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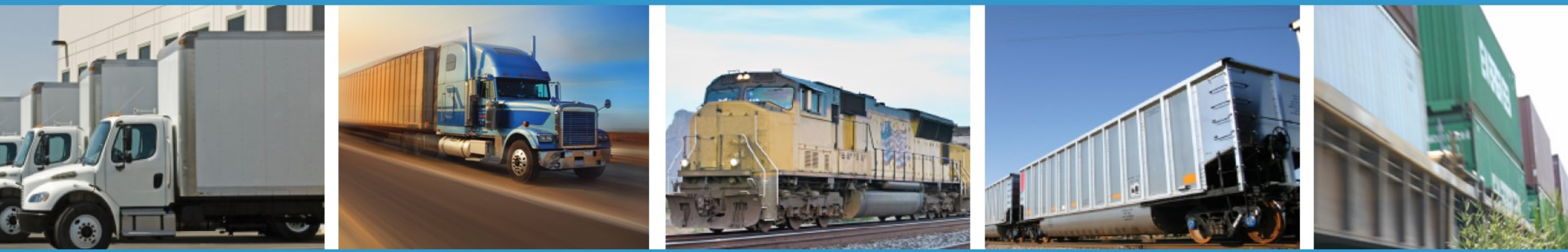


Shippers Update

May 2021

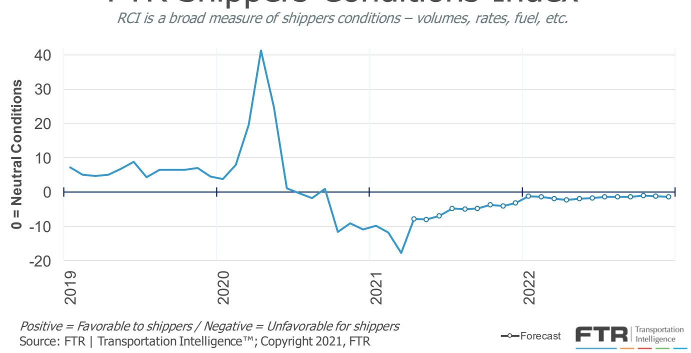
Next State of Freight Webinar: Economic Update
Thursday, May 13th, 2021 @ 11am Eastern - Register at: ftrintel.com/webinars

Shippers
May 2021

COMMENTARY (pg 10):
What's up with flatbed?
Spot metrics are consistent with supply and demand dynamics.

Shippers' market conditions are the most challenging on record.

FTR Shippers Conditions Index

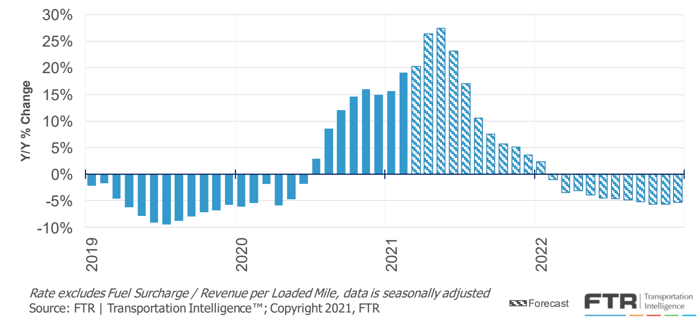


The Shippers Conditions Index (SCI) in March fell to its lowest reading (-17.8) in the nearly 30 years of data.

All index components were less favorable in March than in February. Shipping conditions are forecast to improve but remain negative into 2022.

See page 2 for more on overall market conditions...

Truckload Rates Outlook

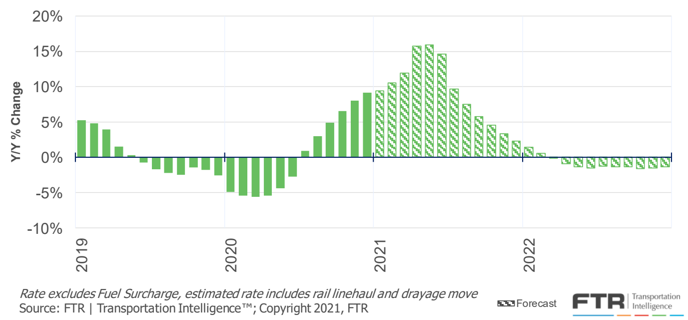


Truckload rates in 2021 are forecast at 14.6% higher y/y, a bit stronger than previously forecast. Spot and contract rates look to rise nearly 20% and 12%, respectively.

Early indications for 2022 are that truckload rates will ease by around 4% after gains in 2020 and 2021.

See page 3 for more on the trucking outlook...

Intermodal Rates Outlook

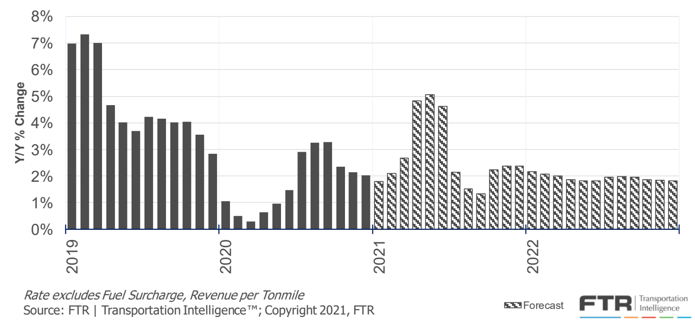


The outlook for intermodal rates increased from last month and are now expected to top 15% y/y in May before easing back toward the end of the year.

In a sign of some relief for shippers, next year's rate expectations eased back and are now slightly negative.

See page 5 for more on the intermodal outlook...

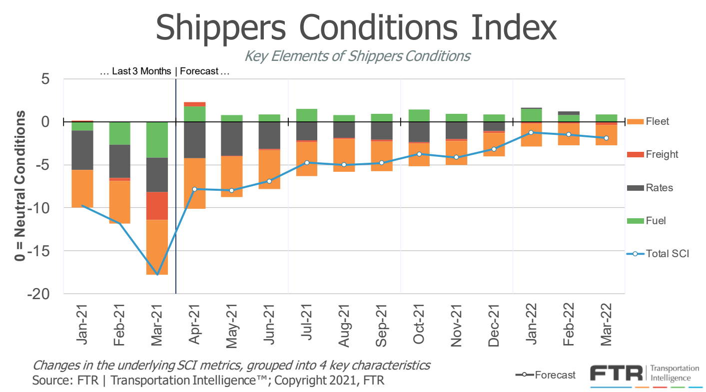
Rail Carload Rates Outlook



Carload rates will not increase as dramatically as their intermodal counterparts, but increases should hit their highest levels since early 2019.

Rate increases will steady themselves right around 2% in 2022 and stay there for the entire year.

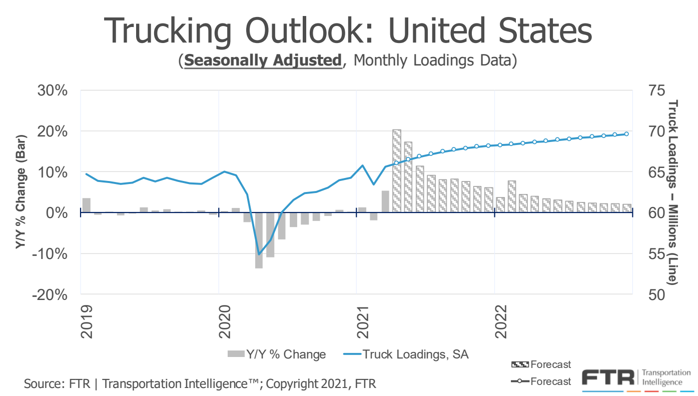
See page 6 for more on the carload outlook...



Freight Indicators & Shippers Outlook

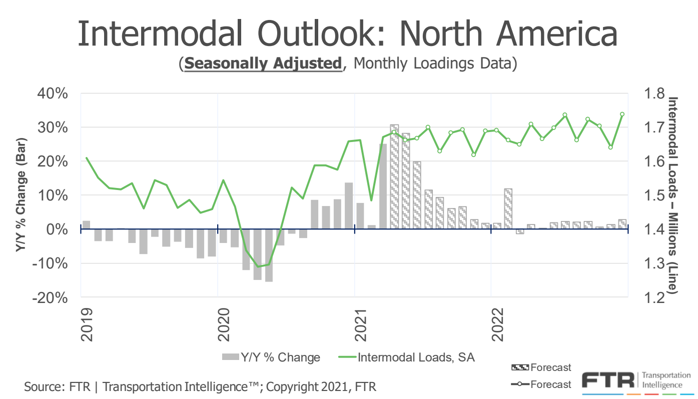
- Shipping conditions are the worst on record.
- Freight volumes strengthen in all modes.
- Diesel prices are more stable.

March's -17.8 reading for the **Shippers Condition Index** is the lowest ever for the index, which goes back to 1992. The previous record was -14.0 in April 2004. Market conditions for shippers were much tougher than in February, which had seen the fourth lowest SCI reading on record. The abrupt rebound in freight following February's weather disruptions was a major challenge. However, all index components – freight demand, capacity utilization, rates, and fuel costs – were less favorable for shippers in March than in February. FTR forecasts significant improvement but negative SCI readings into 2022.



Spot market volumes in **trucking** rose in April, ending the month at record levels, at least in the Truckstop.com system. FTR forecasts total truck loadings at an 8.0% increase in 2021, slightly weaker than the prior outlook. However, broad weather effects on Q1 data might be holding down the forecast.

Final **intermodal traffic** figures for April potentially will be even stronger than March's robust volume as east coast ports saw the processing of shipments that had been delayed by the Suez Canal blockage. However, congestion remains an issue both at ports and inland intermodal terminals.



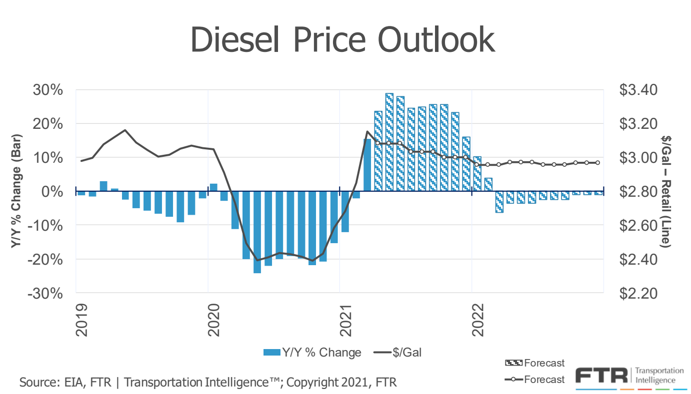
Rail **carload volume** likely will see its best year in three years this year, but performance is highly sector dependent. The overall growth rate is nearly 6%.

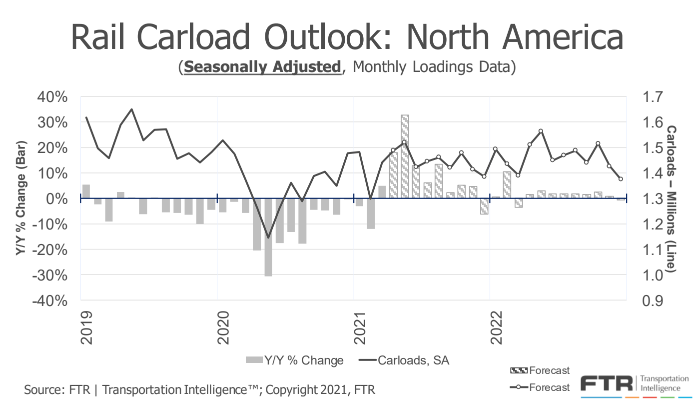
After 20 straight weeks of increases, **diesel prices** saw four weeks of lower prices and one week with no change before prices rose again during the week ended May 3.

See pages 3-4 for more analysis on trucking conditions…

See page 5 for more on intermodal conditions…

See page 6 for more on carload conditions...





Trucking Indicators & Outlook

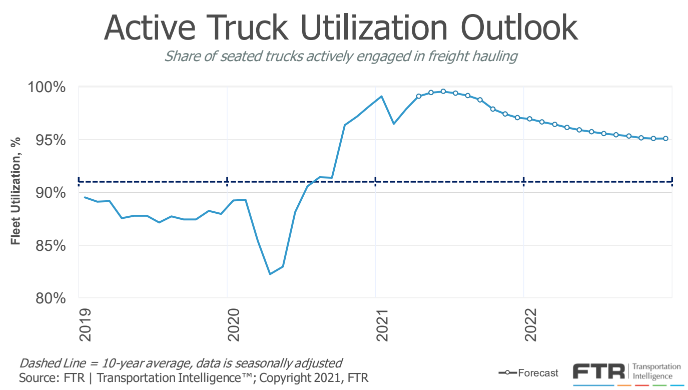
- For-hire trucking shed 1,500 payroll jobs in April.
- The active utilization outlook is very slightly weaker.
- The latest truckload rate forecast is a bit stronger.

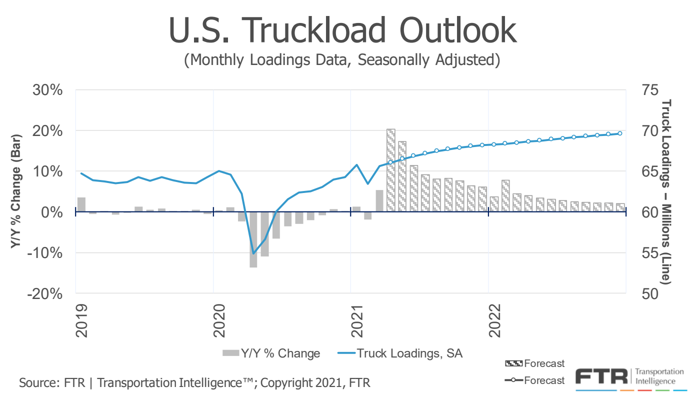
Despite indicators of strong freight demand, for-hire trucking shed 1,500 **payroll jobs**, seasonally adjusted, in April. For-hire trucking employment is still 44,500 jobs, or 2.9%, below the pre-pandemic month of February 2020. Meanwhile, April saw the largest number of newly authorized for-hire trucking firms – more than 10,000 – for any month on record. The surge in new carriers could be a drain on payroll jobs as most of those operations are not counted in payroll data and some could be employee drivers obtaining their own authority. The couriers and messengers segment shed 77,400 jobs, which is the largest drop on record aside from a 1997 UPS strike.

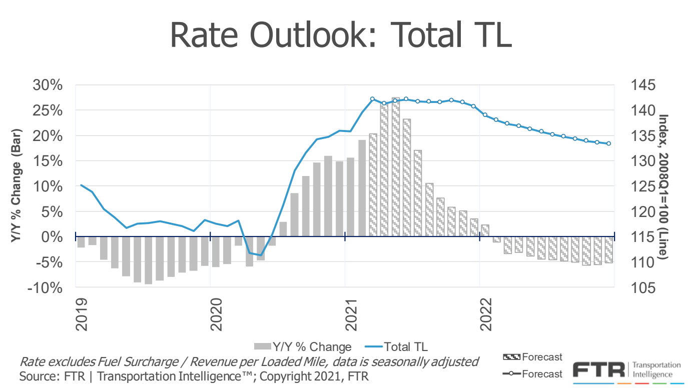
Slightly weaker loadings growth than previously forecast results in a slight easing of the outlook for **active truck utilization**. The prior outlook had seated trucks 100% utilized through most of Q3. The latest forecast has active utilization at around 99% during that period. However, the forecast carries upside and downside risks. Upside risks flow principally from the loadings outlook being overly affected by Q1 winter weather impacts. A downside risk would be that driver capacity returns faster than forecast as the pandemic fades and vaccinations continue.

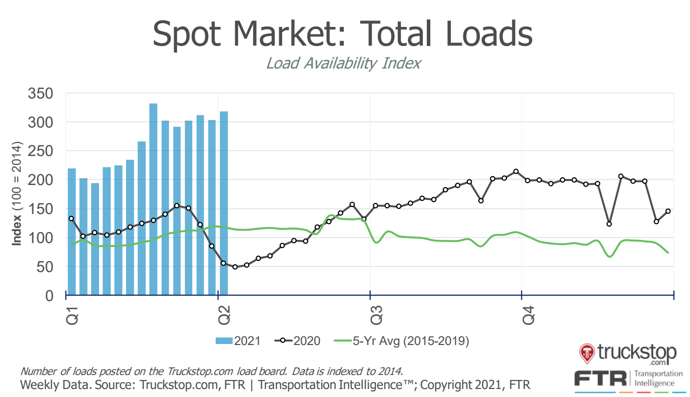
The already strong **truckload rate outlook** firmed further in the latest outlook with total rates forecast at 14.6% higher in 2021. Spot rates drive the stronger forecast with an expected increase of nearly 20%, up from 17% previously. The y/y comparisons will swing wildly from April through yearend. The contract rate outlook is little changed at nearly 12%. The preliminary 2022 truckload rate forecast is a decrease of 3.8%. The 2021 outlook for LTL rates is a bit stronger at a 10.1% increase, up from 9.4% previously. LTL rates look to rise another 1.3% in 2022.

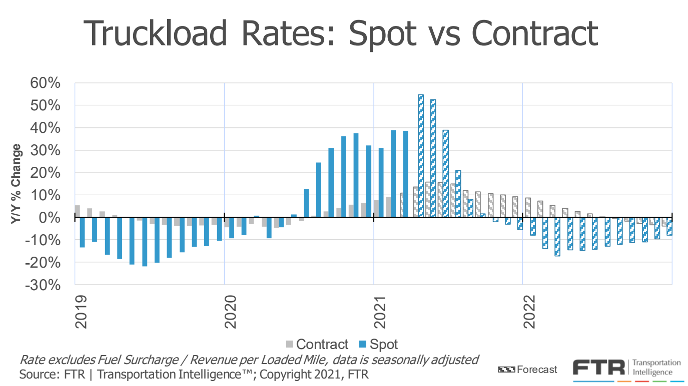
See page 4 for more charts and graphs on truck rates…





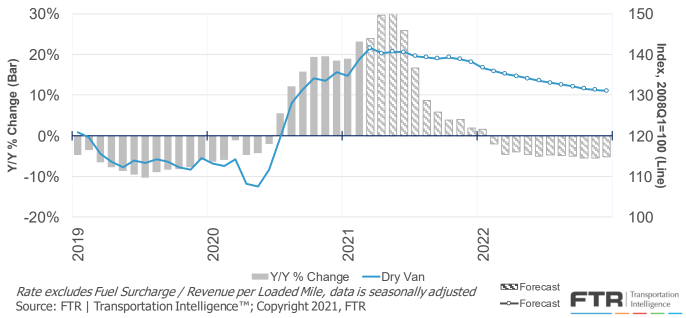




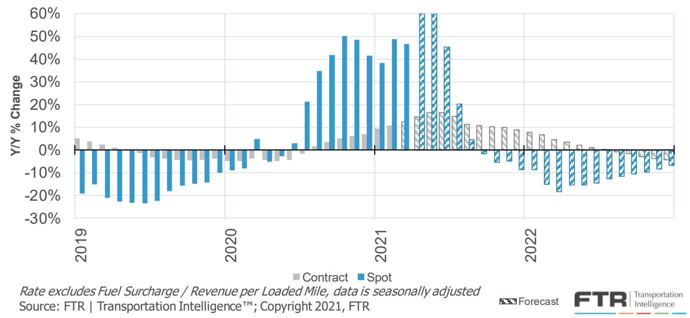


Additional information and insights into the trucking market are available in our Trucking Update *service*

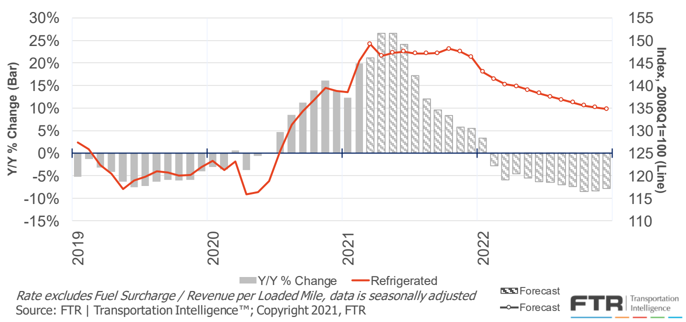
Rate Outlook: Dry Van



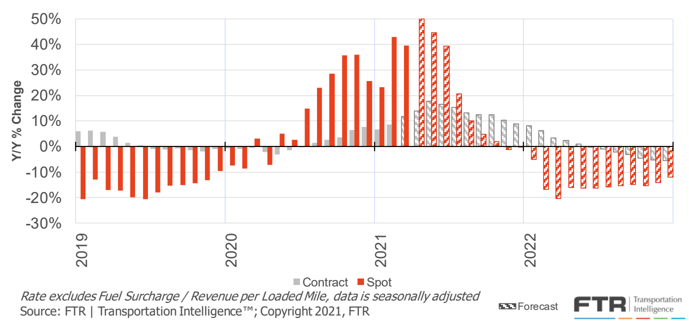
Dry Van Rates: Spot vs Contract



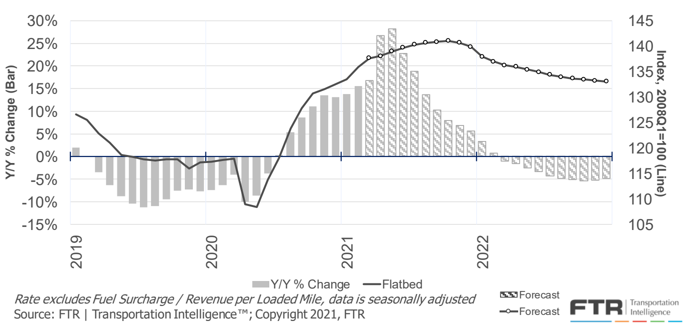
Rate Outlook: Refrigerated Van



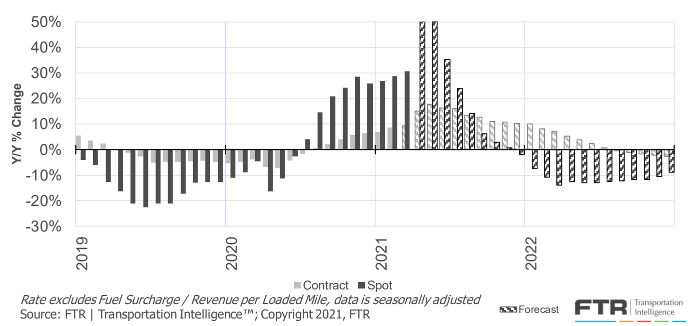
Refrigerated Rates: Spot vs Contract



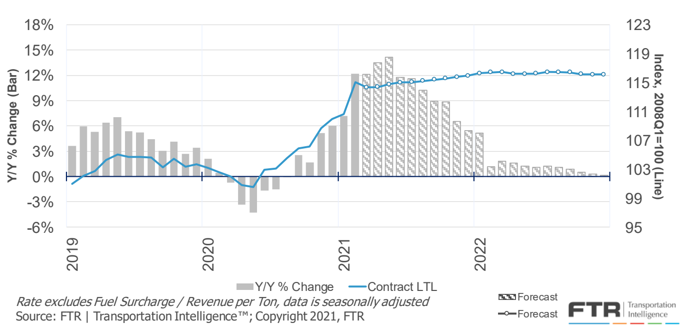
Rate Outlook: Flatbed



Flatbed Rates: Spot vs Contract



Rate Outlook: Contract LTL



Total Truckload Rates Overview

Y/Y % Change	Feb-21	Mar-21	Apr-21	2021	2022
F = Forecast		F	F	F	F
Total Truck (Spot + Contract)	**19.1%**	**20.3%**	**26.4%**	**14.6%**	**-3.8%**
Spot Truck Rates	38.9%	38.6%	54.7%	19.7%	-12.4%
Contract Truck Rates	9.2%	10.8%	13.6%	11.7%	1.4%
Dry Van	23.2%	24.0%	29.7%	15.3%	-4.1%
Refrigerated	19.9%	21.2%	26.6%	15.3%	-5.7%
Flatbed	15.6%	16.8%	26.7%	15.1%	-2.9%
Contract LTL	12.2%	12.1%	13.5%	10.1%	1.3%

TL Rates are seasonally adjusted base linehaul, $/mi excluding fuel surcharge

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

Intermodal Indicators & Outlook

- Intermodal volumes rebounded in March to levels that were above January, suggesting continued volume strength.
- April could be even better as east coast volumes get a boost and consumer spending remains strong.

March **intermodal volumes** did more than just recover from February's weather-related disruptions as they eclipsed January's final volumes.

The strong recovery, even as east coast ports faced a headwind from delayed ship calls that were stuck behind the closure of the Suez Canal, speaks to the vibrancy of import demand.

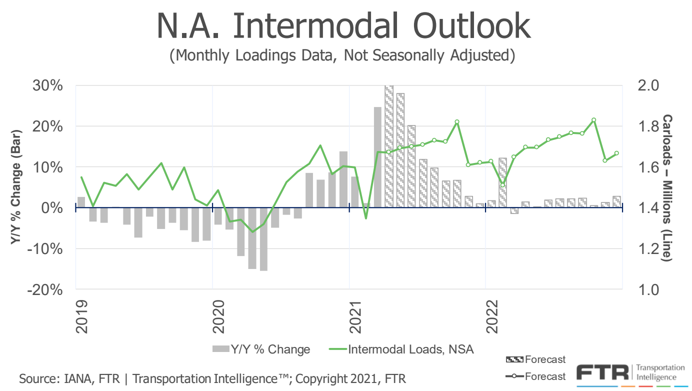
It also suggests that April's final figures could come in exceedingly strong as the backlog of those large container ships were processed at east coast ports and overall demand for imports remains high.

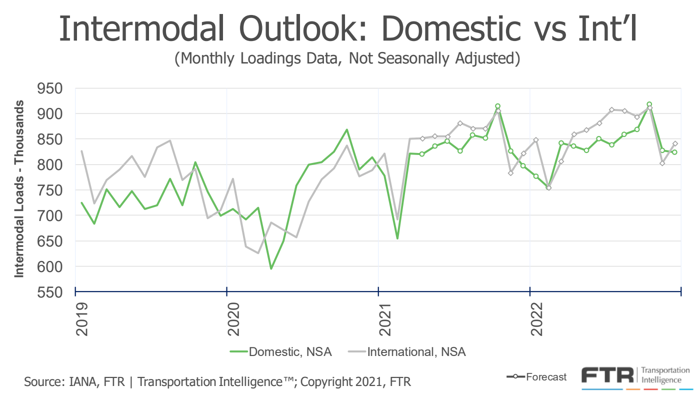
Congestion remains an issue at ports and at inland intermodal terminals. Backlogs at the west coast ports are heard to be around 20 days, down from the post-pandemic high but still longer than what the industry wants to see, especially given the surge in consumer demand.

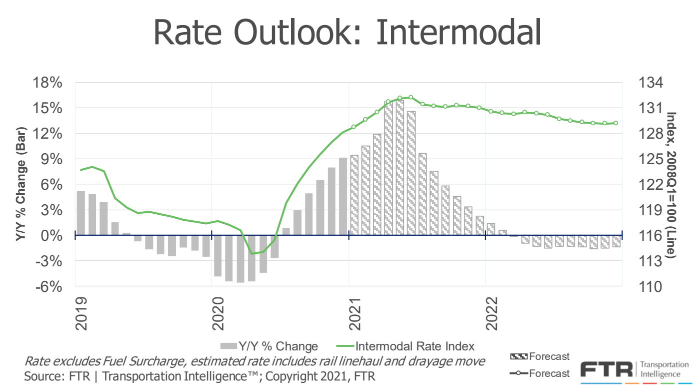
Chassis remain an ever-present pinch point that leads to congestion in railroad intermodal ramps and additional demurrage charges for shippers. A universal chassis pool would help ease congestion and mitigate headaches across the supply chain for multiple stakeholders.

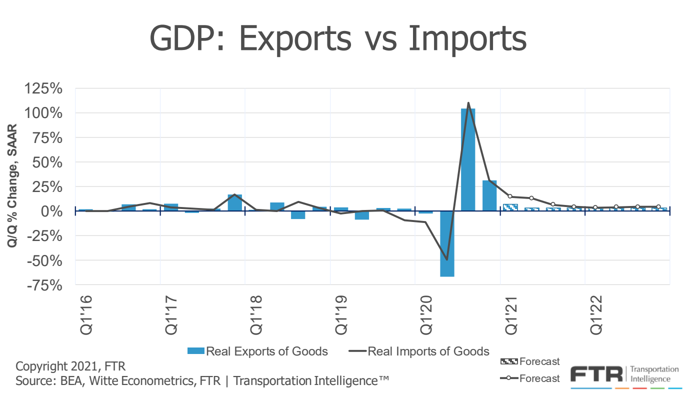
Rail velocity remains at historically normal levels on a networkwide basis, though Chicago facilities and a particular eastern carrier continue to have struggles that started with February's winter weather.

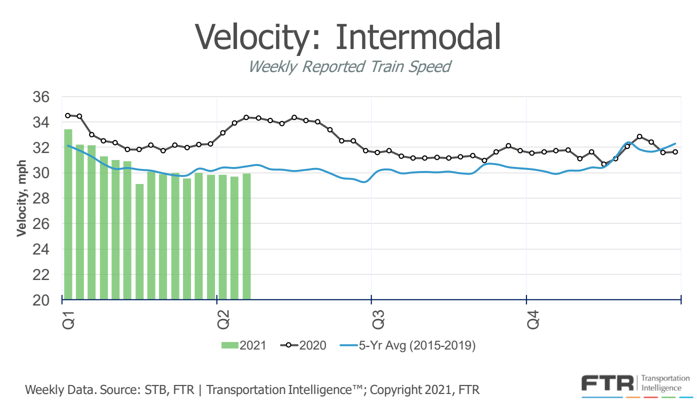
Intermodal rates are expected to increase materially more than expected last month and are now expected to exceed 15% in the current month compared with May 2020. A strong freight market and a tight competing truck market makes the intermodal rate gains higher than expected. But they will ease as the year progresses in line with prior expectations.











Additional information and insights into the intermodal market are available in our Intermodal Dash *service*

Carload Indicators & Outlook

- The carload market is on track for its best year of the last three, but it is highly sector dependent as to the level of strength being experienced in the carload space.
- The stronger freight market has supported utilization, and it remained on par with last month's results. Utilization is expected to track in line with long-run averages.

The **carload volume** outlook is not as rosy in 2022 as it is this year, but it is expected to remain in positive territory, an improvement from 2019.

But the growth in carload commodities is not even, and there is significant variation within and among commodity groupings. This variability makes it hard to trust the veracity of carload market growth into 2022 and beyond.

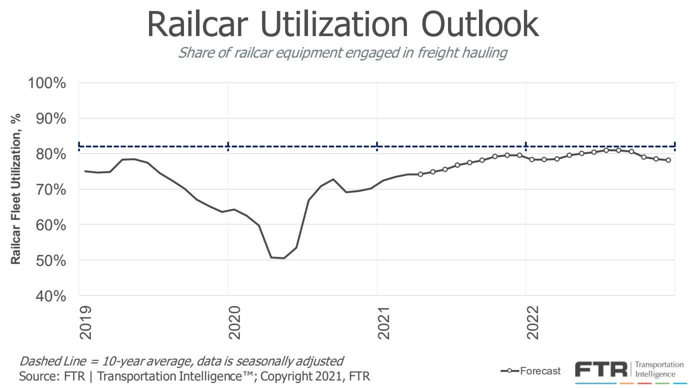
The strong ramp-up in the underlying economy and the appearance of additional export traffic bodes well for 2021's growth rate of near 6%.

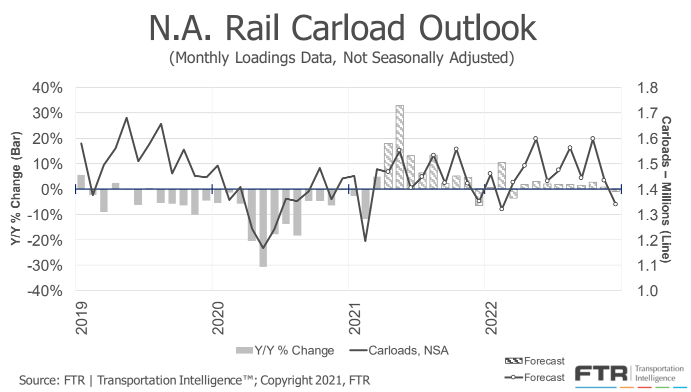
Carload rate increases will hit their strongest levels since early 2019 this year before settling into a 2% cadence for all of 2022. Carriers are unlikely to deviate from their inflation-plus pricing strategy even if some customers do not appreciate it and there is some evidence carriers are losing share because of it.

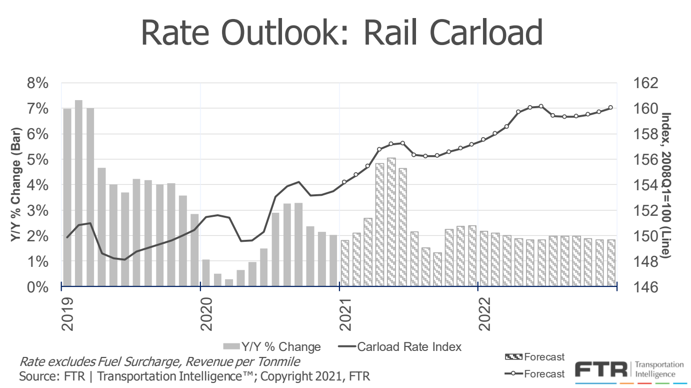
The strong freight market is expected to support **railcar utilization** levels near the long-run average over the longer term as additional cars support freight loadings in the near term and higher scrap prices pull additional excess cars out of the fleet.

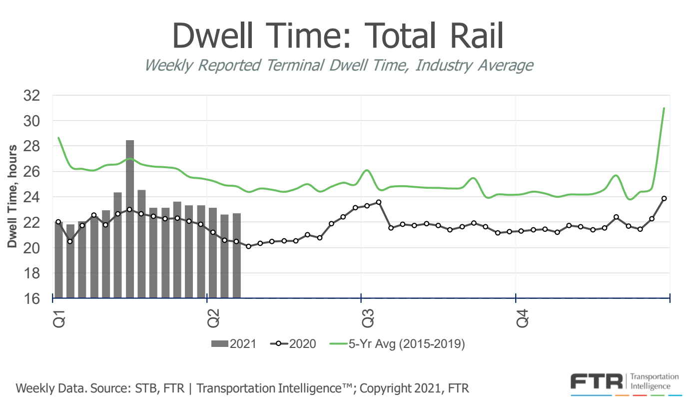
Current scrap prices should help to cull older open-top hoppers and gondolas meant to serve the coal market from the fleet over the next few quarters. The significant reduction in fleet count from that market will also support utilization.

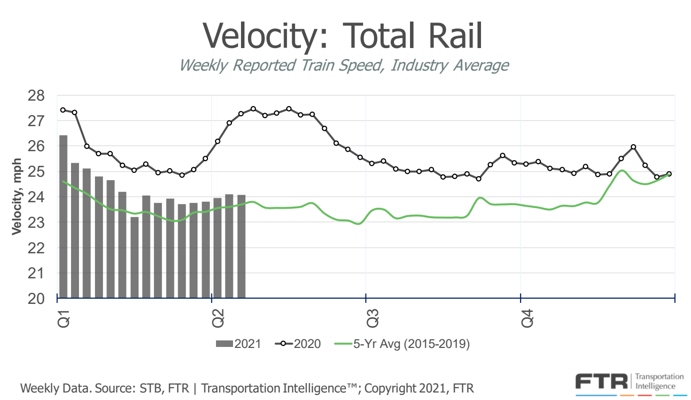
The equipment market is split on whether it is economical to repurpose small cube covered hoppers that were built to haul sand with new gates for other services.











Additional information and insights into the carload market are available in our Rail Update *service*

Summary

The combination of stimulus, warmer weather, and a fading of the pandemic have resulted in a burst of economic activity not seen in decades. Strength is reflected in vibrant employment growth and spending. Growth in the economy should be led over the next few months by service spending as the economy continues to re-open. Housing activity is decent, but price increases and labor shortages may cause issues as the year progresses. The industrial sector is rebounding, but supply chain issues and a lack of workers are constraining production. The economy's prospects are bright as GDP growth likely will exceed 6% this year.

Economic Outlook Overview

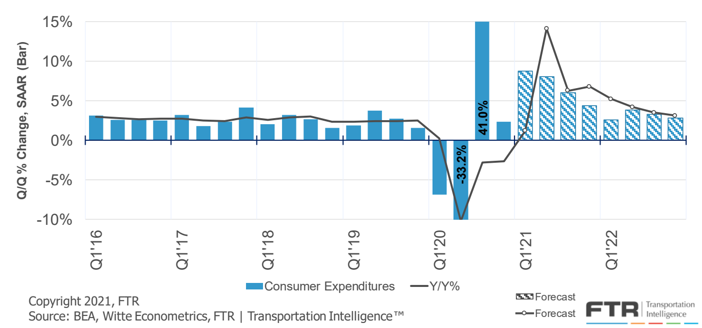
Q/Q % Change, SAAR	Q4'20	Q1'21F	2020	2021F
Real Gross Domestic Product (GDP)	4.3%	10.0%	-3.5%	6.4%
Industrial Production (IP)	9.5%	2.5%	-6.7%	5.9%
Goods Transportation Sector (GTS)	16.8%	19.9%	-3.1%	14.9%
F = Forecast				

Source: Witte Econometrics, FTR; Copyright 2021, FTR

Consumer

Retail sales soared in March at the fastest pace ever other than last May when businesses began to re-open. Sales spiked 9.8% after falling a revised 2.7% in February and jumping 7.7% in January. Both January and March were fueled by consumers receiving stimulus payments. Gains in March were widespread. Sales of motor vehicles and parts grew 15.1%, and gas stations saw a 10.9% increase, due in part to higher gas prices. Excluding gas and autos, sales rose 8.2%. Sales soared 27.7% y/y as March 2020 spending was hurt by the early stages of the contraction. The outlook for consumption is favorable as more spending will be shifted to services.

GDP: Consumer Expenditures

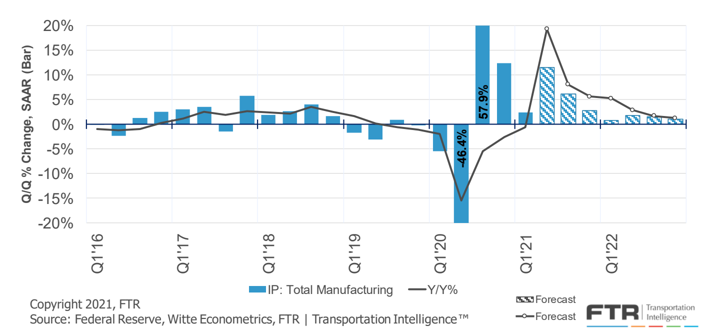


Manufacturing

The ISM manufacturing index retreated in April, declining by 4.0 points to 60.7, which is still a strong reading. The sharpest decline was in the production component, which is not surprising given parts and materials shortages and other constraints.

U.S. industrial production increased 1.4% in March after falling 2.6% in February. Manufacturing output rose 2.7%, reversing some of the 3.7% drop in February. Weather had a large impact on February's weakness. The outlook for the industrial sector is decent, but the auto industry is suffering from a shortage of semiconductors.

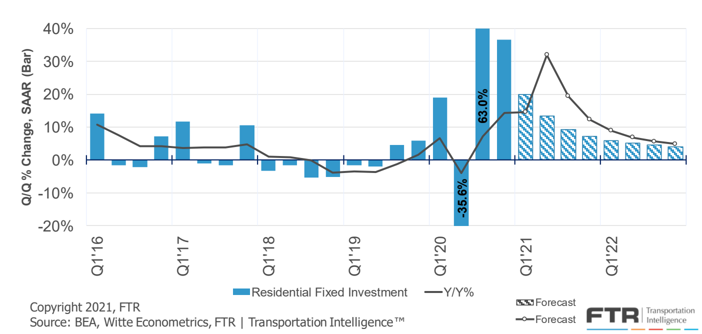
IP Outlook: Manufacturing



Residential Construction

U.S. residential investment rebounded in March after severe winter weather weighed on activity in February. Housing starts jumped from 1.457 million annualized units in February to 1.739 million in March. Single-family starts rose 19.4% to 1.238 million. Multi-family starts increased 30.8% to 501,000 annualized units. Housing permits were up 2.7% to 1.766 million annualized units. Demand is being fueled by low mortgage rates and a desire for more living space as millions of Americans still work from home. More housing is needed as inventories of previously owned homes are at record lows. Still, prices are rising, and labor is tight, suggesting a possible easing.

GDP: Residential Investment



Monthly Business & Economic Highlights

March's Economic Environment:

- *March data has come in strong, as expected, and the economy is poised for further gains, although manufacturing has issues.*

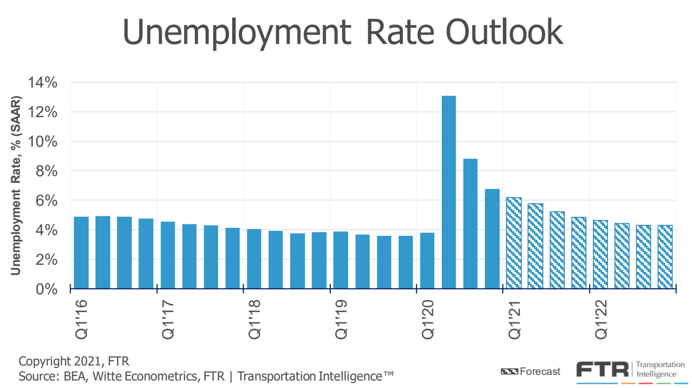
	Dec	Jan	Feb	Mar	Impact	Y/Y Chg.	Comments
INDUSTRIAL PRODUCTION							
Total Industrial Production	1.0%	0.9%	-2.6%	1.4%	▲	1.0%	As expected, we got a reversal from February's weather-related decline. However, the gains were not as robust as we initially expected. Supply constraints are impacting outputs.
Total Manufacturing	0.8%	1.3%	-3.7%	2.8%	▲	3.4%	
Automobile and Light Duty Motor Vehicle Production	-0.4%	-0.6%	-15.9%	4.2%	▲	35.5%	
BUSINESS INDICATORS							
Unemployment Rate	6.7%	6.3%	6.2%	6.0%	▲	160 bp	The March data shows a nice rebound from weak February results. If the employment jump is the beginning of a new surge, we will have strong demand through the summer.
Job Creation (Payroll Employment)	-306k	233k	468k	916k	▲	-6,720k	
ISM Manufacturing Index	60.5	58.7	60.8	64.7	▲	1560 bp	
CONSUMER INDICATORS							
Consumer Confidence (Conference Board)	87.1	88.9	90.4	109.7	▲	-9.1 pts	Big increases for consumer activity and confidence in March. Mortgage rates did tick up (a negative for housing activity), but recent data has stabilized or moved modestly lower.
Housing Starts	7.5%	-1.7%	-11.3%	19.4%	▲	37.0%	
Retail Sales	-1.3%	7.7%	-2.7%	9.8%	▲	27.7%	
Consumer Price Index	0.2%	0.3%	0.4%	0.6%	●	2.6%	
OIL AND FUEL							
National Avg. Diesel/Gal.	$2.585	$2.681	$2.847	$3.152	▼	15.5%	Crude pricing continues to remain above $60 per barrel. Diesel pricing peaked in March and has moved little in April.
W. Texas Int. Crude Oil ($Bbl.)	$47.02	$52.00	$59.04	$62.33	▼	113.4%	

Impacts: ▲ = Positive / ▼ = Negative / ● = Neutral

Source: Federal Reserve, BLS, ISM, Conference Board, Census Bureau, EIA, FTR | Transportation Intelligence™; Copyright 2021, FTR

Employment

Payroll employment disappointed in April, rising by just 266,000 jobs. Leisure and hospitality was the largest job gainer, although its headcount remains about 17% below February 2020. Excluding that sector, the economy lost 65,000 jobs. Payroll employment remains 8.2 million jobs, or 5.4%, below pre-pandemic levels. The unemployment rate ticked up to 6.1% – a small increase but the first since April 2020. However, one issue was an increase in the labor participation rate to 61.7%. The number of unemployed people rose for only the second time since April 2020. About 4.2 million Americans remain absent from the labor market compared to February 2020.



Forecast Risks

There are still some near-term downside risks that COVID infections could rise and some restrictions imposed despite the increased numbers of vaccinated. Over the longer run, the economy will transition towards trend as the stimulus fades. At some point the Fed will start to tighten monetary positions. Instead of a 6% growth in GDP, the economy will transition to a 2% traditional growth rate. Downside risks increase as the economy slows and monetary policy tightens. While the U.S. is making good progress in the public health sector, some countries, like India, are struggling. The global economy is progressing, but some countries are still under restrictions.

See page 9 for detailed economic outlook...

Economic Outlook Probabilities

GDP Forecast Confidence Levels

	Next 4 Quarters: GDP Range	Next 4 Quarters: Probability	Following 2 Years: GDP Range	Following 2 Years: Probability
Faster Growth	> 7%	25%	> 3%	25%
Base Forecast	**5.0%**	**55%**	**2.5%**	**50%**
Slower Growth	< 3%	20%	< 2%	25%

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

TABLE: U.S. Economic Outlook

U.S. Economic & Industrial Outlook

Forecasts of key economic data

	2021				2022				Annual			
	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	2020	2021	2022	2023
F = Forecast	*F*	*F*	*F*	*F*	*F*	*F*	*F*	*F*		*F*	*F*	*F*
Gross Domestic Product (SAAR)												
Real GDP	**10.0%**	**5.6%**	**4.6%**	**3.3%**	**1.9%**	**2.8%**	**2.5%**	**2.2%**	**-3.5%**	**6.4%**	**3.0%**	**2.3%**
Consumer Expenditures	8.8%	8.1%	6.0%	4.3%	2.6%	3.8%	3.3%	2.8%	-3.9%	6.9%	4.0%	3.1%
Residential Fixed Investment	20.0%	13.4%	9.2%	7.1%	5.9%	5.1%	4.5%	3.9%	6.1%	19.0%	6.5%	3.5%
Change-Business Inventories	138.0	121.0	104.0	87.0	70.0	63.0	63.3	63.6	-77.4	112.5	65.0	64.4
Real Exports of Goods	7.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	-9.5%	9.8%	3.0%	3.0%
Real Imports of Goods	14.4%	12.9%	6.4%	4.3%	3.3%	3.9%	4.2%	4.1%	-6.0%	17.7%	4.7%	4.1%
Goods Transportation Sector	19.9%	8.6%	4.4%	2.6%	2.1%	2.8%	2.9%	2.8%	-3.1%	14.9%	3.2%	2.8%
CPI Index	4.8%	3.4%	2.6%	2.6%	2.7%	2.6%	2.6%	2.7%	1.2%	3.2%	2.7%	2.7%
Housing Starts - Millions (SAAR)	1.52	1.57	1.57	1.58	1.60	1.62	1.62	1.62	1.40	1.56	1.62	1.61
% Change (SAAR)	-15.6%	15.4%	0.0%	0.6%	6.9%	4.2%	0.7%	0.8%	7.7%	11.9%	3.6%	-0.5%
Auto Sales - Millions (SAAR)	16.7	16.8	17.0	17.0	17.0	17.0	17.0	16.9	14.4	16.9	17.0	16.9
3 Month T-Bill Rate, %	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.4%	0.1%	0.2%	0.2%
Moody AAA Bonds, %	2.7%	3.1%	3.3%	3.3%	3.3%	3.3%	3.3%	3.4%	2.5%	3.1%	3.3%	3.4%
Unemployment Rate, %	6.2%	5.8%	5.2%	4.8%	4.6%	4.4%	4.3%	4.3%	8.1%	5.5%	4.4%	4.2%
Federal Surplus, $ (SAAR)	-$4,356	-$3,610	-$2,939	-$2,130	-$2,087	-$2,020	-$1,992	-$2,014	-$3,147	-$3,259	-$2,028	-$2,017

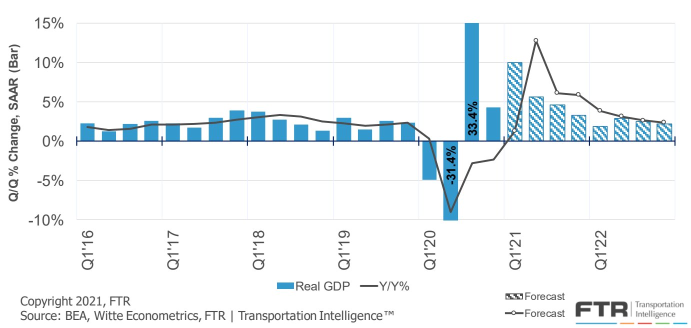
	2021				2022				Annual			
	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	2020	2021	2022	2023
F = Forecast		*F*	*F*	*F*	*F*	*F*	*F*	*F*		*F*	*F*	*F*
Industrial Production (SAAR)												
Total IP	**2.5%**	**9.7%**	**5.2%**	**2.3%**	**0.6%**	**1.4%**	**1.2%**	**0.9%**	**-6.7%**	**5.9%**	**2.3%**	**1.0%**
Manufacturing, Total	2.4%	11.5%	6.1%	2.8%	0.8%	1.7%	1.5%	1.1%	-6.4%	7.7%	2.7%	1.2%
Manufacturing, Non-Durables	0.1%	11.8%	4.1%	1.8%	0.5%	1.5%	1.2%	0.9%	-3.9%	5.3%	2.1%	1.0%
Manufacturing, Durables	4.6%	11.3%	7.9%	3.6%	1.1%	2.0%	1.6%	1.2%	-8.7%	10.0%	3.2%	1.4%
Mining	6.8%	2.9%	3.1%	0.9%	-0.4%	0.0%	0.1%	0.0%	-10.3%	-0.5%	0.6%	0.0%
Utilities	1.7%	7.6%	1.7%	0.9%	1.0%	1.5%	1.1%	1.2%	-2.7%	3.5%	1.6%	1.3%

Q/Q % Change, SAAR // F = Forecast

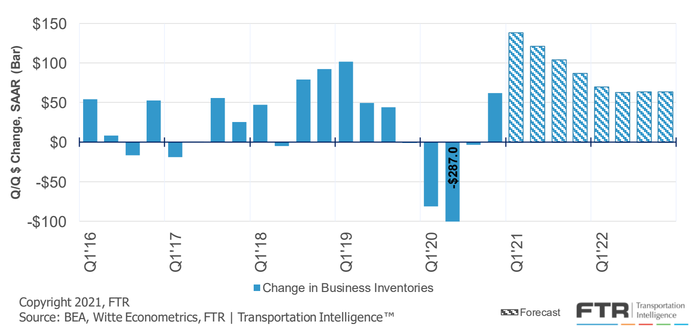
SAAR is Seasonally Adjusted Annual Rates or Seasonally Adjusted Quarter to Quarter Changes at Annual Rates.

Source: Witte Econometrics, Federal Reserve, BEA, FTR | Transportation Intelligence™; Copyright 2021, FTR

Real GDP Outlook



GDP: Business Inventories



What's up with flatbed?

Spot metrics are consistent with supply and demand dynamics.

The spot market as reflected in the Truckstop.com system is operating at record volume and rates in the latest data. Last year, refrigerated and, especially, dry van outpaced flatbed in the spot market – not surprising given that the consumer economy recovered much more quickly than the industrial economy.

Dry van and refrigerated remain extraordinarily strong, but they have been largely stable since settling from the February spike. Flatbed, however, just keeps getting stronger, setting successive rate and volume records during April.

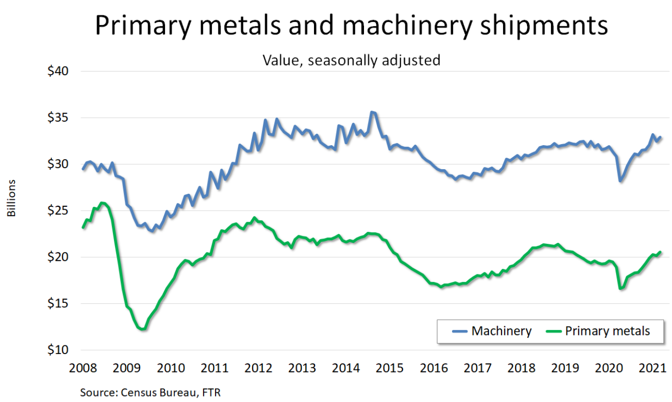
Why is flatbed so strong? It's basic economics.

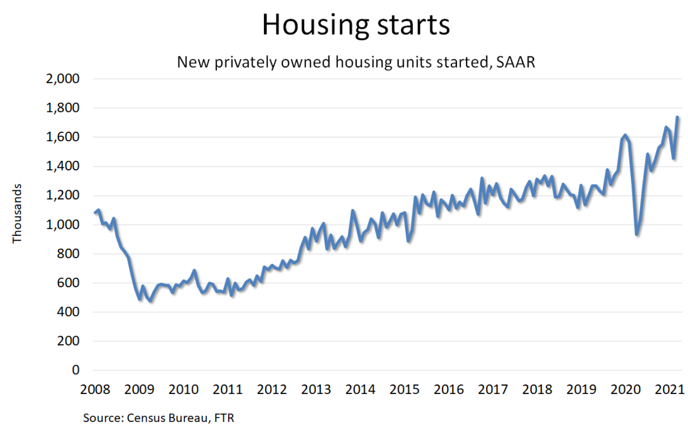
Strength from several sources

Although industrial production and manufacturing output are not quite back to pre-pandemic levels, shipments of some key industrial products for flatbed have more than recovered.

Manufacturers' shipments of primary metals in March were more than 5% above February 2020 and have been running ahead of that month since November. Machinery shipments in March were nearly 5% ahead of February 2020 and have been running ahead of that month since October.

That's solid volume and key to flatbed's recovery, but the real driving force has been residential construction. Housing starts were surging immediately before the pandemic. Although home building plunged during the contraction, by July it had recovered most of that loss. By December,





housing starts were running ahead of the pre-pandemic peak. In March, housing starts were the strongest since the middle of 2006.

Although not as significant as construction of new homes, the remodeling and renovation of *existing* homes likely has added to the upward pressure. The retail segment that includes stores like Home Depot, Lowe's, and Ace Hardware, for example, is running about 29% ahead of February 2020. Van trailers deliver most products sold in these stores, but flatbed represents a significant share.

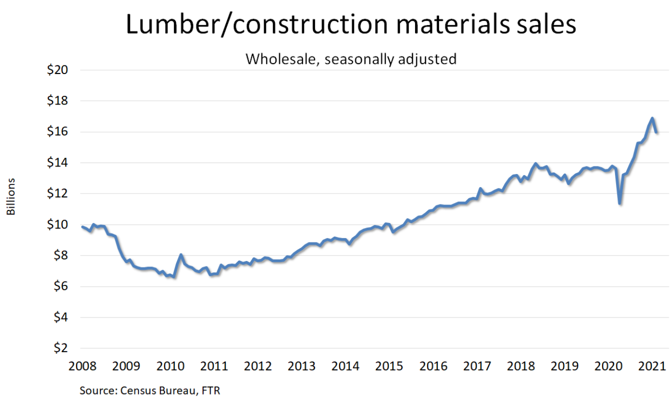
The principal products hauled to these stores by flatbed are lumber and other construction materials. Wholesale sales for those products have surged since the contraction, running nearly 16% ahead of pre-pandemic levels. (*See chart on the next page*.) Robust home construction and home improvement are the keys, although fast-rising lumber prices could be distorting the figures a bit.

Lagging capacity is key

Freight demand alone doesn't explain flatbed's spot performance as other segments are also seeing strong demand. Moreover, FTR's current estimate is that total flatbed volume still has not quite recovered to pre-pandemic levels. The difference is the other side of the equation – capacity.

Payroll employment is still below pre-pandemic levels for almost all trucking segments. However, the

(Continued on page 11)



lag in recovery is much greater for specialized freight than for general freight.

In March, long-distance general freight trucking jobs were still 3.0% below February 2020. But long-distance specialized freight trucking jobs were 4.9% below the February 2020 level.

In Bureau of Labor Statistics data, specialized includes refrigerated. However, based on other indicators, "true" specialized segments like flatbed and tank probably are responsible for the deficit. Indeed, refrigerated might be offsetting even larger gaps in those other specialized segments.

The BLS data alone is strong evidence, but we wanted to analyze actual fleet data reported to the Federal Motor Carrier Safety Administration (FMCSA). This approach has some drawbacks, including the fact that motor carriers must report only once every two years and do so on a staggered schedule. A precise comparison of capacity before and after the pandemic is impractical, but a comparison of snapshots from March 2020 and March 2021 should provide a sense of changes.

We compared driver and power unit totals for those two periods for two groups: 250 large primarily flatbed for-hire truckload carriers and 250 large primarily van for-hire truckload carriers.

Within those samples, the driver population was up 1.0% y/y for van operations but down 0.4% for flatbed. The total number of trucks rose 2.2% for van operations but eased 0.2% for flatbed carriers.

So a larger capacity deficit for flatbed seems clear, but why? Part of the answer surely lies in the fact that freight demand rebounded much sooner in van, which means that van carriers have been actively recruiting longer than flatbed carriers have.

Another possibility is money. According to BLS data, wages in general freight truckload and long-distance specialized had been very close for years until early 2018 when general freight truckload wages began to outpace specialized. This result does not necessarily mean that drivers' wage *rates* were higher in general freight. *Productivity* in general freight could be outpacing specialized.

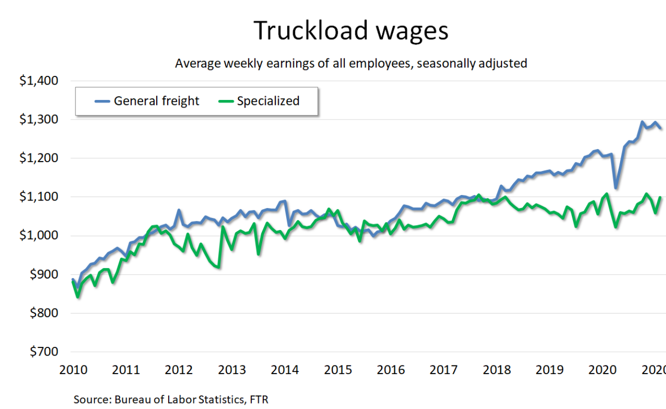
In any event, the gap today is significant. Based on the most recent data for average weekly earnings, payroll employees in general freight truckload stand to earn about $9,000 a year more than those working for long-distance specialized operations.

Not all drivers are payroll employees, of course, and that could be part of the dynamic, too. Flatbed traditionally has depended more on leased owner-operators than some other segments have. Our analysis of carrier data reflects this dynamic. Leased tractors represented about 37% of all tractors for van carriers but about 46% for flatbed operations.

This difference potentially is significant when we consider the ongoing surge in newly authorized carriers that began in July 2020 and has accelerated in 2021. We presume that most of those new carriers previously were leased to other companies.

Flatbed's relatively greater dependence on leased owner-operators suggests that those carriers might have lost more capacity due to owner-operators striking out on their own, but that is mostly a guess. If those new carriers also are flatbed operations, in *theory* that would not change overall flatbed capacity. In *practice*, though, the flatbed market likely would be less efficient in the near term.

Ultimately, market forces will correct the imbalances that are keeping the flatbed spot market red hot, but that could take some time.



General Terms

Annualized rate
A rate of return for a given period that is less than 1 year, but it is computed as if the rate were for a full year.

Average Length-of-Haul
Total tonmiles divided by total tons.

Basis Points
A unit that is equal to 1/100 of 1%. If something increased from 2.2% to 2.8%, it increased 60 basis points.

Goods Transportation Sector
Components of GDP that are critical in demand for goods and thereby induce demand for transportation services.

M/M
Month over month. The difference in percentage or units when compared to the previous month.

New Truck Lead Time
The Backlog of Class 8 truck orders divided by the Build for a given month. Gives an indication of the average length of time in months for a fleet to take delivery of a new truck order.

Rail Carloads
Rail carloads is the seasonally adjusted number of carloadings originated in the United States plus loads that come to U.S. destinations from Mexico and Canada. Data in this report excludes intermodal loadings.

Rail Shippers Conditions Index (RCI)
A measure of market conditions that influence the rail shippers freight transport environment. This index tracks the changes representing five major conditions in the U.S. carload freight market. The conditions are: freight demand, freight rates, fleet capacity, carload service, and fuel price. The individual metrics are combined into a single index that tracks the conditions that influence the rail shippers freight transport environment. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

Railcar Utilization Rate
This metric calculates the percentage of the total population of railcars that is required to move the N.A. rail freight. In general, a figure above 90% indicates a tight market where the majority of the railcar population is at work. A figure below 80% indicates a weak market where a significant portion of the population is idle or underutilized.

SAAR
Seasonally Adjusted Annualized Rate

Shippers Conditions Index (SCI)
This index tracks the changes representing four major conditions in the U.S. full-load freight market. The major conditions are: freight demand, freight rates, fleet capacity, and fuel price. The individual metrics are combined into a single index that tracks the market conditions that influence the shippers freight transport environment. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

STCC
Standard Transportation Commodity Code (Similar to the SIC/ NAICS Codes with a few added categories designed for transportation movements)

TEU
Twenty Foot Equivalent Unit. Used for reported port container statistics.

Ton
Tonnage. Ton Originated by specific mode (i.e. one ton of coal shipped by rail and then by water would be shown as two tons of coal). This is Domestic Traffic Only. Export movements are included only as far as the border or to a port in which it will be directly exported. The same is true for Imports. An import is counted once it reaches the border or a port.

Tonmile
One ton moved one mile = one tonmile.

Truck Driver Pressure Index
The index tracks carriers' need for additional drivers based on trends in the business cycle, demographics, and regulations. Business cycles create natural shortages (and surpluses) that stem from typical economic activity. Demographic changes in any given year are small and only add up after a significant time span. Regulations vary across the industry and are difficult to predict due to changing priorities and uncertain response.

The index baseline is zero, representing balance in the driver hiring environment. Positive readings suggest greater pressure on rates and utilization; negative readings suggest less pressure.

Truck Loadings
Truck loadings is the estimated number of truck loads originated in the United States plus truck loads that come to U.S. destinations from Mexico and Canada. It is tons divided by the average tons per load.

Truck Utilization Rate - "Active"
This metric calculates the percentage of the population of active trucks that is required to move the U.S. truck freight. In general, a figure above 95% indicates a tight market where the majority of the truck population is at work. A figure below 90% indicates a weak market where a significant portion of the truck population is idle.

Truck Utilization Rate - "Total"
This metric calculates the percentage of the total population of trucks that is required to move U.S. truck freight. In general, a figure above 90% indicates a tight market, a figure below 85% indicates a weak market.

Trucking Conditions Index (TCI)
This index tracks the changes representing four major conditions in the U.S. full-load truck market. The major conditions are: freight demand, freight rates, fleet capacity, and fuel price. The individual metrics are combined into a single index that tracks the market conditions that influence fleet behavior. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

Y/Y
Year over year. The difference in percentage or units when compared to the same month, quarter, or time period of the previous year.

Trailer Types

Dry Van
An enclosed, rectangular, box trailer that carries general freight.

Refrigerated (Reefer) Van
A refrigerated and insulated van used to transport temperature-sensitive freight.

Flatbed (Platform)
A flat surfaced, open, trailer with no enclosure or doors.

Specialized (Specialty)
There is a wide assortment of specialized trailers that are highly engineered for specific purposes (i.e. auto hauler, livestock, lowbed, oversized, etc.)

Tank (Tanker)
A trailer with an enclosed, sealed, cylinder-shaped tank used to carry liquid or dry bulk freight.

Bulk/Dump
This is a combined group of Dump trailers and Straight Trucks. A Dump trailer has an open-top box (bucket) used for hauling dirt, rocks or gravel. Discharge can be from end, bottom, or side. Straight Trucks have the trailing equipment permanently mounted to the chassis. The largest segment are Dump Trucks that haul stone and aggregates.

Railcar Types

Box Cars
An enclosed car which has doors. It is used for general service and for lading which must be protected from the weather.

Covered Hoppers
A hopper car with a permanent roof and bottom openings for unloading. Used for carrying cement, grain, or other bulk commodities.

Flat Cars
An open car without sides, ends or top, used principally for hauling lumber, stone, heavy machinery, TOFC/COFC equipment, etc.

Gondolas
A car without a top covering which has straight sides and ends, the floor or bottom of which is approximately level. Used for bulk freight.

Open-Top Hoppers
Cars having sides and ends but no roof with a sloping floor which will discharge its load by gravity through the hopper doors.

Tank Cars
A car which consists of a tank for carrying liquids such as oil, molasses, vinegar, acids, compressed gasses and granular solids.

Freight Rates

Dry Van
Revenue per Loaded Mile. Spot/contract rates for Dry Van activity both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008.

Refrigerated (Reefer) Van
Temperature-Controlled (TC). Revenue per Loaded Mile. Spot/contract rates for Refrigerated activity both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008.

Flatbed (Platform)
Revenue per Loaded Mile. Spot/contract rates for Flatbed activity both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008.

Specialized
Revenue per Loaded Mile. Spot/contract rates for Specialized equipment both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008. Note: Includes numerous types of trailer freight, but generally excludes tank trailers.

Less-Than-Truckload (LTL)
Revenue per hundredweight. Contract rates for LTL moves. These are parcel, pallet, or less than full truckload moves by LTL carriers.

Indexed to 1Q2008.

Intermodal
Revenue per Load. An estimate of pricing trajectory that is calculated based on the underlying cost pressures from dry van truckload and rail line-haul. Shown both with fuel surcharges (FSC) included and net of FSC.

Indexed to 1Q2008.

Rail Carload
An estimate of U.S. Class I rail pricing power that is calculated from data reported to the STB. It measures revenue per tonmile and is shown both with fuel surcharges (FSC) included and net of FSC. It is impacted by both actual railroad rates and by changes in the mix of commodities moved.

Indexed to 1Q2008.

AAR Carload Commodity Definitions

Chemicals
Industrial chemicals, plastic resins, fertilizer, ethanol, hazardous materials, etc.

Coal
Coal. Includes anthracite, bituminous, and lignite coal.

Coke
Petroleum coke, coke produced from coal, and coal or coke briquettes

Crushed Stone, Sand & Gravel
Crushed or broken stone, sand, aggregate, gravel

Farm Products Excluding Grain
Primarily fresh fruits and vegetables. Includes all farm products except grains and soybeans.

Food Products
Canned goods, meat and animal products, sugar, beverages, seed and vegetable oils, etc.

Grain
Primarily corn, wheat, and soybeans but also includes oats, barley, rye, sorghum, etc.

Grain Mill Products
Soybean meal, corn syrup, animal feed, flour, corn starch, milled rice, distiller's dried grains (DDG), etc.

Iron and Steel Scrap
Iron and steel (i.e. ferrous) scrap

Lumber & Wood Products
Lumber and dimension stock, plywood, etc.; does not include furniture

Metallic Ores
Overwhelmingly iron ore, but some aluminum ore, copper ore, etc.

Motor Vehicles & Parts
Finished vehicles, parts, auto and truck bodies, etc.

Nonmetallic Minerals
Phosphate rock, rock salt, crude sulphur, clay, etc.

Petroleum & Petroleum Products
Crude petroleum and products of petroleum refining such as liquefied gases, jet fuel, fuel oil, lubricating oils, asphalt tars, etc.

Primary Forest Products
Wood raw materials such as pulpwood and wood chips

Primary Metal Products
Primarily iron and steel products; some aluminum, copper, etc. Includes galvanized, and fabricated metal products, except ordnance materials, machinery, and transportation equipment.

Pulp & Paper Products
Paperboard, pulpboard, fiberboard, printing paper, pulp, newsprint, boxes, industrial paper, etc.

Stone, Clay & Glass Products
Ground nonmetallic minerals or earths, cement, lime, gypsum products, glass products, bricks and other clay products, abrasives, etc.

Waste & Scrap
Non-ferrous scrap metal, scrap paper, construction debris, ashes, etc.

All Other Carloads
Commodities not included in any of the above categories, excluding intermodal traffic

AAR Carload Summary Traffic Groups

Agricultural Products
Grain; Farm Products; Grain Mill Products; Food Products

Automotive
Motor Vehicles & Parts

Chemicals
Chemicals; Petroleum & Petroleum Products

Coal
Coal

Forest Products
Primary Forest Products; Lumber & Wood Products; Pulp & Paper Products

Metallic Ores & Metals
Metallic Ores; Coke; Primary Metal Products; Iron & Steel Scrap

Non-Metallic Minerals and Products
Crushed Stone, Sand & Gravel; Non-Metallic Minerals; Stone, Clay & Glass Products

All Other
Waste & Non-Ferrous Scrap; All Other Carloads

Rail Intermodal

Revenue Moves
Rail Intermodal Loadings of Units Originated. Intermodal is defined as a movement of a container or trailer via more than one mode of transportation (i.e. rail + truck or ship + rail or ship + truck). This data tracks intermodal movements that involve the rail mode. Such movements may involve the movement of International and Domestic Containers as well as Trailers via rail.

Intermodal
Counts intermodal rail revenue movements, defined as any movement of a container or trailer, whether loaded or empty, that generates revenue for the railroad. Empty movements of rail-owned containers and trailers typically do not generate rail revenue and therefore are not captured in the data.

A revenue movement typically encompasses the entire journey from when the container or trailer is placed on the rail at the originating intermodal terminal to where it is removed from the railcar at the terminating intermodal terminal and may involve movement over more than one railroad.

Long-haul movements passing through rail gateways, such as Chicago, that involve highway transfer between terminals will generally be counted as two separate movements unless traveling on a through bill of lading.

Intermodal Competitive Index (ICI)
This index tracks the changes representing five major conditions in the U.S. rail intermodal market. The major conditions are: freight demand, freight rates, truck capacity, rail service, and fuel price. The individual metrics are combined into a single index that measures the competitive posture of domestic intermodal vs. OTR Truck.

A positive score represents favorable conditions for intermodal to compete with truck; a negative score represents reductions in intermodal's ability to gain additional market share from truck.

Intermodal Market Segments
These figures track the movement of equipment, not freight. Domestic freight being moved in 20', 40', or 45' containers will be counted as INTERNATIONAL. International cargo transloaded into Domestic Containers or trailers is counted as DOMESTIC.

- International

Includes movements of Containers of the following lengths only: 20', 40', and 45'.

- Domestic

Includes movements of Trailers and all other Containers not included in International movements. Trailers of the following lengths: 20', 28', 40', 45', 48', 53'+. Containers of the following lengths: 48', 53'+. Reported movements of 28' containers are converted to 28' trailers, as all 28' containers are reportedly permanently mounted on chassis and moving as trailers.

Long-Haul Market Share
Average Length of Haul 550 miles or longer. Designated by Commodity at the 3-Digit STCC level.

Intermodal Territories

Sources

Association of American Railroads (AAR)

Weekly Rail Traffic Report

Bureau of Labor Statistics (BLS)

Employment, Consumer Prices, Producer Prices

Federal Reserve

Industrial Production Statistics

FTR

Freight-cast Transportation Model

Intermodal Association of North America (IANA)

ETSO Database

Port Reports

Monthly Container Volumes

Rail Reports

Weekly Market Metrics

Surface Transportation Board

Public Use Waybill, Rail Reporting Metrics

Truck/Trailer OEMs

Monthly Market Indicators

Truckstop.com

Weekly Spot Market Indicators

U.S. Census Bureau

Economic Census, USA Trade, Monthly Indicators

U.S. Department of Commerce

Industrial Reports; Commodity Flow Surveys, Monthly Indicators

Wards Automotive

RS-3S (Truck Retail Sales), FS-3 (Truck Factory Sales)

Witte Econometrics

U.S. Econometric Forecasting Model

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