

Overall Summary

2.14% Demand (Loads)

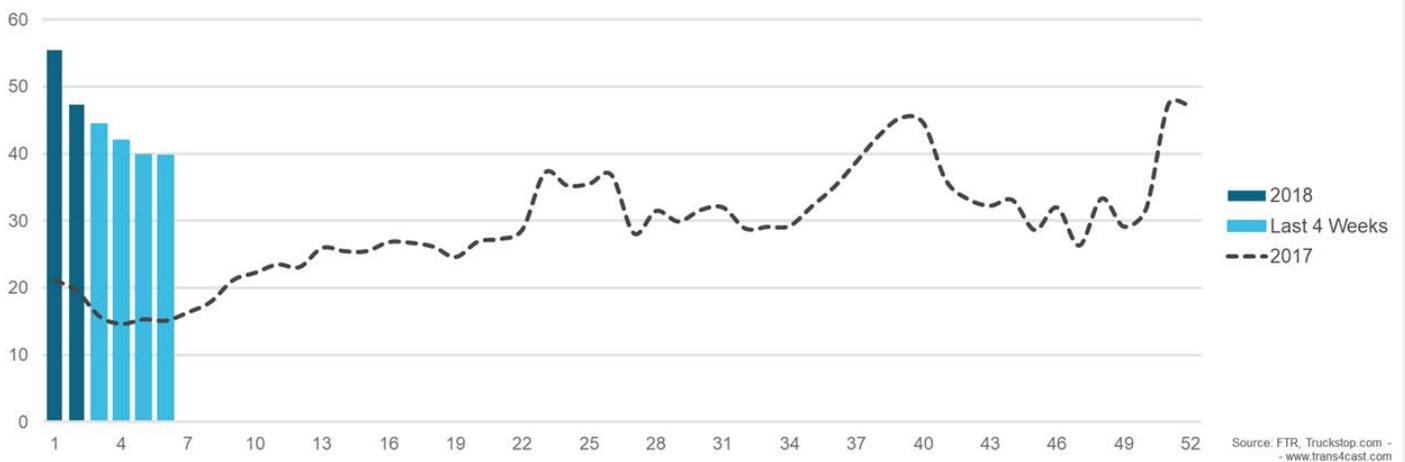
2.37% Supply (Trucks)

-0.22% Market Pressure

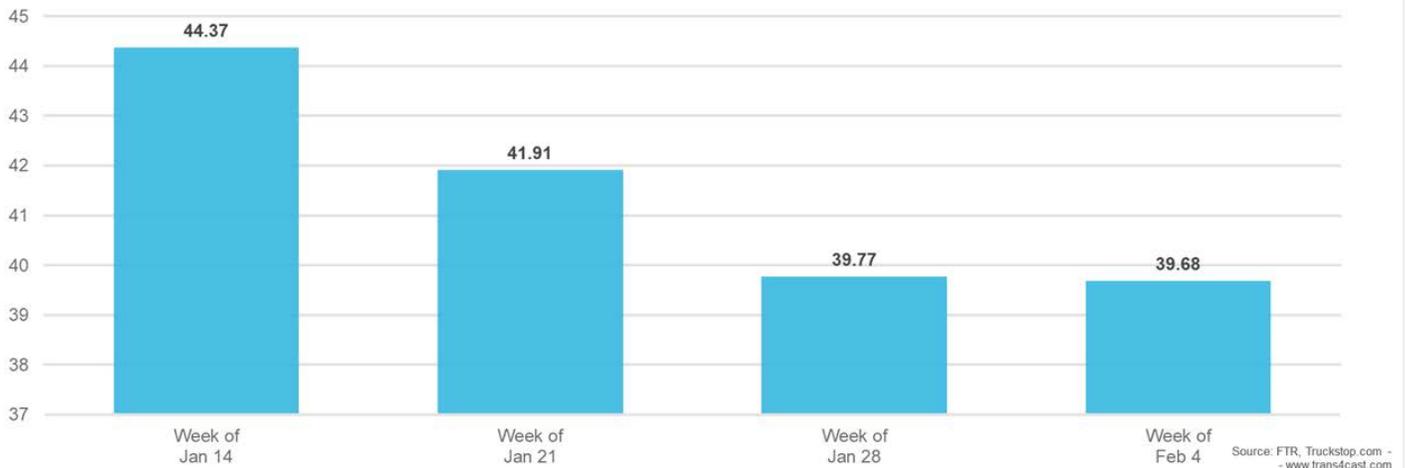
0.55% Rates

Weekly Market Demand Index (MDI)

Down 0.1 points from the previous week.



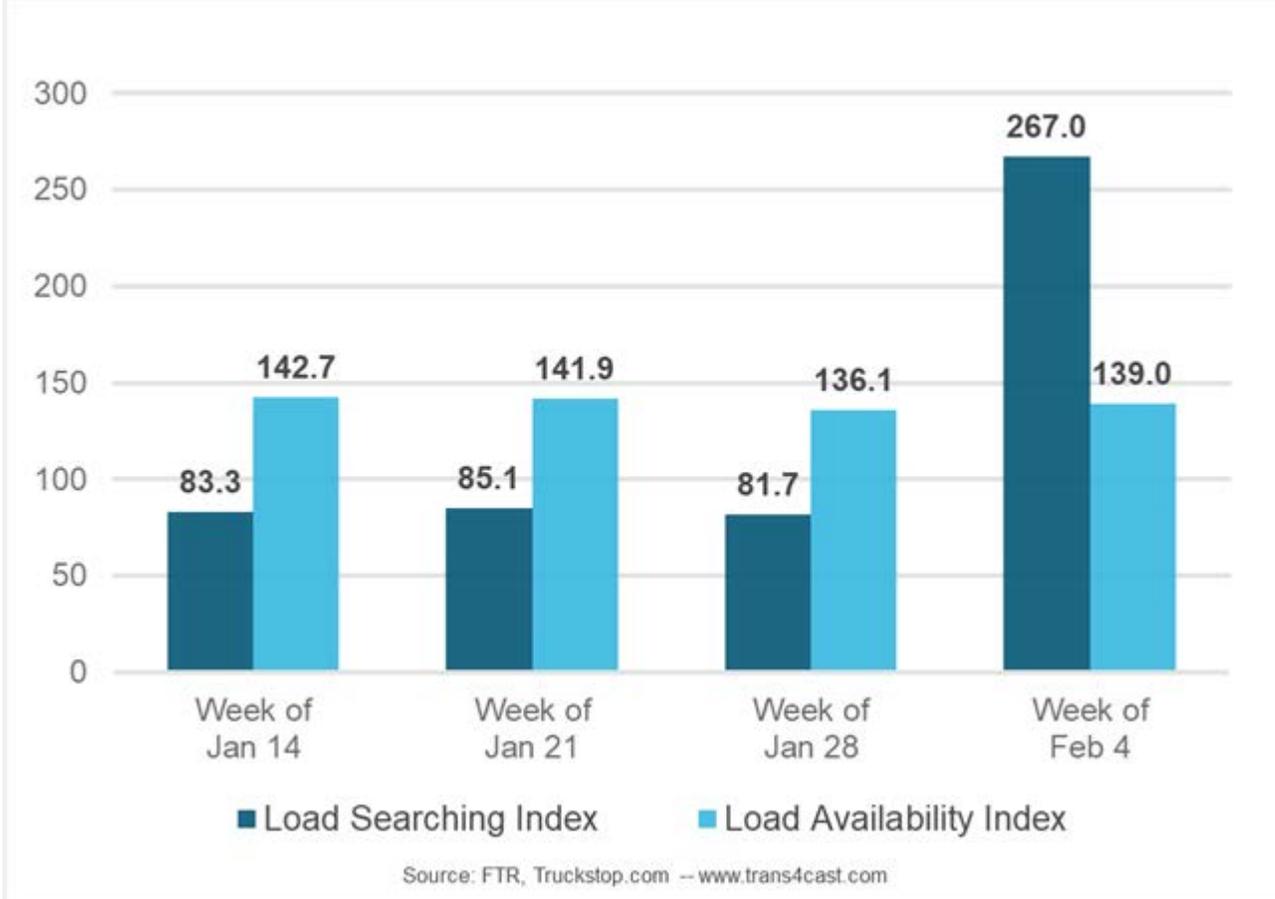
Last Four Weeks



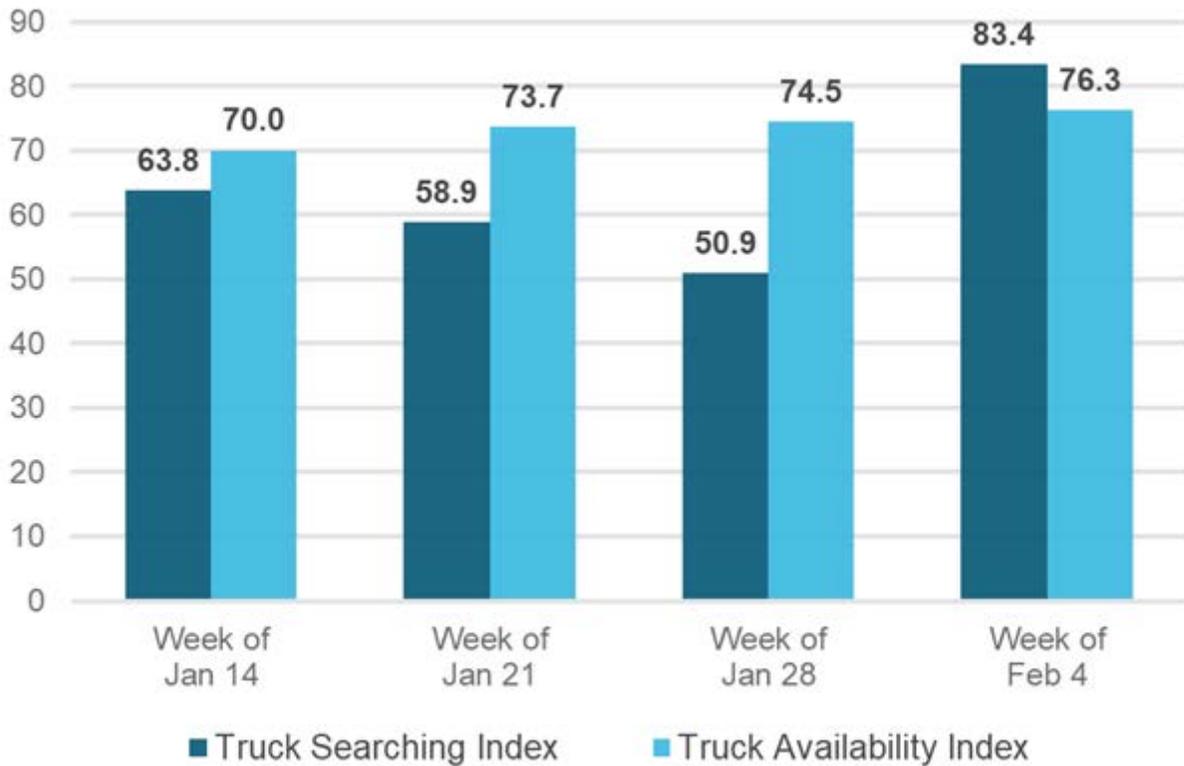
What is the Market Demand Index? The Market Demand Index (MDI) is a measure of relative truck demand in the spot market. It compares load availability to truck availability. Over the last four weeks MDI has on average **decreased 1.9 points**. The latest week shows MDI is **down 0.1 from the previous week to 39.7**. **At this point last year MDI was 15.1**.

Load Searching vs. Load Availability

Load Availability increased 2.1% from the previous week. **Growth in Load Availability in the most recent week was less than growth in Load Searching. Load Searching increased 226.8%** from the previous week.



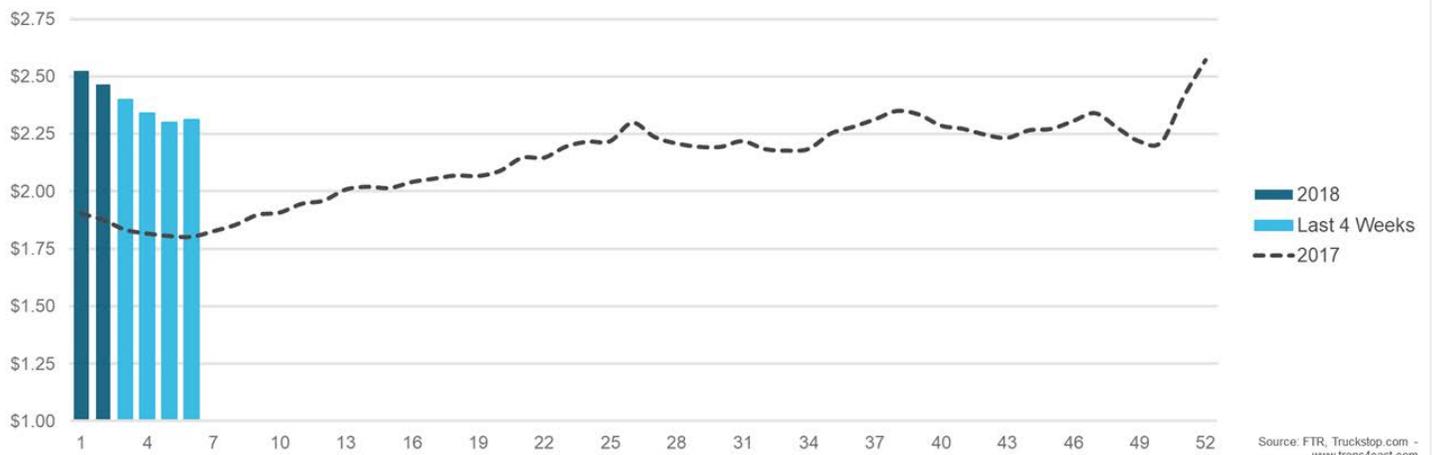
Truck Searching vs. Truck Availability



Source: FTR, Truckstop.com -- www.trans4cast.com

Truck Availability increased 2.4% from the previous week. **Growth in Truck Availability in the most recent week was less than growth in Truck Searching.** **Truck Searching decreased 63.8%** from the previous week.

Rates 2018 YTD and 2017



Source: FTR, Truckstop.com - www.trans4cast.com

Last Four Weeks



Increased

0.6% from previous week. This graph represents broker rates (including fuel) posted on the Truckstop.com load board. The latest week shows **rates were increased 0.6% from the previous week to \$2.31.** **Over the last four weeks rates have averaged a decrease of 1.6%.** **Rates are 28.3% higher versus this time last year.**

Will high spot rates delay the full ELD capacity hit?

PRODUCTIVITY & RATES

Baseline – February 2017 rate

Miles	Empty %	Loaded	Spot rate	Revenue
120,000	10%	108,000	\$1.58	\$170,640

9% productivity hit – February 2017 rate

Miles	Empty %	Loaded	Spot rate	Revenue
109,200	10%	98,280	\$1.58	\$155,282

9% productivity hit – February 2018 rate (est.)

Miles	Empty %	Loaded	Spot rate	Revenue
109,200	10%	98,280	\$1.95	\$191,646

↓ \$15,358

↑ \$21,006

Everyone is trying to figure out what impact the new electronic logging device (ELD) mandate is having and will have on capacity. Two major factors center on the relationships among shippers, receivers, brokers and carriers. First, transit times will be a problem in some lanes, but this effect is highly specific to the parties involved. Second, more generalized productivity impacts can be assumed in segments notorious for dock delays, pickup-and-delivery schedules that don't square with driver and carrier needs, and so on. Think refrigerated freight especially, but that's certainly not the only problem area.

A third major factor is the potential for lost capacity in terms of drivers and carriers choosing to leave the industry rather than comply with the ELD mandate. We know anecdotally that some have chosen to do so, but the smallest carriers are the ones most affected by the rule as larger carriers had already begun to phase them in. So thousands of carriers could exit the business without much effect. We need to understand whether this dynamic is much larger – i.e., tens of thousands of carriers.

We won't know the answer for months. Soft enforcement rules the day until April (at least), and some operations enjoy (supposedly) temporary waivers – most notably haulers of agricultural commodities – until mid-March. Although roadside inspections logged roughly 13,000 violations for failure to use electronic logs between December 18 and January 25 (the cutoff for the January upload), those violations don't really mean anything concrete for the carriers involved.

There's at least one good reason for a carrier to stick around rather than run until forced out or, ideally, comply with the rule: Rates are strong. Many independent owner-operators and very small fleets tend to run primarily in the spot market, so strong rates in recent months have been a most welcome development. How do lost productivity and higher rates play out?

Consider this hypothetical. A one-truck operation previously ran 120,000 miles a year with 10% empty miles. Let's assume that complying with the ELD mandate costs 9% in productivity, and let's look back at the rate as of early February 2017: \$1.58. Given this scenario and the same rate as a year ago, an ELD would reduce the operator's income by about \$15,000 a year.

Now let's take the same assumptions but apply a rate more in line with current conditions: \$1.95. Even with the 9% productivity hit, that carrier would bring in \$21,000 more in a year than it actually did a year ago without the lost productivity. Indeed, this carrier would still be making more money than a year ago until rates dropped below \$1.75. This also assumes no change in the 10% empty miles factor, although it's quite possible that in the current environment that would drop. The key assumption in this is the 9%; the actual hit depends on how far out of compliance the carrier is. Under the scenario outlined above, however, the carrier would still do better today than a year ago if the productivity penalty is less than 20%. All of this assumes the operator complies with the ELD rule. That is not the only option, of course, but we choose not to assume otherwise.

Note that this analysis does not factor in the costs of the ELD itself, but this has never been a big issue. A typical "bring your own device" plan would include a one-time purchase of \$200 to \$300 for the plug-in device (so the electronic control module can communicate with a tablet or smart phone) and a monthly charge of \$20 or so.

If owner-operators are paying attention and not reacting emotionally, it's clear that they can profit from the current environment, ELDs or not, and that they can remain financially viable for quite some time, at least