

HOW INFLATION IMPACTS THE TOWING INDUSTRY

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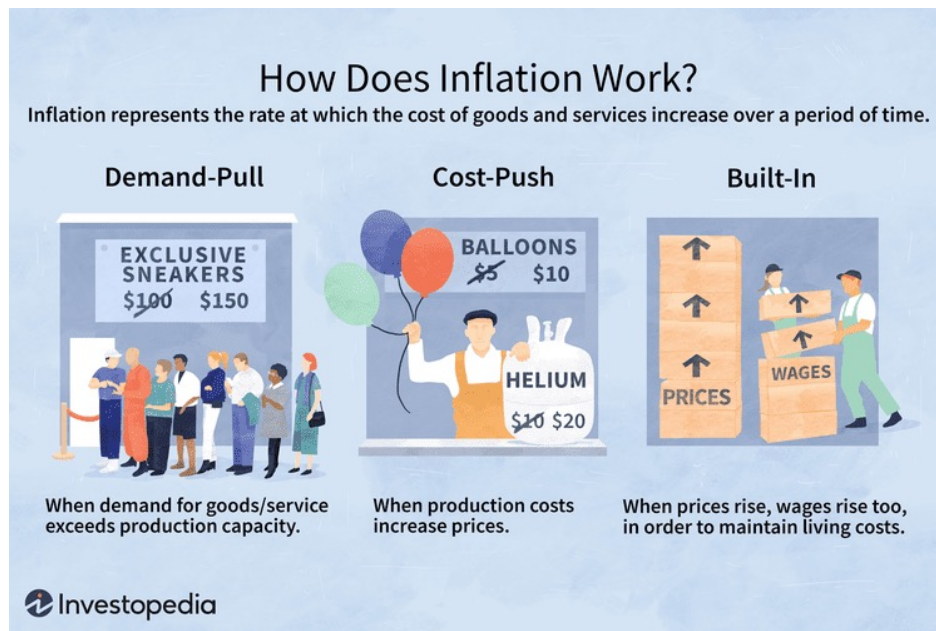
INFLATION

- > What is inflation?
 - The rate at which prices for goods and services rise
 - Decline of purchasing power over time
- > The price rise, expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods
- > 3 types:
 - Demand-Pull
 - Cost-Push
 - Built-In



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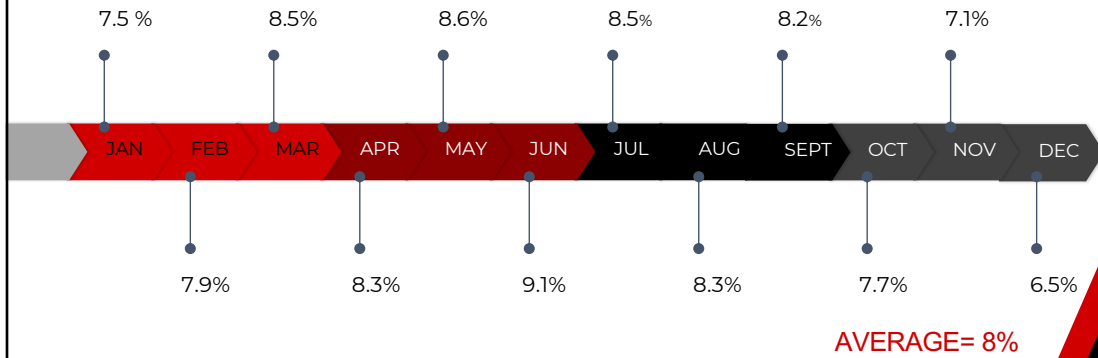
INFLATION RATES

- > The annual inflation rate for the United States (according to U.S. Labor Department data)
 - 8.6% in May 2022
 - 9.1% in June 2022
 - 8.5% in July 2022
 - Inflation in 2022 was 8% compared to the previous national annual average of 3.2%
 - The largest annual increase since November 1981
- > Annual Core Inflation Rate
 - Highest rate since late 1991
 - Used car and truck prices showed drastic gains
- > This has impacted all lines of service and costs to business.

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INFLATION RATES 2022



LARGEST ANNUAL INCREASE SINCE 1981

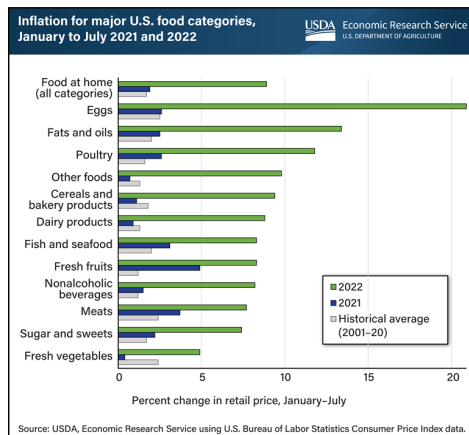
Source: US Inflation Calculator

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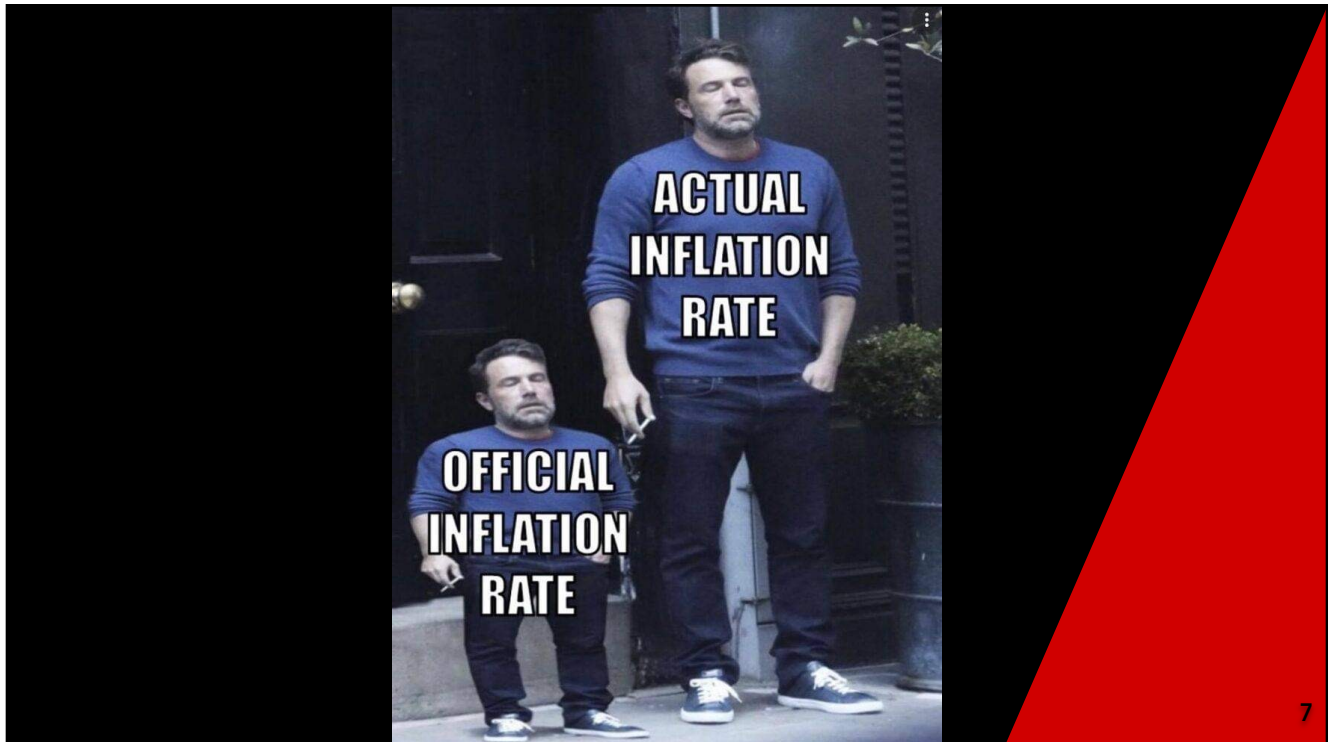
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GROCERY PRICES HAVE SKYROCKETED

- The following chart plots prices from some grocery store foods and how they have changed from January 2021 through February 2023.



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WHY DOES IT MATTER?

YOUR EMPLOYEES

- > When the inflation rate increases, so does the cost of living
- > Your employees' wages are one of your top three expense line items
- > Your employees may survive for only so long without a wage correction
- > This impacts your company's potential for training and maintaining good staff

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INSURANCE AND EQUIPMENT

- > Insurance
 - Increase in insurance costs
 - Impact of health care costs from the pandemic has yet to be established
 - Tougher for employers to offer attractive benefit packages
- > Equipment
 - Increase in equipment costs
 - Example: Light Duty Trucks
 - 4 years ago: \$80,000 - \$85,000/unit
 - Now: \$120,000/unit



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FUEL PRICES

- > Fuel prices have risen at record rates from November 2020 through July 2022
 - 80% to 100% price per gallon.
- > Most companies have implemented a fuel surcharge on commercial and retail customers
 - If you haven't you should do so IMMEDIATELY
- > Fixed-Rate Contract
 - If 50% to 70% of your towing volume is derived from this contract, then the fuel surcharge has done little to maintain your margins.



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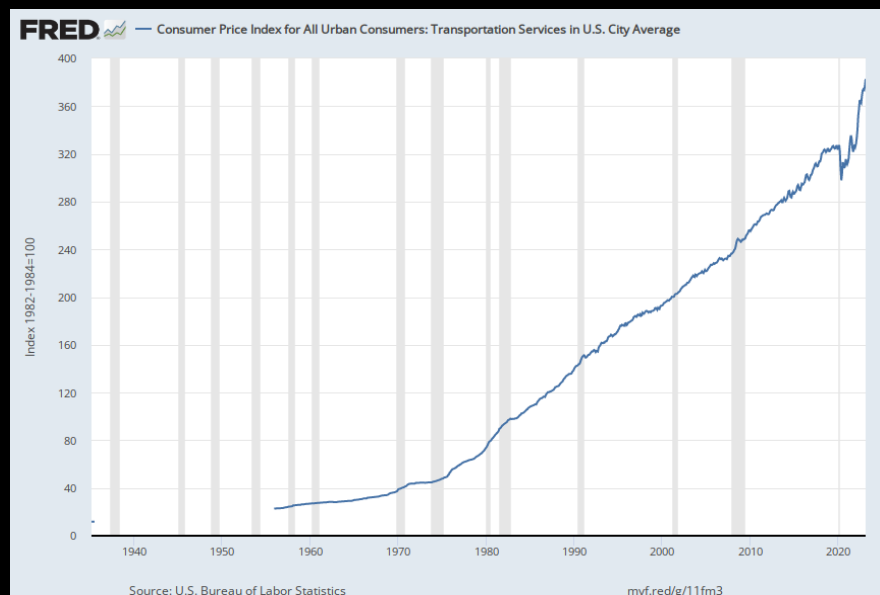
CUSTOMER PRICE INDEX (CPI)

- > The CPI is a broad measure of what Americans pay for items
 - Ranging from tomatoes to transportation
 - The one of the most used index for inflation is CPI
- > What is included in the CPI Transportation Component?
 - New and Used Motor Vehicles
 - Including all purchased consumer vehicles
 - Private Transportation
 - Including purchases made by households on new and used motor vehicles
 - Motor Fuel
 - Motor Vehicle Parts and Equipment
 - Motor Vehicle Insurance
 - Motor Vehicle Fees

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CPI
Transportation
in the United
States
averaged 108.72
points from 1950
until 2023,
reaching an all
time high of
284.64 points in
June of 2022 and
a record low of
22.30 points in
April of 1950.



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ADDRESSING CPI

- > Educate and negotiate the Consumer Price Index (CPI)
 - Annual basis or at the time of renewal
 - Keep up with rising costs, based on transportation logistics
- > A scaling fuel surcharge also should be part of such a contract
 - Fair baseline that protects you from the high fuel costs
- > Perhaps it can be set at cost point segments
 - 3%, 5%, 7%, 10%, and so on, so the equation is transparent and fair

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BOTTOM LINE

- 1 Adjust your rates
- 2 Review your rates quarterly
- 3 Ask yourself this question: Do you want to work for the business or have the business work for you?

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