



Memorandum

Date: December 31, 2021
To: Team PRP Shareholders
From: Jarret W. Hann, Executive Director
Subject: **NEW TEAM PRP TRANSPORTATION POLICY - January 17, 2022**

To say the time since March 2020 has been a wild ride for business owners would be the understatement of the century.

While there was a period of significant uncertainty during the early weeks of the pandemic, business has been good for the automotive recycler, specifically, Team PRP automotive recyclers. The average year-over-year increase in revenue for our membership was **25.2%!!!**

While sales have been great, a booming domestic economy, combined with certain government policies, have created shortages in the supply of goods and labor, putting upward pressure on prices and driving inflation. The trucking industry, in particular, has been hit extremely hard with inflationary prices. On December 1, 2021, our transportation partner, Midwest Automotive Trucking, announced a number of changes designed to create efficiencies on their trailers with hopes of offsetting some of the rising costs of operations. These included, (1) limiting the size of parts shipped, and (2) pricing by parcel size.

In order to facilitate operational sameness across our network of yards currently serviced by Midwest, Out of the Box, and Cross-Country, the Team PRP Board of Directors has **unanimously** decided to adopt three policies aimed at promoting uniformity and efficiencies across our network. As such, Team PRP is adopting three new policies effective **January 17, 2022**.

Policy #1: Eliminating the shipment of Frames

Policy #2: Eliminating Returns of \$125 and Under

Policy #3: Pricing By Parcel Size & Full Member Rebate

See details on following pages....



Policy #1: Eliminating the shipment of Frames

As of **January 17, 2022**, the **maximum length/width for shipments will be 8' x 7'**. Parts impacted are full frames, full side body cuts, and complete SUV rear clips.

Business Case for the decision:

- In November 2021, of the **53,228 shipments** on Team PRP's transportation network (\$20,377,490 in sales), frames accounted for only **59 shipments** (19 were returns, \$64,637 in sales). Frames make up **.1% of volume** and **.3% in sales**.
- **Overloads and Costs:** For **every** frame, it **overloads at least 20 parts**. We did the math and Team PRP is **forgoing roughly \$500K in sales per month** to protect **\$64,637** in frame sales. Put simply, fewer overloads means less cost for parts on the network.
- **Safety at Hubs:** Recent hub audits by our owners and Team PRP staff have provided clear feedback that the loading/unloading of frames is time-consuming and perhaps the largest safety risk for hub workers.

Policy #2: Eliminating Returns of \$125 and Under:

As of **January 17, 2022**, Team PRP will **eliminate the return of \$125 and under** parts.

Business Case for the decision:

- In 2021, Team PRP spent **\$2.1 million** to return more than **104K parts**. Of the total returns: 36,400 or **35% were invoiced at \$125 or less**; representing \$735K in freight spend, and an estimated \$686K for processing/packing returns.
 - Eliminating the return of parts \$125 and under will provide an annual estimated cost reduction of **\$1.66m**.
 - Of the parts \$125 and under, **over 70% of parts that were credited, were not restocked** (mechanical and body).
 - Cost savings: Cuts shipping materials cost, labor, etc.
 - Reduces useless freight on the system.
 - Forces sellers and buyers to take a closer look at the parts being sent.
 - Creates a more efficient system.
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Policy #3: Pricing By Parcel Size

The portion of our current billing platform where one price fits all, regardless of parcel size shipped, must transition to a billing rate based on the size of item shipped. Pricing based on space occupied is standard business practice for all transportation providers from Amazon to UPS.

Team PRP has worked with partners such as SmartCycle and EZSuite for months running comparison models and testing this platform. We have been very mindful to keep the rates as low as possible so that freight cost will not impede the sale of any item and that all category rates will remain far below any alternative conventional means of transportation. The rates will continue to be split equally between seller and buyer. There will be six different rate categories based on size, ranging from small parcels to XL skids. Rates will be reflected on **February 1, 2022** invoices.

Package Size	Rate*	%age of Shipments	Examples of Each
Small parcel	\$15	42.9%	Standard UPS Package
Large parcel	\$21	26.4%	Fender / Bumper
Small skid	\$26	17.4%	Trans / Doors
Medium skid	\$36	9%	Engine / Axle
Standard skid	\$51	1%	Gaylord
XL skid	\$101	<1%	Nose / Box / Cab

**Buyers and Sellers share costs 50-50.*

Non-Team PRP Freight Travelling on the Network

As we have said at every opportunity, in September 2020 the Board of Directors voted to allow non-Team PRP freight to travel on the network. This unanimous decision allowed full dues paying members of Team PRP to continue to trade with recently purchased recyclers: Weavers, Gravely, and Wayne’s. It also opens new opportunities for Team PRP to operate a more profitable transportation network aimed at reducing effective parcel rates for Full (dues paying) Team PRP Members.



Under the new Team PRP freight system, we'll be referring to yards owned by groups like Fenix, Aesop, etc., or independently-owned yards that are not monthly dues paying members, as "Affiliates." Profits from the transportation network will be paid back to "Full (dues paying) Team PRP Members" via a rebate that will appear on your transportation bill.

The process of adding non-Team PRP freight to the transportation network will be gradual and deliberate. Fears of losing space for your parts, or an increase in overloads, are not founded in fact. The addition of new freight to our network **will be a trickle, not a flood**. However, the combination of the policies listed above aimed at increasing efficiencies, along with adding affiliate freight to our transportation network, will create increased profits for Team PRP over the long-term. These profits will be felt directly by shareholders on their invoices and will provide long-term value for the organization.

To a stronger future,

Jarret W. Hann
Executive Director, Team PRP

Cc: Dan Snyder, President
Jim McKinney, Treasurer
Rachel Ehlers, Secretary
Patrick McKinney
Marty Myers
Richard Smith
Nick Roberts