Market Overview  Q4 2018

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The National Transportation Institute is the principal authority for company truck driver and owner operator compensation in the trucking industry. We provide fleets with data that is critical like per mile and hourly driver wages, accessorial pay, benefit costs, and best practices associated with company programs.

We offer original economic research for the transportation industry relevant to truck driver compensation. Benchmarking your driver compensation allows you to support, retain, and recruit professional truck drivers in your fleet. Knowing the competitive wages ensures your trucks are seated with appropriately compensated, happy, and safe professional truck drivers.

NTI sponsors our coveted Top Pay Carrier designation, an elite designation for carriers that provide top tier pay, health & retirement benefits, and carrier stability, that together make professional driving a rewarding and secure career choice.
Track Results that Support Critical Decisions

The National Survey of Driver Wages
The National City-Centric/Intermodal Driver Pay Survey
The National Fuel Surcharge Monitor
National Transportation Alerts
The National Major Fleet Benefit Report
The National Student and Trainer Pay Survey
The National Directory of Truck Driver Training Programs
The National Driver Wage Index
The National Private Fleet Survey

Compensation for LTL Fleets by Location
Gap between For-Hire and Private Fleets
Driver Supply & Demand
Custom Overview by Fleet/Trailer Type
Women In Trucking Index
Public data vs. Reported Submissions
Tractor & Trailer Technicians, Apprentices
Best Practices to Recruit and Retain
Driver Retention / Turnover
Companies have reorganized their operations to have more density, diversified offerings, and value-added services on both a national & local level. Market demand drove the direction of our research so not only do we track the attributes of the entire pay package by city, state and region, but we also focus on the requirements, and the nature of the job, by fleet type, and trailer type.

<table>
<thead>
<tr>
<th>City</th>
<th>State</th>
<th>Region</th>
<th>Class</th>
<th>Segment</th>
<th>Quarter (data was provided)</th>
<th>W2 Median / Non-Hazmat</th>
<th>W2 Median / Hazmat</th>
<th>W2 75th / Non-Hazmat</th>
<th>W2 75th / Hazmat</th>
<th>W2 Median / No-Touch</th>
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<th>W2 Median / Touch</th>
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<tbody>
<tr>
<td>Nashville</td>
<td>TN</td>
<td>Southeast</td>
<td>A</td>
<td>1 - Local</td>
<td>Q4 2017</td>
<td>$51,103</td>
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<td>$21.09</td>
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<td>$0.410</td>
<td>$0.453</td>
<td>$0.409</td>
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<td>Nashville</td>
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<td>$0.433</td>
<td>$0.451</td>
<td>$0.430</td>
<td>$0.441</td>
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<tr>
<td>Nashville</td>
<td>TN</td>
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<td>A</td>
<td>3 - OTR</td>
<td>Q4 2017</td>
<td>$0.445</td>
<td>$0.445</td>
<td>$0.417</td>
<td>$0.441</td>
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In this example, the competitive indicators are above the market for W2, comparable to the market for mileage, and below the market for hourly.

This table offers a quick visual representation of your competitive position in the market.
What Makes Driver Pay Move

Driver Turnover  
Freight Rates  
Driver Supply  
Capacity Demand  
Driver Income

Pay Model Description:
- Green indicates strength, Red weakness and Yellow neutral conditions
- Driver pay can not increase when freight rates are red
- Freight rates act as a gatekeeper on driver income; no meaningful upward movement can occur unless freight rates are green
- When driver supply is red, driver income cannot decline
We hate to say we told you so….

Current Conditions, forecasted late 2016

Economic environment:
• TL driver turnover is stuck near 100% by Q3 2018
• Capacity demand is outstripping supply but lack of qualified drivers is constraining expansion
• Offers extended to applications ratio is on a downward curve
• Unemployment is near full employment levels
• GDP continues a growth greater than 3.0%
• Driver pay and freight rates continue to rise until demand is satisfied
Percentage of change for truck driver income has been very slow. Despite 2018 progress, driver pay continues to lag.
Driver Wages vs Inflation

![Graph showing Driver Wages vs Inflation Q1 2007 through Q1 2018]

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. CPI-U</th>
<th>NTI For-Hire Fleet</th>
<th>Private Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>-4.19%</td>
<td>-2.41%</td>
<td>1.10%</td>
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<tr>
<td>2008</td>
<td>0.10%</td>
<td>-7.36%</td>
<td>0.02%</td>
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<tr>
<td>2009</td>
<td>2.70%</td>
<td>-2.69%</td>
<td>-1.21%</td>
</tr>
<tr>
<td>2010</td>
<td>1.50%</td>
<td>0.87%</td>
<td>0.97%</td>
</tr>
<tr>
<td>2011</td>
<td>3.00%</td>
<td>1.28%</td>
<td>2.68%</td>
</tr>
<tr>
<td>2012</td>
<td>2.68%</td>
<td>1.70%</td>
<td>1.50%</td>
</tr>
<tr>
<td>2013</td>
<td>2.43%</td>
<td>1.93%</td>
<td>1.50%</td>
</tr>
<tr>
<td>2014</td>
<td>3.94%</td>
<td>1.94%</td>
<td>0.80%</td>
</tr>
<tr>
<td>2015</td>
<td>4.26%</td>
<td>0.70%</td>
<td>0.70%</td>
</tr>
<tr>
<td>2016</td>
<td>2.99%</td>
<td>0.40%</td>
<td>0.40%</td>
</tr>
<tr>
<td>2017</td>
<td>3.44%</td>
<td>1.70%</td>
<td>2.60%</td>
</tr>
<tr>
<td>2018</td>
<td>3.71%</td>
<td>2.18%</td>
<td>3.96%</td>
</tr>
</tbody>
</table>

Total 2007-2018: 21.89%
Opportunity: Drivers are getting older

NTI Average Age 52 years old

Retirements are up, new entrants don’t make up for exits, Qualifying age is an issue (DRIVE-Safe Act)

<table>
<thead>
<tr>
<th>Year</th>
<th>20-24 yrs</th>
<th>25-34 yrs</th>
<th>35-44 yrs</th>
<th>45-54 yrs</th>
<th>55-64 yrs</th>
<th>65+</th>
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<tbody>
<tr>
<td>1994</td>
<td>9.8%</td>
<td>22.4%</td>
<td>22.0%</td>
<td>23.3%</td>
<td>17.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>2003</td>
<td>7.1%</td>
<td>23.3%</td>
<td>24.5%</td>
<td>25.3%</td>
<td>15.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2013</td>
<td>4.9%</td>
<td>15.6%</td>
<td>24.0%</td>
<td>29.3%</td>
<td>20.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2016</td>
<td>4.2%</td>
<td>14.8%</td>
<td>25.6%</td>
<td>30.1%</td>
<td>20.0%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>
Opportunity: Women in Trucking Index

Encourage employment of women in the trucking industry and promote accomplishments and minimize obstacles faced by women employed in trucking.

- 19% increase in tracking at fleets overall 2016-2018
- Over 25% of participating fleets reported 28.7% increase in female drivers 2017-2018
- Women have different needs and some industry change is necessary to accommodate
- Women take fewer risks, crash less, collaborate more, work efficiently, are eager to learn and train, put more effort into choosing a company and stay longer.
Opportunity: Driver wages do impact Turnover!

Transparency in Pay & Schedule is crucial to recruit and retain drivers.

<table>
<thead>
<tr>
<th></th>
<th>W2 - Driver Pay - 25th Percentile</th>
<th>W2 - Average</th>
<th>Median W2</th>
<th>W2 - Driver Pay - 75th Percentile</th>
<th>W2 - Driver Pay - 90th Percentile</th>
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<tbody>
<tr>
<td>National For-Hire Fleet</td>
<td>$48,181</td>
<td>$54,249</td>
<td>$55,357</td>
<td>$67,116</td>
<td>$76,044</td>
</tr>
<tr>
<td>National Private Fleet</td>
<td>$59,177</td>
<td>$73,671</td>
<td>$72,574</td>
<td>$87,525</td>
<td>$98,564</td>
</tr>
</tbody>
</table>

Graph showing the percentage change in driver income versus the average income.
Private Fleet Statistics

Private Fleets have long held the premier job for many truck drivers because of significantly better earnings with annual raises, great benefits, driver friendly freight/routing and consistent home time.

100% of National Private Fleet Survey participants intend to expand their fleet.

- Average Age – 46.6
- Average Turnover – 22.1%
  - It is not uncommon to see annual turnover numbers as low as 4% at a Private Fleet. The bulk of turnover at is due to retirement, safety termination, and new driver expectations are indifferent. The highest turnover is typically associated with high labor (food service). Over the past two years, we have watched private fleet turnover increase by just over 10%.
- Median – $74,188
- 75th Percentile – $82,763
  - Source: NTI Private Fleet participants (529 markets, 47,483 drivers).
- Private Fleets sign-on bonus is typically location specific with a limited timeline.
- Many Private Fleets have strengthened recruiting to increase their driver count.
- Subscribers to the National Private Fleet Survey have historically updated results every two years. In 2018, multiple Private Fleets sourced updates from NTI twice in the same year. 100% of those requests came from Private Fleets with specialized driver needs, such as those involved in high-labor food distribution, and tank transport companies.
- We believe the competition for qualified drivers will continue to heat up and the pay gap between for-hire and private fleet drivers will begin to shrink when we see the final 2018 gross earnings.
We have tracked more announced and implemented pay changes than any period in NTI's 23-year history.

- We mark the start of the current driver pay change cycle to Q4 2017. In a market that is net-short drivers, we were not surprised when we saw driver increases to continue with momentum and pay moves through Q1 2018. We were surprised again to see impactful change implemented in Q3 2018.

- For the 23 years we have tracked patterns of driver pay cycles in the for-hire fleet pay market, it has always been the same; market pay leaders move, followed by middle payers and finally the lower quartile payers make adjustments. This pay cycle process typically takes 30 months or more for completion. The most recent pay cycle was compressed to only 10 months, followed immediately by a new round of increases.

- Per Diem and the new tax plan, continues to grow in popularity

- Minimum weekly guarantee continues to be implemented, current average at 1200/week, but new rates exceed $1600

- Base pay rates in high .40s up to mid .50s is not unusual, plus incentives; Team drivers now earning up to $0.74 in peak markets

- Shallow pool of qualified experienced drivers, difficulty meeting hiring and retention goals

- Minimum experience requirements are being reduced, pet/rider/equipment perks are on the rise

- Digital marketing of high earnings at carriers is soaring, and impacting turnover of 0-120 day drivers

- Carriers report mounting expenses to get in front of drivers, cost per hire is soaring, internal and external marketing strategy is paramount to success

- It appears from our conversations with fleets that everyone is looking for the sweet spot in their market, but it is being complicated by the growing difficulty of finding qualified drivers and the quickly shifting driver compensation landscape; and the need to buy time to adjust freight rates to support needed pay increases.
Sign-on bonuses are spreading

- Sign-on bonuses remain in wide use and are actually spreading to other sectors of the truckload spectrum.

- Niche Sign-on bonuses we identified are ranging in the $2k to $10k range.

- The widest use of Sign-on bonuses remains in the team driver segment where advertised Sign-on bonuses can be as high as $30k.

- It is also worth noting that Private Fleets are beginning to use Sign-on bonuses to bolster their already very strong pay packages.

- Not surprisingly, drivers need to read the fine print because some rich Sign-on bonuses have a lot of resemblance to performance bonuses.
2018 Effective Pay Increase Percentages

- Fleets in the Northeast lead the way with an average increase of 8.89% over the last 3 quarters.
- The Southeast Region finished last with an average 3 quarter increase of 6.33%.
- Numerous fleets have made multiple increases for drivers reliant on a very strong freight rate environment and difficulty seating drivers.
- With GDP growing at a rate not seen since before the recession, further movement is expected.
- The average increase across all regions of 8.03% YTD is the biggest since moves tracked in ’04-’05.
- We maintain our prediction of 11.8% movement by year end 2018.
It’s not just about pay
We have a fundamental labor problem

Pay alone will not solve the driver issue
• Multiple pay moves within the recent 10-month cycle have not resulted in meeting hiring goals

Fleet Sample of 37
• 19% made more than 2 changes in the recent pay cycle
• 33% were already strong payers, but continued to make moves feeling pressure from carrier adjustments and driver positions remaining vacant
• 100% reported periodic improvement in retention
• 100% reported increased confidence in position in the driver market
• 100% reported they were still not meeting their hiring goals

Retention issues continue to surge, recent pay trends are structured to combat turnover
• Over-inflated promises cloud the applicant pool, discourage movement and deter new entrants
• Recruiting at realistic weekly earnings; In order to be transparent, measure actual W2 outcomes and deliver on promises.
• Recruiting at realistic annual earnings; Full-year driver pay outcomes differ from newly hired drivers
• Starting Mileage Rate – clustering closer to the median
• Guaranteed increase schedule
• Long-term potential earnings
We’re competing in a tight market

Rising pay from competitor job openings: Hudson, WI population 12,300

• Convenience Store Workers FT $12.00 - $15.75
• Light Mfg. Assembler $17.10
• Welder/Fitter $19.00 - $28.00
• Welder $18.75 - $21.91
• Production Worker $15.00 - $19.00
• Uline DC Warehouse Assoc. $19.00 - $27.00
• Uline Customer Service Assoc. $25.00
Driving jobs continue to be difficult to sell

- 10-14 hour days
- Physically demanding
- Irregular work week
- Frequent unproductive hours
- Heavy oversight in a traditionally independent demographic
- Increasing regulation
- Increasing dependency on technology
- Relatively low pay
- Lumpy pay
- Low social status – Used to be top desired job
Not only are we out of drivers, we’re out of folks to become drivers

- The unemployment graph points out how critical our labor supply has become.
- This 10-year unemployment history indicates fewer than four percent of workers are unemployed, a level generally considered full employment.
- According to the Department of Labor, the number of unfilled jobs to the available labor supply has not been so high since 1968.
- We already are net short thousands of drivers so how can we make up the gap?
- If the unemployed are not an option, we're going to have to attract workers from other vocations.
- Some of the known technology that can make a big impact are at least three to five years out from real wide-spread use, too long under current economic projections.
- History teaches us that big problems attract money and innovation.
- To that, we believe increasing freight rates will raise driver pay to the point the job becomes attractive again.
Driver Supply is inelastic in the short-term

U.S. Labor Supply: 1.9 jobs per unemployed worker

Driver Supply is not responding to sharply increasing pay

Top Pay Carriers, both for-hire and private are unable to fill trucks at 2017 levels

- Millennials - little to no interest in physically demanding work
- Younger drivers present a higher accident risk in commercial vehicles
- Truck driver training schools, both public and private, struggle to keeps seats full
- Hair testing will uncover a significant, 7% - 10%+, of current drivers who are not qualified
Maintain Focus on Benchmarks

Rates
• Since pay doesn’t move without rates in place, equip sales and strategy with knowledge of ongoing movement

Benchmark your Offerings
• Track attributes in order to highlight what is unique about your company – LOH, days out, retention by fleet
• Pay-Per-Mile/Hour/Load etc, Bonuses, Incentives, Health and Retirement Benefits, PTO/Vacation

Seek Balance in Hiring Outcomes
• Results by market and job requirements support critical decision making
• If you have to rein in your focus, concentrate on areas of largest need: Domicile, High Turnover, New Business

Disparity between Top Drivers and the Average
• In order to be transparent, measure actual W2 outcomes and deliver on promises
• Full-year driver pay outcomes differ from newly hired drivers
• Meeting KPIs related to miles, safety and fuel is key to profitability, but when the ceiling is too high for incentive programs, drivers will look elsewhere for dependable earnings
Thank You!

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