonymity said he is concerned that the numbers of new drivers who have launched their business to chase high trucking rates are doing so with older used trucks whose fuel efficiency is far from ideal. This analyst said fuel costs as a percentage of revenues are starting to push up toward levels that exceed 25%, a dangerous tipping point based on data from the past. He said that bankruptcies begin to pop up when the rate exceeds that.

National Fuel Surcharge History



January Class 8 Sales Drop. In January, class 8 U.S. retail sales slipped below 15,000, an 11.8% decline compared with a year earlier, Wards Intelligence reported. In the 2021 period, sales were 16,844, according to Wards. January's drop-off came after December's year-high total of 24,716. Supply chain issues continue to defy normal operations, and it was a mixed month for the truck makers; three improved sales and four did not, with two of those falling sharply.

We recently had a deep dive session with a client of ours, a large food and beverage shipper, regarding recent truck capacity and pricing trends. This client ships both dry van and refer and noted very tight capacity coming out of the holidays in early January. Since then, tender acceptance rates have improved from the low 80s at the beginning of the year to 90% today. However, this is still slightly worse year over year and below the client's targeted compliance rate of 95%+. Looking ahead, they are planning for continued FTL capacity tightness in the first half of 2022 but suspect that the market may start to slow down in the second half of 2022, with spot rates falling below contract rates. That said, there is no evidence of this happening yet, so the client thinks that expectations about a second-half slowdown in rates may be more about hope and less about reality. From a pricing standpoint, they still expect mid-to-high-single-digit contract rate increases after a 20% increase last year. Last year, they shifted more business to asset-based carriers to minimize his rate pressure, although they were forced to make many mini bids with brokers to secure capacity. If prices are about to start normalizing lower, this client would like to increase his brokerage exposure to take advantage of lower rates, but this is a risk if rates stay stronger for longer. So, they are still trying to develop a bid strategy for later this year. Lastly, this client would like to convert more freight to intermodal, but since a lot of their freight is time-sensitive, they're limited in how much business they can move via rail this year.

In February, during vendor alignment meetings with a private TL carrier, we discussed trends in demand, rates, margins, and truck capacity. While spot rates have started to moderate, this carrier sees very strong demand trends and tight capacity. As a result, they continue to see a lot of momentum in contractual pricing with double-digit contractual rate increases to start the year. So all-in rates continue to move higher, but costs are moving higher too, with particular pressure on labor, insurance, equipment, and now fuel costs. So, this carrier expects their TL margins to be fairly flattish despite strong yield growth this year. And with a lot of these costs now structurally higher (i.e., driver pay), this carrier is hopeful that contract rates can stay elevated for longer, even once the cycle eventually softens. Lastly, from an equipment standpoint, this carrier noted that new tractor prices are up around 15% vs. two years ago, while new trailer prices are up closer to 80% vs. two years ago given ongoing supply chain issues. They also only received about half of their tractor orders in 2021, and they're expecting only half their orders for this year to be fulfilled.

Tender volumes slump as current contract rates finds solid footing. Regionally, it was an intense volume week for many markets in the country, comprising a mixture of large and small ones. Of the 135 markets, 65 reported weekly increases. Tender volumes declined on the West Coast, especially in the critical Ontario, California, market, likely due to shippers choosing to move their freight over the rails. Atlanta, now the largest market in the country by outbound tender volume, posted a modest gain in volume by 0.6% week over week. The Texan cross-border markets of Laredo and McAllen fared well, reporting weekly volume increases by 9.2% and 2.9%, respectively. As spring draws nearer, these markets will continue to see plenty of produce coming up from Mexico.