

Rolling With the Changes—Historical Trends to a New Reality in Flatbed Trucking



Central Oregon

Truck Company

Presented By:

A **DASEKE** COMPANY

Agenda



- Company Introductions—COT/Daseke
- Trucking History
 - Regulated Era
 - Deregulated Era
 - Consequences
- Driver Shortage
- Operating Cost Changes and Outlook for Assets
- Rate history and outlook
- Driver Shortage—yes, that again.
- Legislative and Legal Developments

COT Vital Stats



- ✓ Founded 1992. Subsidiaries: Leavitts Freight Service, Hornady Transportation.
- ✓ Parent Company: Daseke, Inc.; HQ: Addison, TX (NASDAQ: DSKE)
- ✓ 750+/- Power Units, 1100+ Trailers. Tractors average < 2 yrs old
- ✓ Specialized trailers for long loads (LFS)
- ✓ 600+ Employees—
- ✓ 5 terminals/offices across US
- ✓ 100% EOBR and Smartdrive® camera equipped
- ✓ Live and Pre-Load; 48 state coverage with multiple regional and dedicated fleets across US.
- ✓ Strong presence in wood industry across US for various producers on OTR and dedicated basis



WHAT IS DASEKE?

Daseke (NASDAQ: DSKE) is the number one source of over-the-road industrial freight solutions in North America.

With a fleet of more than 20 premier transportation brands and 9 platform companies, Daseke provides industrial shippers with a robust network of capacity, operations, warehousing space and trusted freight experts across the United States, Canada and Mexico.

6,000+
TRUCKS

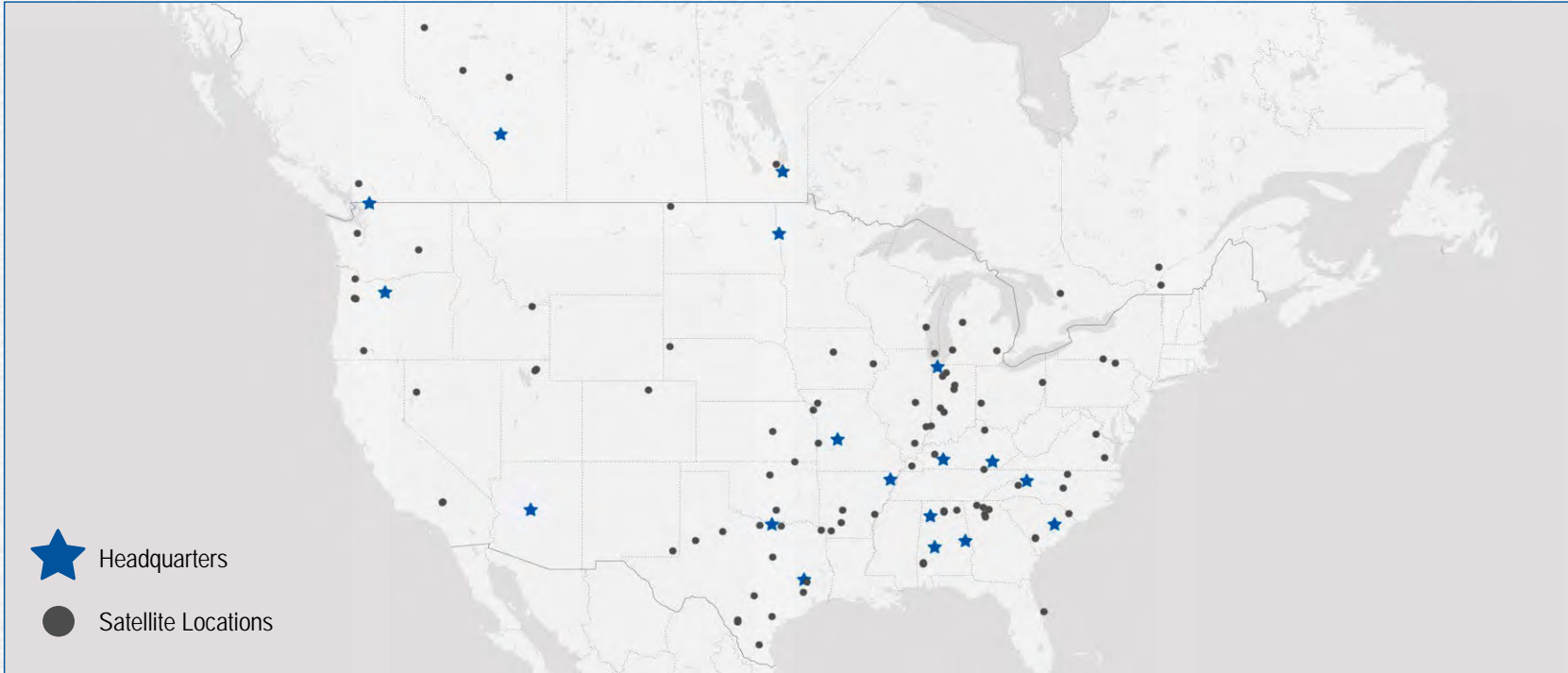
EXTENSIVE
NETWORK OF
CARRIERS

13,000+
TRAILERS





DASEKE LOCATIONS



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DASEKE

FLATBED

The Boyd Companies

BOYD BROS. TRANSPORTATION INC.

BOYD LOGISTICS, LLC

Mid Seven TRANSPORTATION

WTI TRANSPORT

BIC

HORNADY TRANSPORTATION LLC

Central Oregon Truck Company

Leavitt's Freight Service

ALABAMA CARRIERS

FLEET MOVERS

SPECIALIZED

Wylie CORPORATION

JGR

BULLDOG HIWAY EXPRESS

ROADMASTER GROUP Driving Excellence

LONE STAR TRANSPORTATION, LLC

roadmaster specialized THE TRAILER DIV. a roadmaster group

Tri-State

AATCO

BIGFREIGHT Systems Inc.

SPD SMOKEY POINT DIST.

STEELEMAN TRANSPORTATION

Kelsey

Belmont Enterprises, Inc.

GROUP ONE, INC.

DASEKE

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How'd We Get Here?



“Unprecedented Times...” -Humanity (since 2020)

“The best place to start, is at the beginning.” –Cheshire Cat

- 1935 Motor Carrier Act in response to **railroad** lobbying
 - Authority for “public convenience & necessity”
 - Rates regulated; lanes regulated; no exceptions.
- 1948—congress allows carriers to collude on rates w/o anti-trust issues.
- 1940-1980—New authority all but impossible. Other carriers can oppose. Market for purchased authority develop\$\$
 - Pay for right to run lane X at price Y and no others.
 - RESULTS: closed market, high rates, limited supply, extreme inefficiency

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How'd We Get Here?



Beginning with Pres. Ford and then Carter, pressure to deregulate mounts until The 1980 Motor Carrier Act.

President Carter: “This is historic legislation.... The Motor Carrier Act of 1980 will eliminate the red tape and the senseless overregulation that have hampered the free growth and the development of the American trucking industry. It will be highly anti-inflationary in effect, reducing consumer costs by as much as \$8 billion a year, by ending wasteful practices and enhancing the essence of competition...This act will bring the trucking industry into the free market system where it belongs. It will encourage new truckers and expansion of existing firms. It will also ensure the dealing fairly with trucking firms owned by minorities and by women. And consumers, of course, will benefit from lower prices. Labor will benefit, because we'll have new jobs

Most Vocal Opponents: ATA and Teamsters

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How'd We Get Here?



Results:

- 1977-1982 rates drop 25%+
 - Non-Union Employment Skyrockets
 - Over 5000 carriers granted nationwide authority
- 1980-1990 carriers more than double to over 40,000
 - Service up, rates down. But.....
 - **Driver pay plummets.**
 - Pre-dereg local regulated drivers make 40-55% more than employees of unregulated firms.
- Inventory Levels plummet due to more trucks, saving economy \$62B from 1981-1987.
- 1978 to 1996—trucking adds over 1m jobs..most non-union

How'd We Get Here?



Results Cont'd:

- 80'-83 72 major carriers close representing 16% of industry Revenue...by '86, 4000 more have closed.
- **But....**New entrants double the market by 1990.
- Big box era begins: low freight spend = low consumer prices = low driver pay and trucking margins. Weaponization of logistics begins.
- Unions—60% market share 1970's; 28% by '85. BUT—Driver earnings drop by more than 30%.
- In inflation adjusted \$, some estimates show driver wage today is (still) roughly half what it was pre-deregulation.

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Where are we NOW?



40 years later:

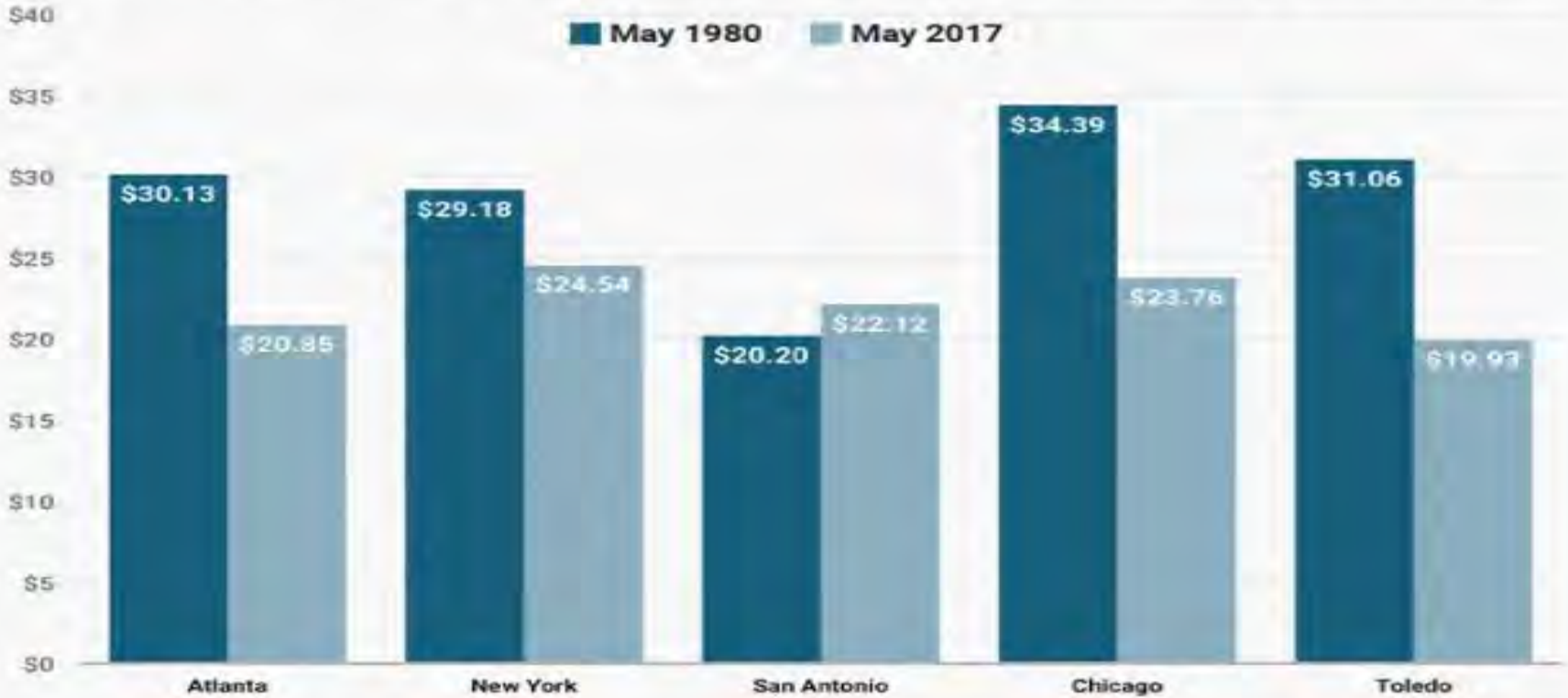
- Over 500,000 registered carriers
- 90% have less than 6 trucks
- 1.9m (est) drivers; median wage \$47,130 (BLS).
- 40% lack health insurance (17% rate in population)
- NO ONE has price control = violent price swings
- *Destructive Competition def: “competition so severe that it undermines profitability to the point that it causes underinvestment by firms, industry-wide inefficiency, market instability, and poor service quality.”
- **Results: 25 yrs boom/bust & Drivers Worse Off**

* *“The Big Rig: Trucking and the Decline of the American Dream,”* Steve Viscelli, University of Pennsylvania.

Where are we NOW?



Hourly median wages for heavy and trailer-truck drivers



Source: Bureau of Labor Statistics. Wages in 2017 dollars

BUSINESS INSIDER

Bureau of Labor Statistics, Andy Kiersz/Business Insider

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Where are we Going?



A: Nowhere without Drivers

Key Stats from ATA Economists:

- **Current shortage: 80,000**
- **Doubling by 2030 based on demographics**
- **Need 1m new entrants to hold current capacity levels**
- **Most acute in: Long haul OTR**

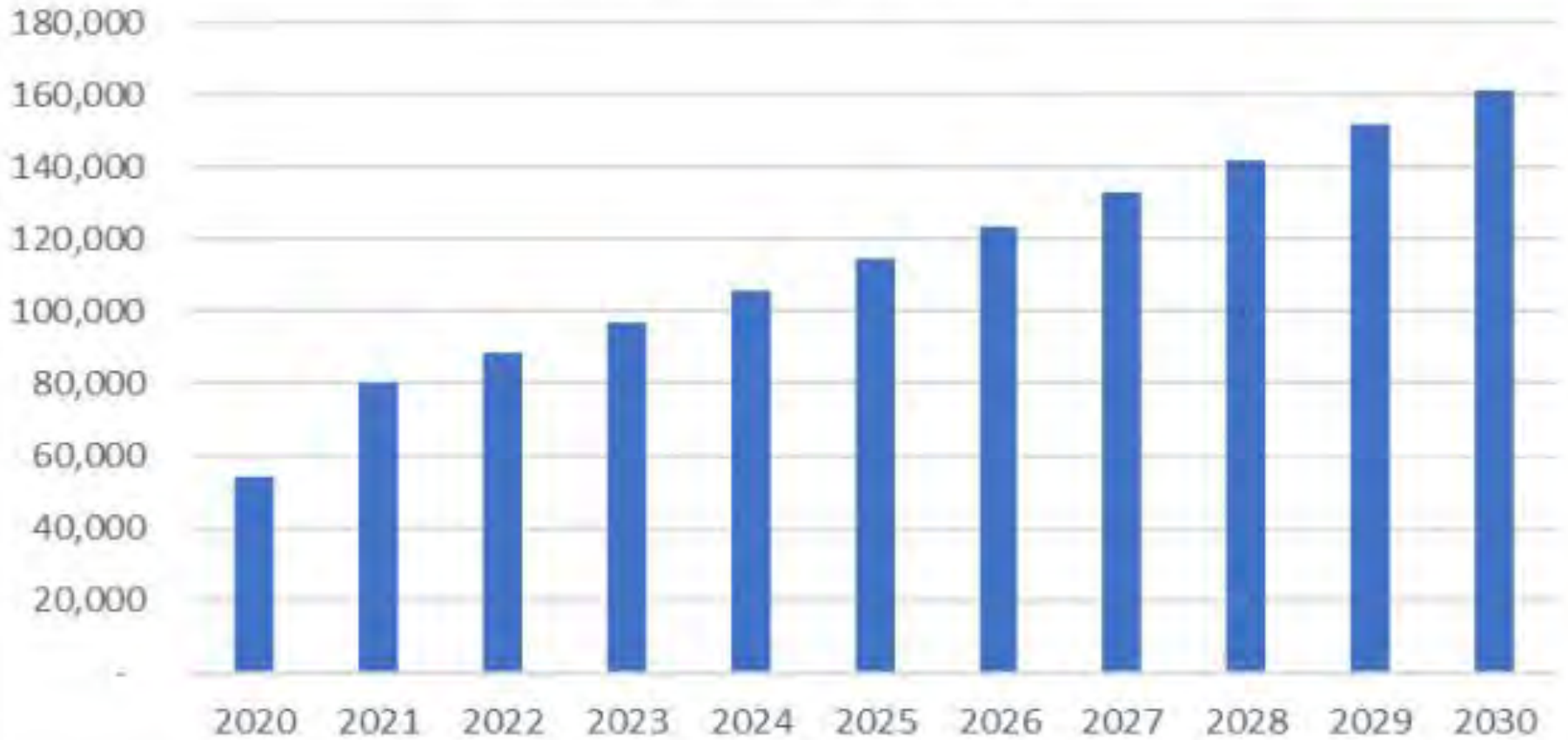
Carriers Raising Pay Dramatically, increasing marginal costs...long term rate pressure.

**Wage/bene cost increased \$.28/mi from 2012 to 2020
Increased 10.8% 2020-2021.**

Where are we Going?



Truck Driver Shortage

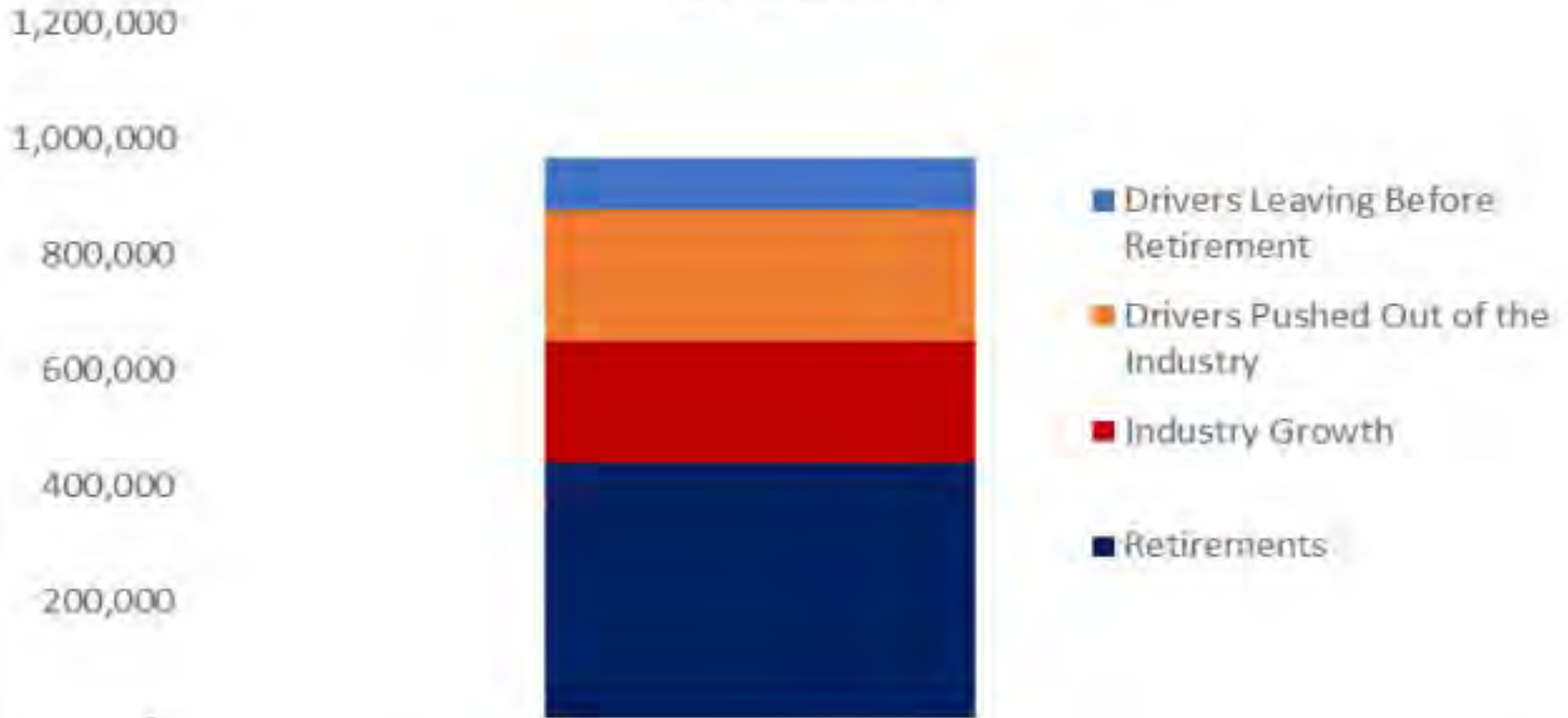


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Where are we Going?



Total New Drivers Needed from 2021 through 2030 by Reason



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Trends and Roadsigns



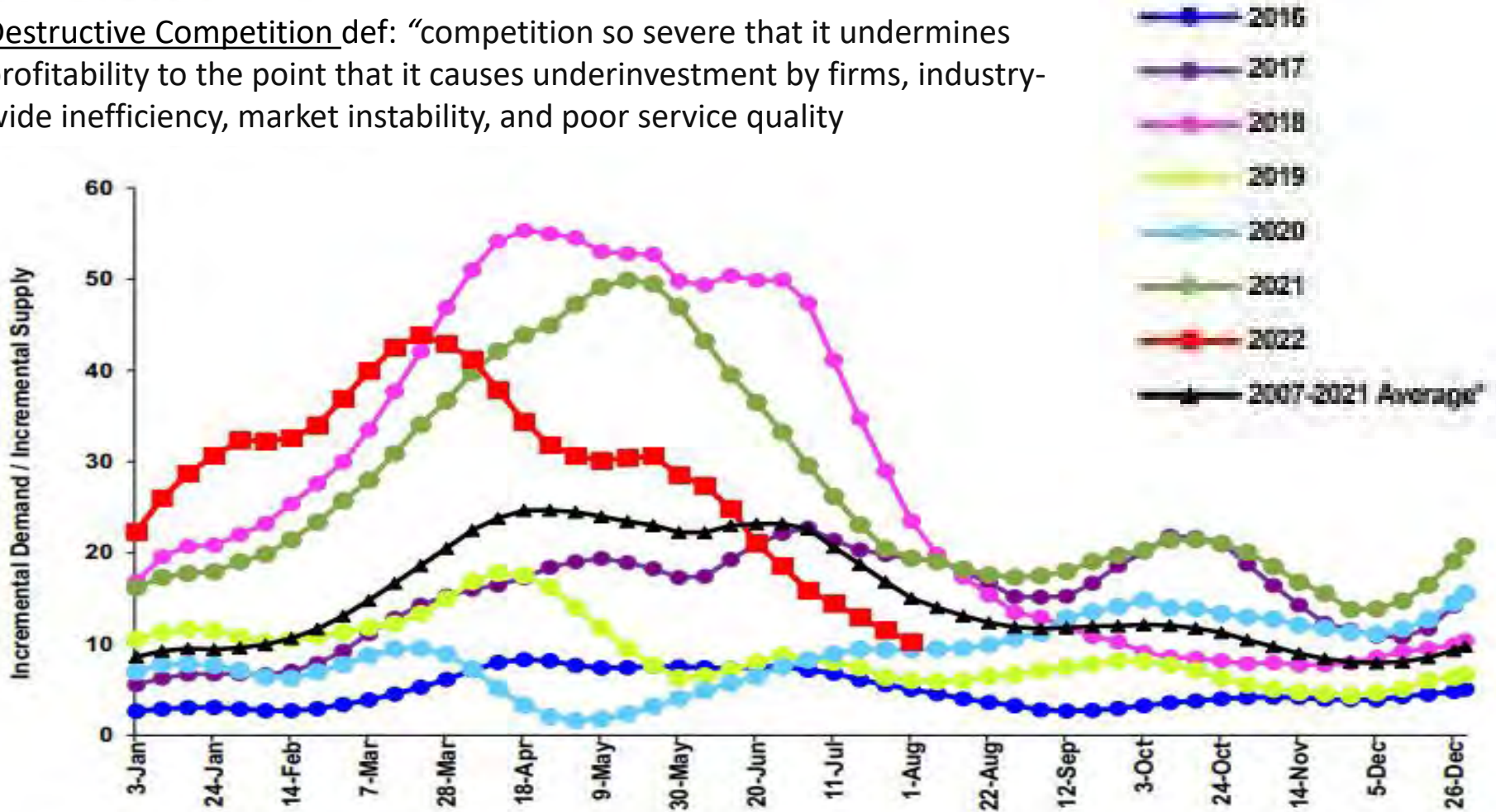
ATRI DATA

- Tractor ave age—5.7. Highest in 10 years
 - R&M up nearly 19% in 2021
 - Parts shortages
 - OEM Shortages
 - Spike in used market prices—up 40.7% in 2021 v. 2020
- Ave annual miles/tractor 79,808 in 2021 vs. 105,000 in 2011
 - Reflecting shift to local/regional in driver demographic
- Continued high fuel, extreme cost increase in deadhead
- Continued driver pay increase pressure....we're not there yet.

And what about Rates?



Destructive Competition def: “competition so severe that it undermines profitability to the point that it causes underinvestment by firms, industry-wide inefficiency, market instability, and poor service quality”



Source: Morgan Stanley Research; *2007-2021 average trend line excludes financial crisis years of 2008 and 2009.

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Rate History



Flatbed



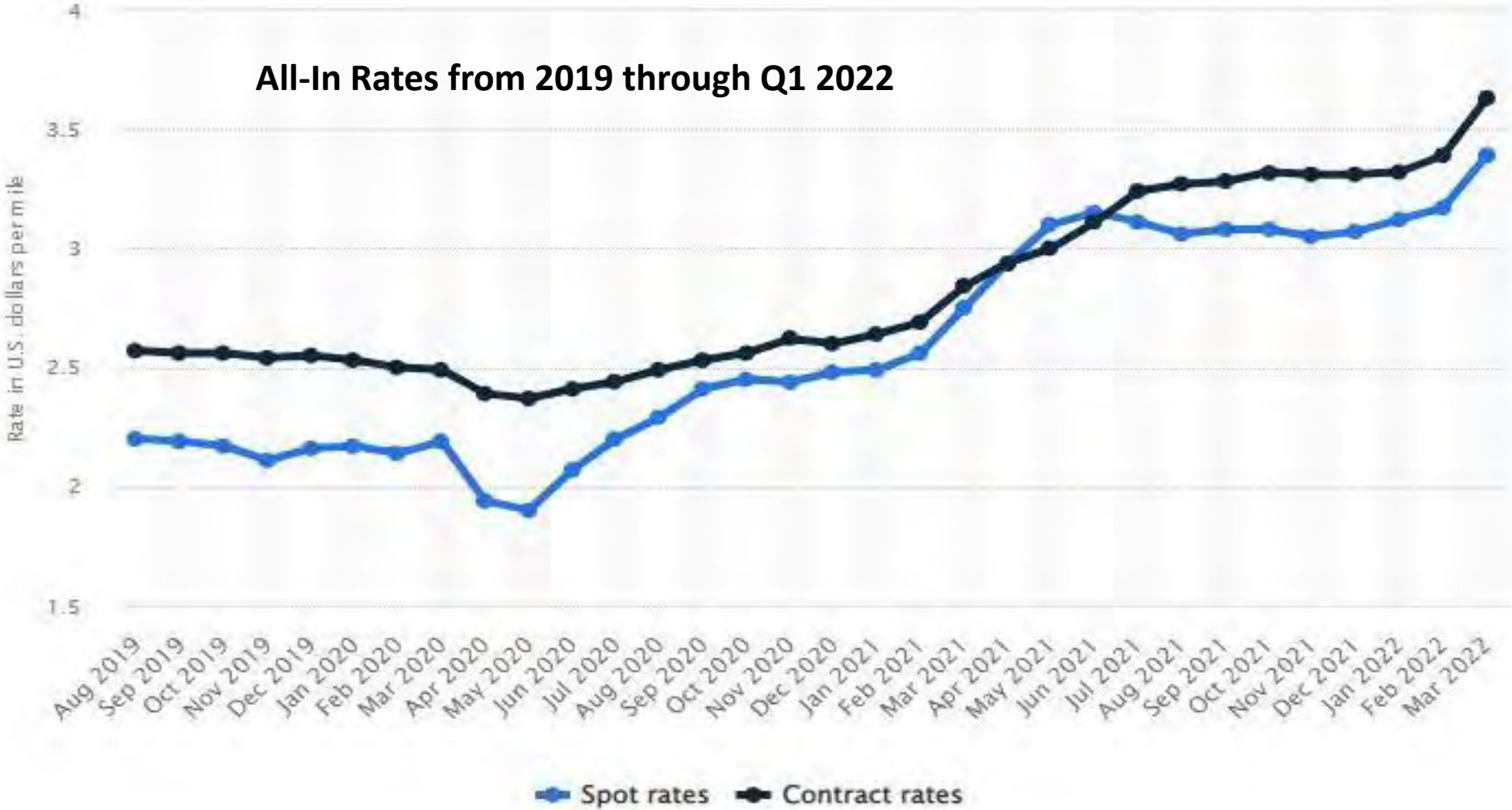
From August 2015 to January 2020, the rate of Flatbed shipments has ranged from \$1.83 (March 2016) to \$2.81 (June 2018) per mile.

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Rate History



All-In Rates from 2019 through Q1 2022

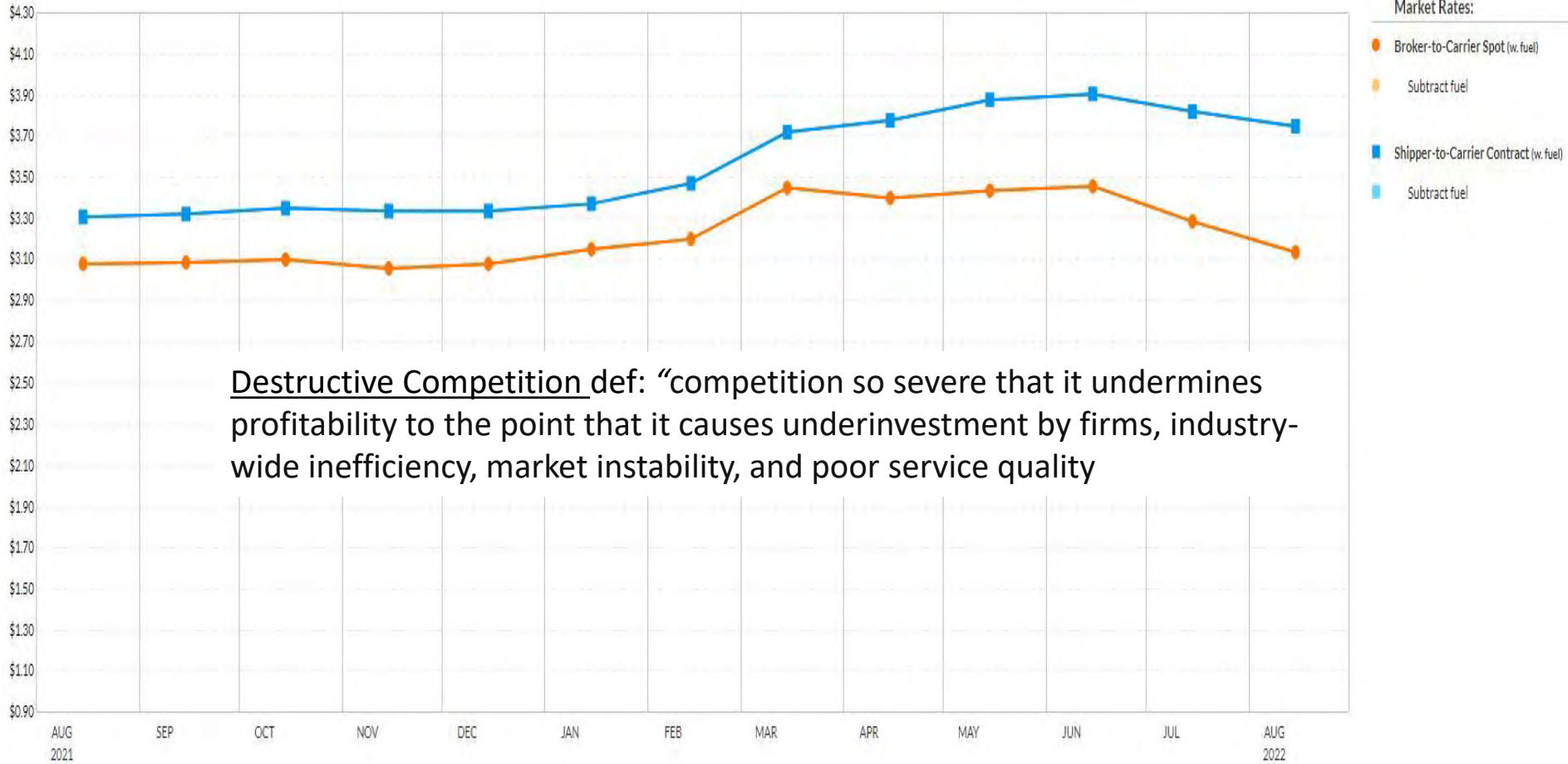


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Rates Now



Flatbed - National Rates



Destructive Competition def: “competition so severe that it undermines profitability to the point that it causes underinvestment by firms, industry-wide inefficiency, market instability, and poor service quality”

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Trends and Roadsigns



Inflation over the decade

Annual CPI inflation from Jan 2010 to July 2022

■ CPI



Source: Bureau of Labor Statistics

Trends and Roadsigns



Other Capacity forces on the Market:

- 2020-2022 spike in O/O and L/P programs
 - High rates = less interest in running miles
- AB-5 Legislation in CA and other states reactions
- Brandt v. Schneider (7th Cir, 2022)
- Miller v. CH Robinson (9th Circuit, S. Ct, Cert Denied, 2022).
 - Broker directly liable for negligence of independent contractor
 - Shippers beware. Same Standards
 - Rate Pressure
- Nuclear verdicts—2010-18: If >\$1m Increase from ave of \$2.3m to \$22.3m
 - Insurance costs increases ave. 25% last 2 years.
- Staffing and delays on the road.

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Looking Forward...



- Demand for building commodities—steel, aluminum, WOOD (??)....remains solid
- Huge import shipping backlog due to China shut down
- Mid-term political optimism in business sector
- Carriers focused on drivers and work environment
- Regional based freight will be favored in driver market...but only if the rate is right
- Carrier costs will continue to rise, driver pay in particular. How high?
- Shippers who are flexible, truly team minded, who load efficiently will have the most success retaining capacity at fair rates.

Wrapping up



Questions?

Thanks for Having Us!



We Do What we Say—Every Time, Every Load
We Are:

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