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## North America Freight Transportation

**Freight Pulse 72 Shipper Survey: Something Stirring Behind the Curtain?**

FP72 offered up a mixed bag of results though for the first time in recent memory Transportation-specific takeaways were more bullish than overall economy takeaways. With the ongoing restock "limbo" still underway, this may signal Shippers starting to prepare for the coming upcycle.

**Freight/Macro Highlights:** (1) Shippers' View of the Economy Ticks Down Slightly Again And Remains Below LT Average; (2) Manufacturing and Retail Shippers See Decline While Food and Bev Become More Constructive; (3) Net Inventory Moves Further Into Negative Territory While Net Ordering Declines Into Uncharted Territory; (4) The Majority Of Shippers Continue To Expect to Maintain Inventories While The Need To Increase Inventory Remains Muted But Similar Seq.; (5) Over 90% of Respondents Expect Inventory to Normalize This Year; (6) Capacity Is A Mixed Bag: Barge Loosened Noticeably While Rail and Airfreight Tightened Seq., Though Most Modes Remain Relatively Loose; (7) Shippers See Service Levels Improve Across All Modes Except For LTL and IM

**Rail Highlights:** (1) Overall Rail Volume Expectations Inflect Sharply From Negative Territory Prior; (2) The Plurality of Shippers Expect No Change In Rate Growth YoY, While Rail Rate Expectations Tick Up and Enter Positive Territory Again; (3) Shippers Planning to Increase Rail Spend Moves Higher Seq., And Difficulty of Rate Negotiations Ticks Up; (4) Intermodal Discount To TL (Ex. Fuel) Ticks Back Down and Remains Well Below Historical Avg.; (5) Both Rail Service and Value For Dollar Move Lower Seq. After Recent Improvement

**Truck Highlights:** (1) Volume Growth Expectations Move Higher Across All Modes and Reenter Positive Territory; (2) Rate Expectations Continue to Move Up Across All Modes; IM and TL Remain In Negative Territory; (3) Shippers Expect Capacity to Loosen Across the Board; TL and IM Expected to be the Loosest Modes; (4) Fuel Efficiency Remains Most Important Driver To IM Growth; Value For Dollar Increases Everywhere Except Regional LTL, Rail And Airfreight; (5) TL Discounts as a Limiting Factor Reaches New Highs While Other Factors Noticeably Declines; (6) Shippers Shifting At Least Some Volume From TL To Rail Moves (Meaningfully) Higher For The First Time In Three Quarters; (7) Some Share Shifting To Truck As Well But Only Slightly Higher Seq.

**Parcel Highlights:** (1) Volume Growth Expectations Move Higher Across the Board; All Modes Back In Positive Territory; (2) Pricing Expectations Were Mixed Across Modes; (3) Carrier "Aggressiveness" Moves Higher For UPS While FDX Retreats From Highs, But Remains Relatively Aggressive; (4) % Of Shippers Expecting To Ship A Slightly Larger Portion Of Volumes As B2C Increases Seq. While Slightly Smaller Portion Moves to 0%; (5) Rate Discounts Tick Down Across The Board, Though FDX Air Remains Inline Seq.; (6) Ground Value For Dollar Moves Higher For FDX Ground While UPS Ground Remains Stable; (7) Airfreight Capacity Tightens Slightly Seq.; (8) While Ocean Capacity Remains On The Looser Side

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**Freight Pulse: General Freight and Macro Highlights**

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# General Freight and Macro Highlights

**Freight Pulse: General Freight and Macro Key Takeaways**

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**1. Economic Outlook**

- Shippers' View of the Economy Ticks Down Slightly Again And Remains Below LT Average

**2. Economic Outlook by Industry**

- Manufacturing and Retail Shippers See Decline While Food and Bev Become More Constructive

**3. Net Inventories**

- Net Inventory Moves Further Into Negative Territory While Net Ordering Declines Into Uncharted Territory

**4. Inventory Ordering Plans**

- The Majority Of Shippers Continue To Expect to Maintain Inventories While The Need To Increase Inventory Remains Muted But Similar Seq.

**5. Inventory Normalization**

- Over 90% of Respondents Expect Inventory to Normalize This Year

**6. Capacity Expectations**

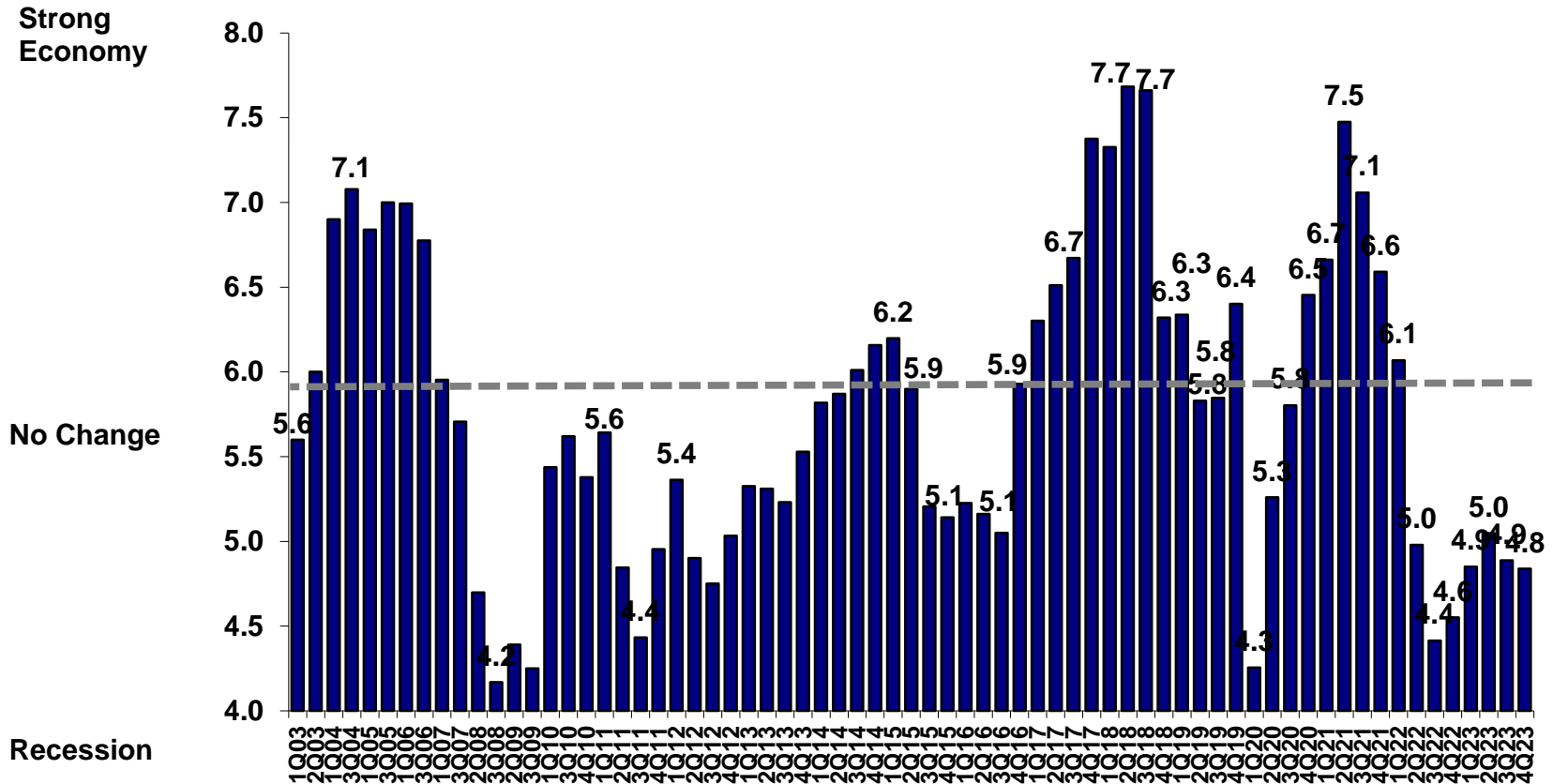
- Capacity Is A Mixed Bag: Barge Loosened Noticeably While Rail and Airfreight Tightened Seq., Though Most Modes Remain Relatively Loose

**7. Service Trends**

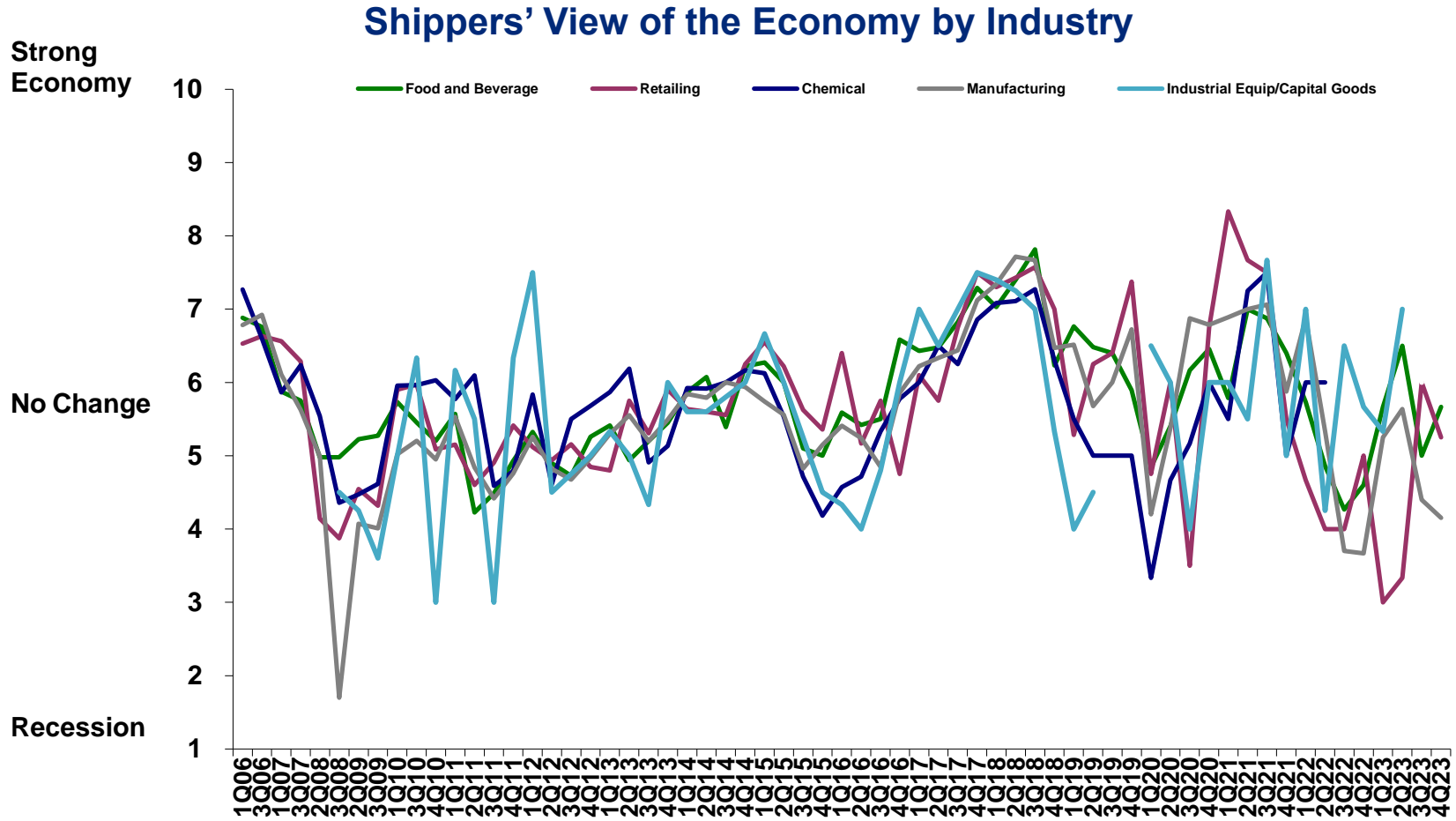
- Shippers See Service Levels Improve Across All Modes Except For LTL and IM

# 1. Shippers' View of the Economy Ticks Down Slightly Again And Remains Below LT Average

## State of the Economy from Shippers' Perspective

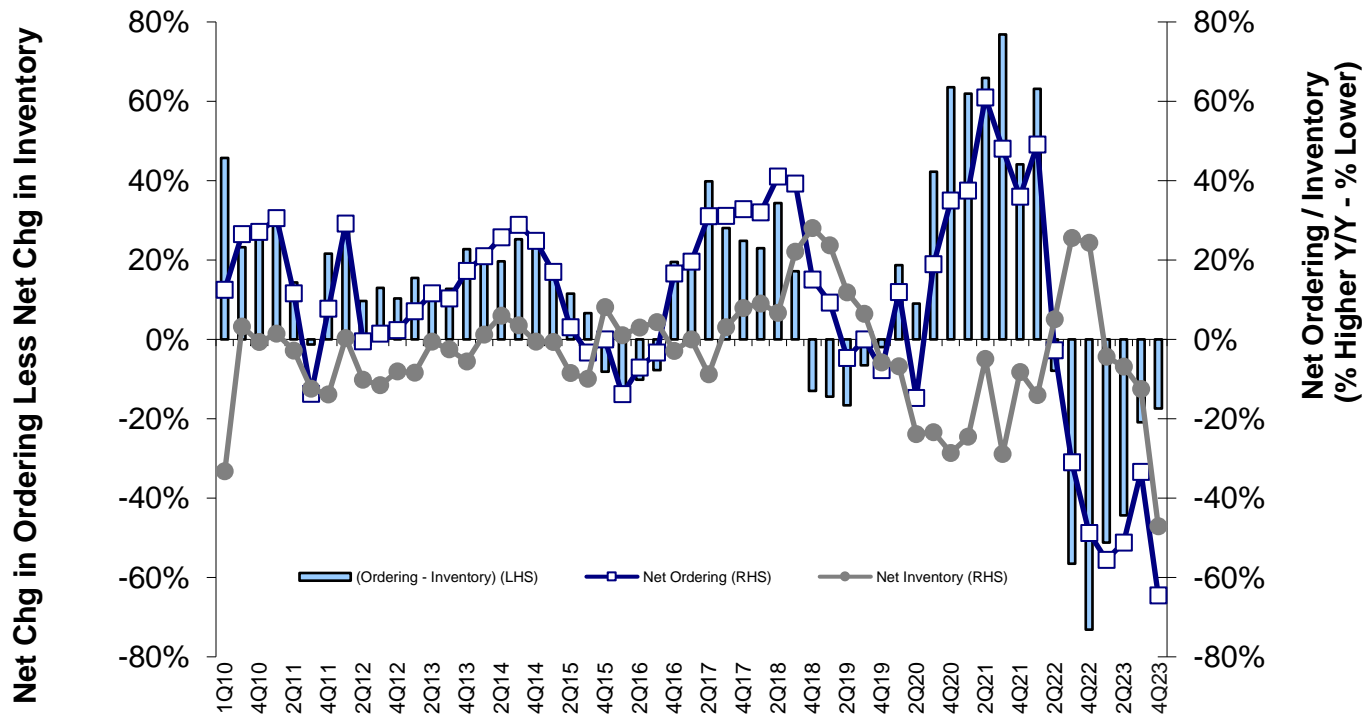


## 2. Manufacturing and Retail Shippers See Decline While Food and Bev Become More Constructive



### 3. Net Inventory Moves Further Into Negative Territory While Net Ordering Declines Into Uncharted Territory

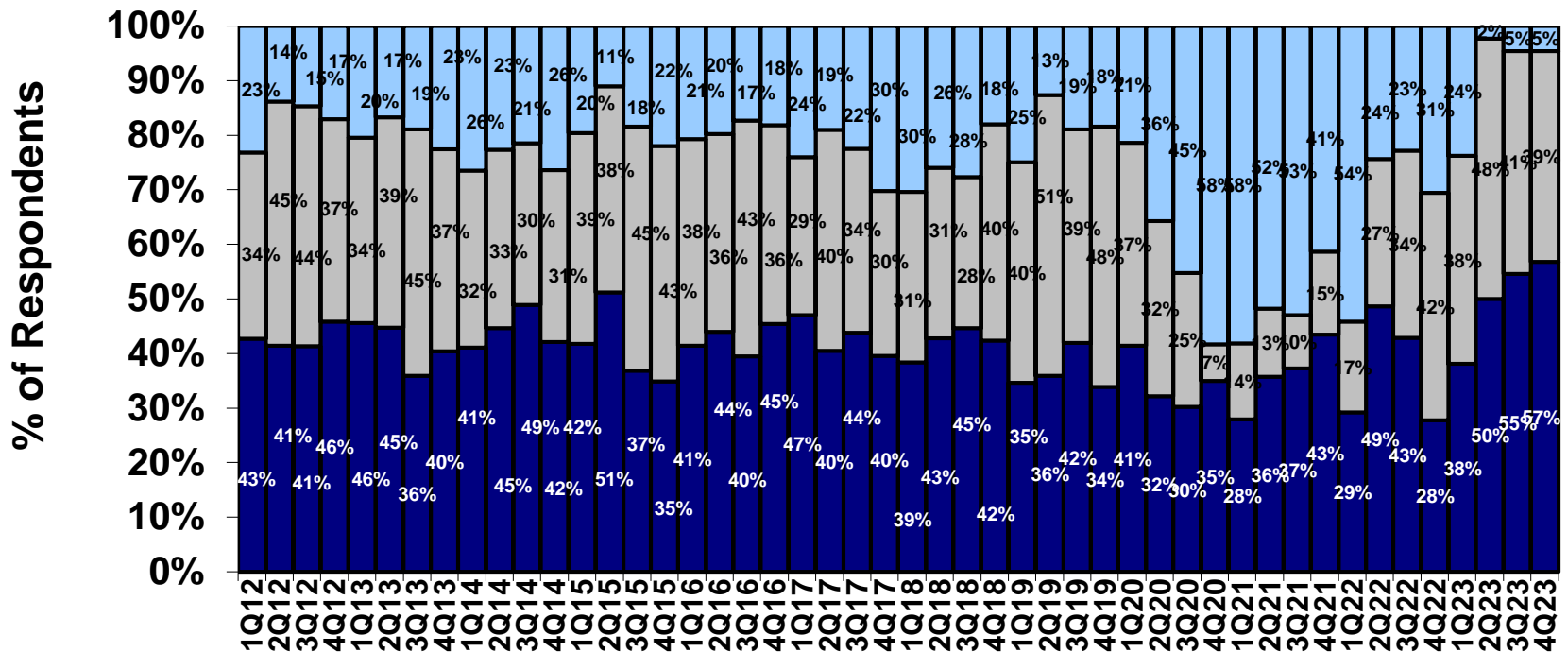
#### Shippers' Net Y/Y Orders vs. Net Y/Y Inventory



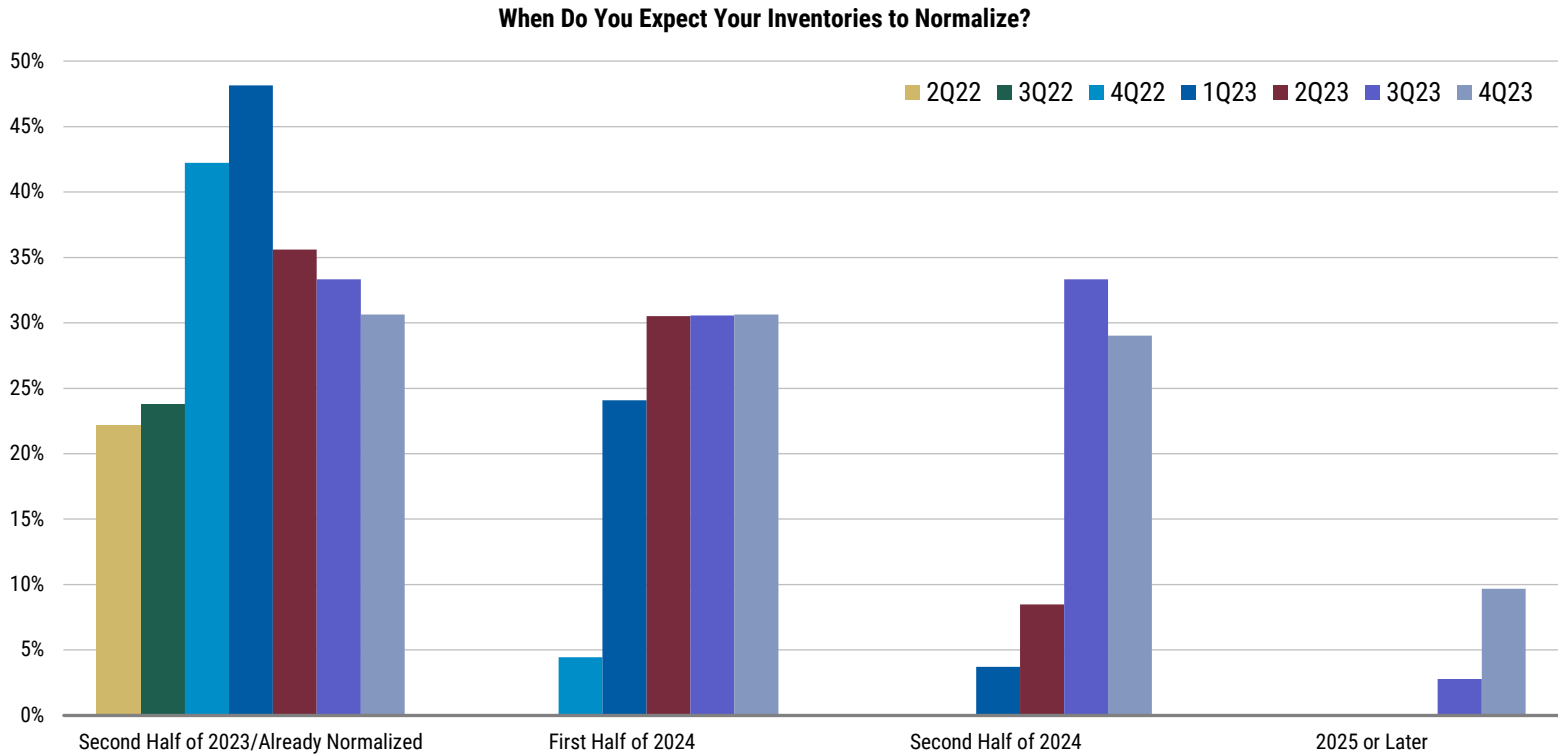
## 4. The Majority Of Shippers Continue To Expect to Maintain Inventories While The Need To Increase Inventory Remains Muted But Similar Seq.

### Shippers' Inventory Plans

■ Maintain current inventory levels    
 ■ Reduce inventory levels    
 ■ Increase inventory levels



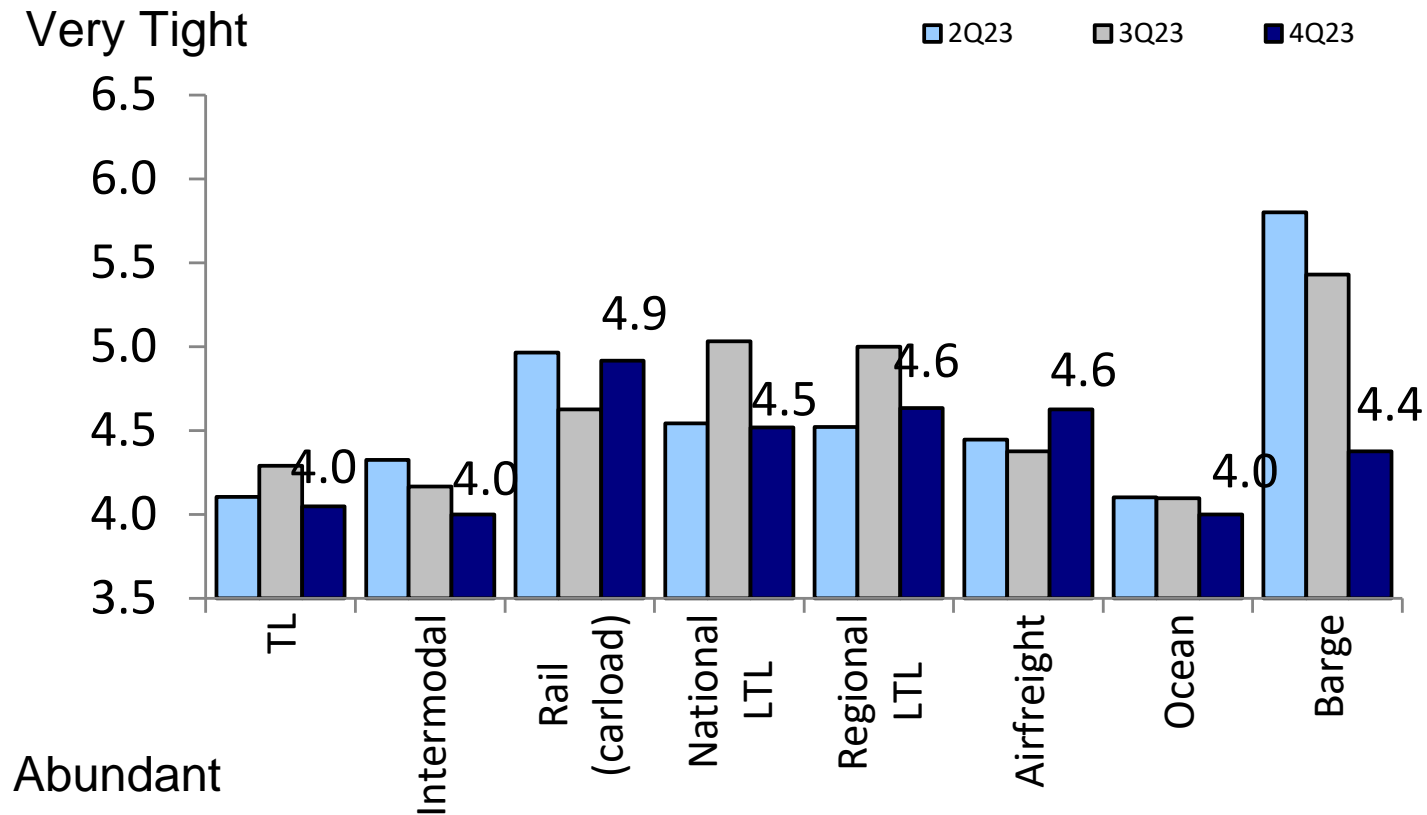
## 5. Over 90% of Respondents Expect Inventory to Normalize This Year





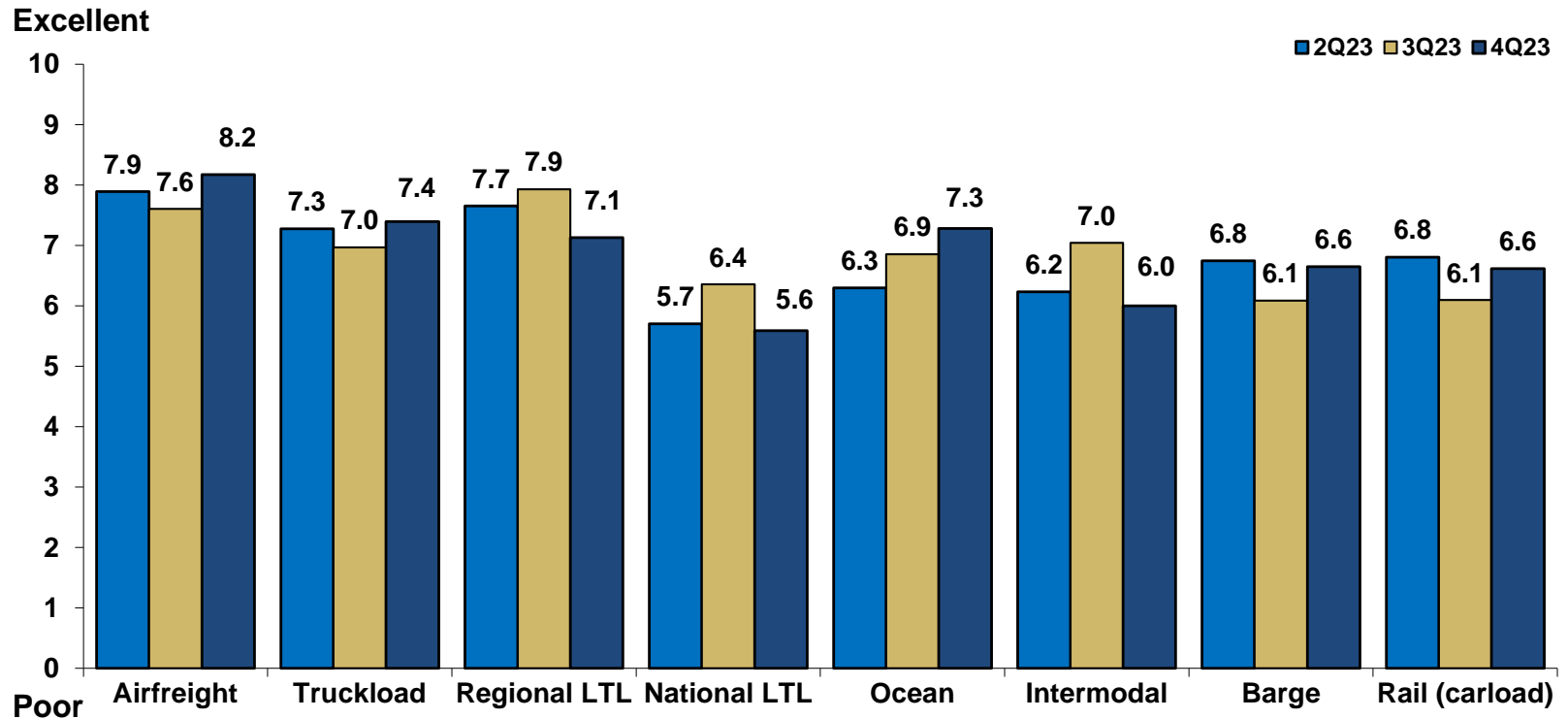
## 6. Capacity Is A Mixed Bag: Barge Loosened Noticeably While Rail and Airfreight Tightened Seq., Though Most Modes Remain Relatively Loose

### Projected Capacity in 6 Months



## 7. Shippers See Service Levels Improve Across All Modes Except For LTL and IM

How would you rate service levels among different modes of transportation for the past 6 months?



**Freight Pulse: Railroad Highlights**

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# Railroad Highlights

## Freight Pulse: Rail Key Takeaways

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### 1. Rail Volume

- Overall Rail Volume Expectations Inflect Sharply From Negative Territory Prior

### 2. Pricing

- The Plurality of Shippers Expect No Change In Rate Growth YoY, While Rail Rate Expectations Tick Up and Enter Positive Territory Again

### 3. Spending

- Shippers Planning to Increase Rail Spend Moves Higher Seq., And Difficulty of Rate Negotiations Ticks Up

### 4. Intermodal

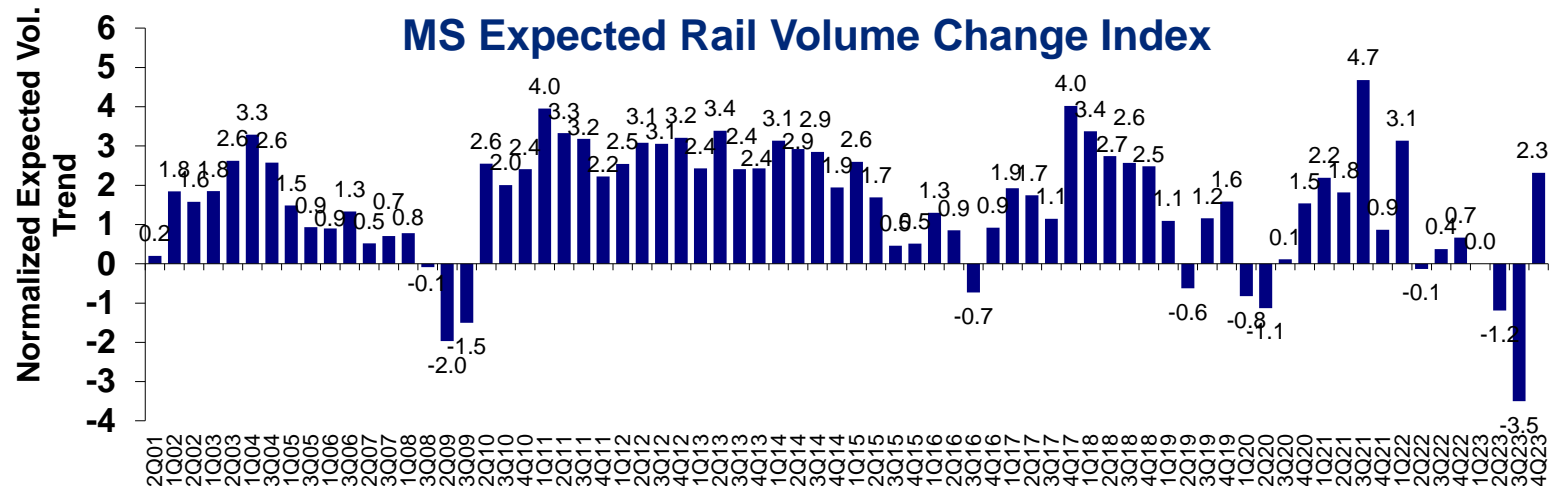
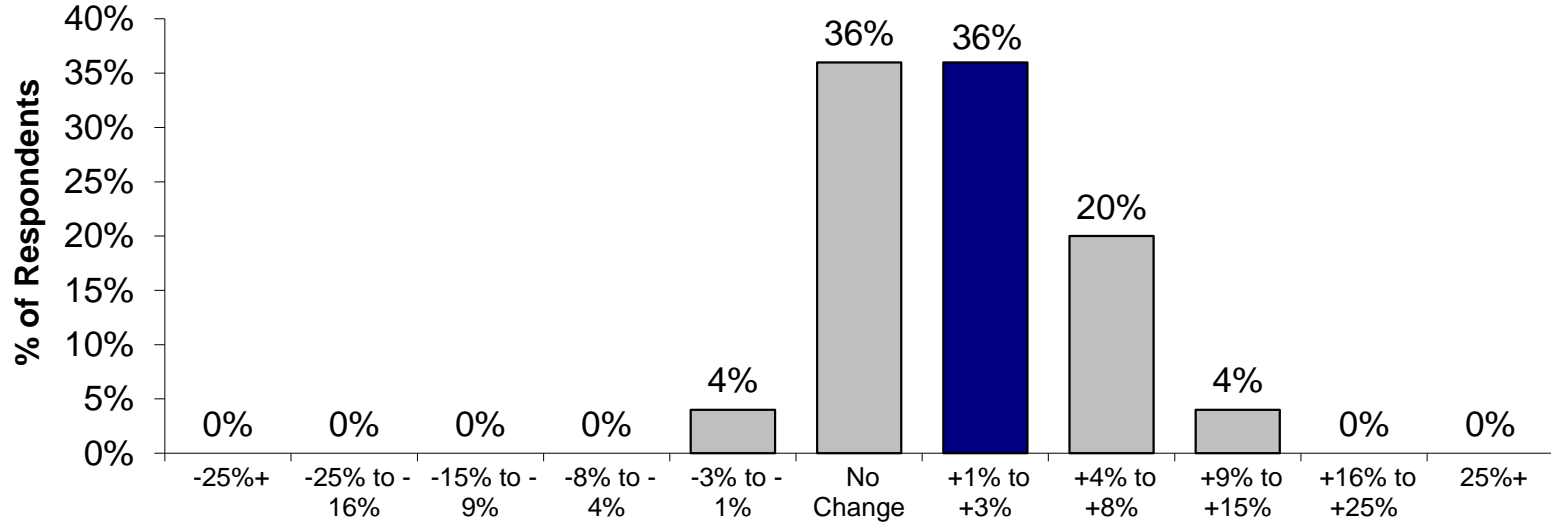
- Intermodal Discount To TL (Ex. Fuel) Ticks Back Down and Remains Well Below Historical Avg.

### 5. Service Trends

- Both Rail Service and Value For Dollar Move Lower Seq. After Recent Improvement

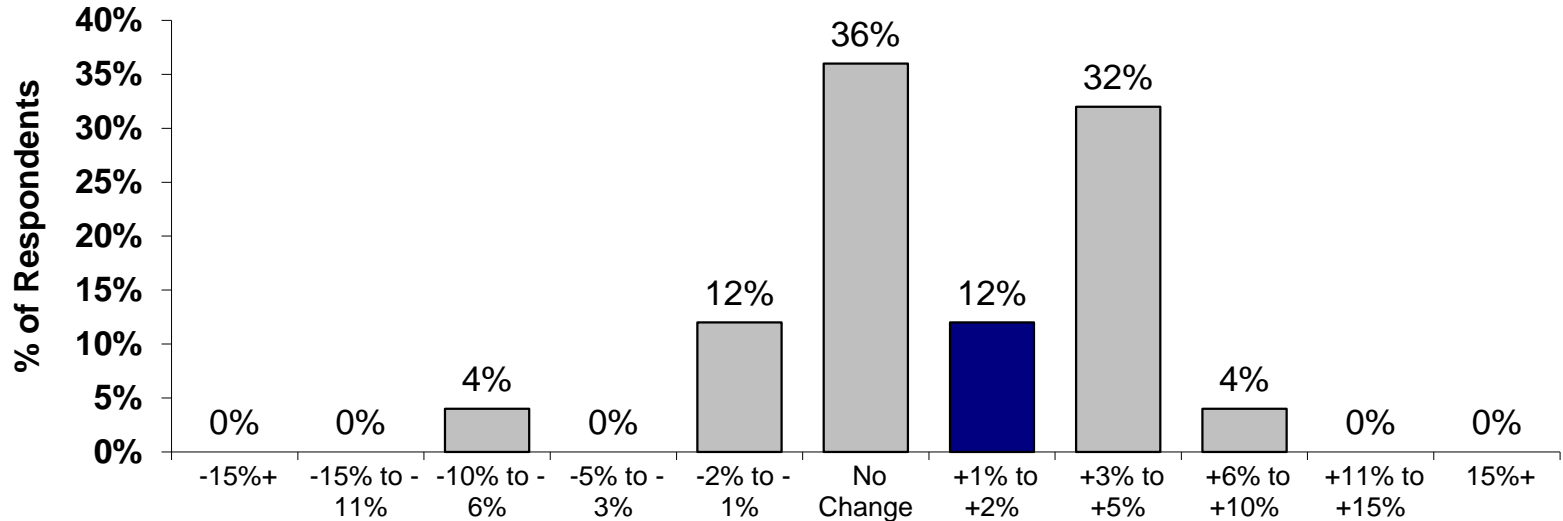
# 1. Overall Rail Volume Expectations Inflect Sharply From Negative Territory Prior

## YoY Volume Growth Expectations for Next 6 Mo. by Range

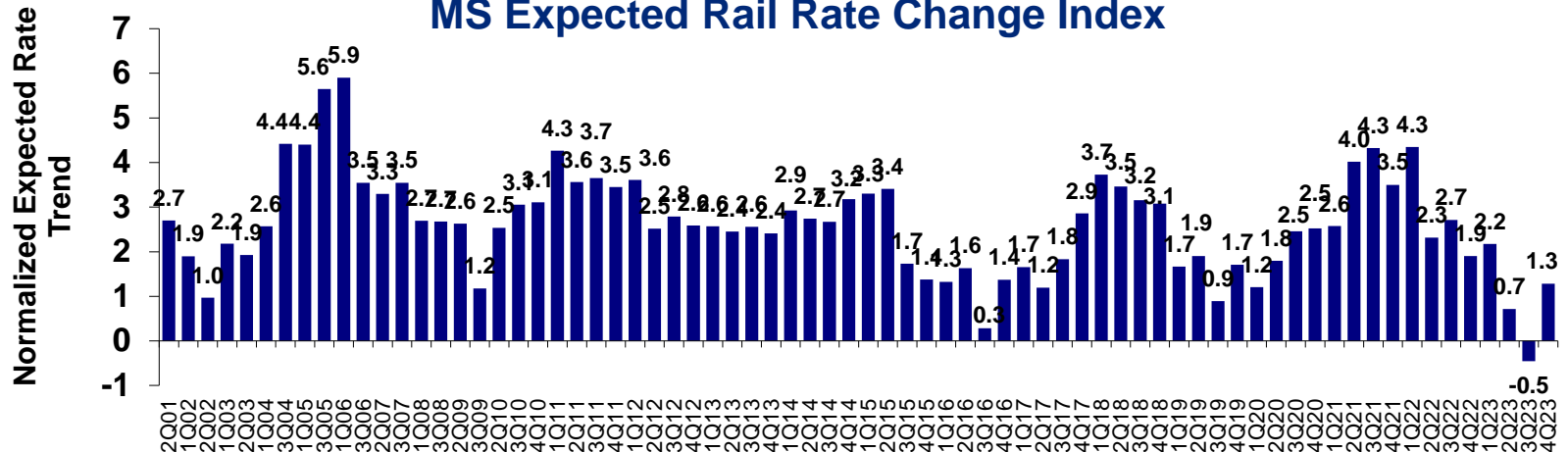


## 2. The Plurality of Shippers Expect No Change In Rate Growth YoY, While Rail Rate Expectations Tick Up and Enter Positive Territory Again

### YoY Rate Growth Expectations for Next 6 Mo. by Range

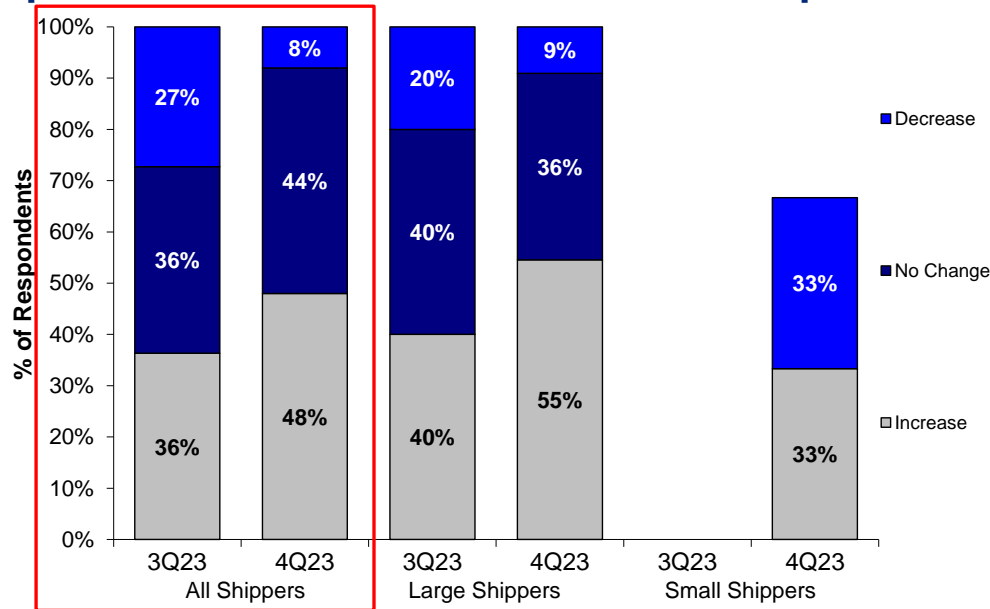


### MS Expected Rail Rate Change Index

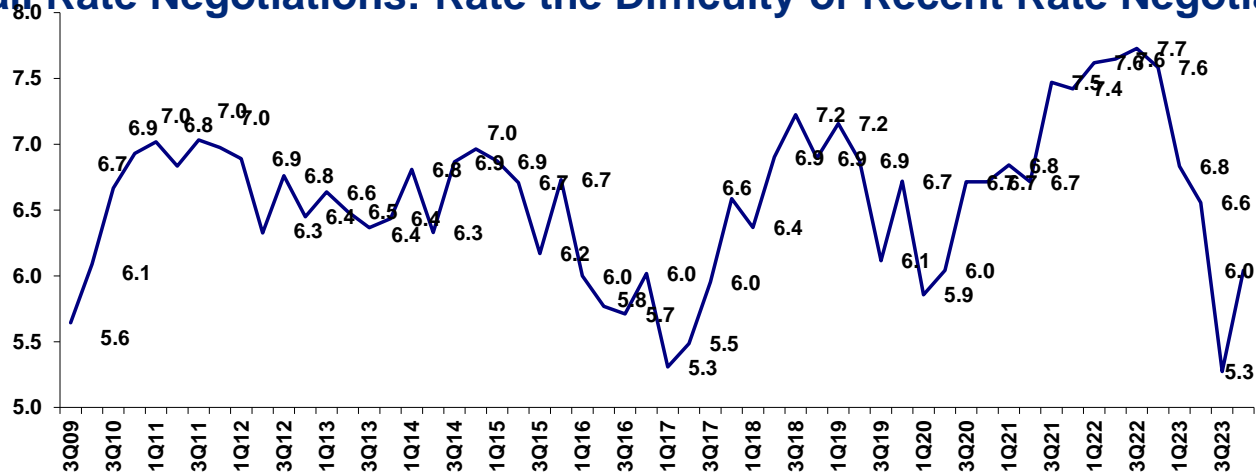


### 3. Shippers Planning to Increase Rail Spend Moves Higher Seq., And Difficulty of Rate Negotiations Ticks Up

Rail Spend Forward 6 Month YoY Growth Expectations

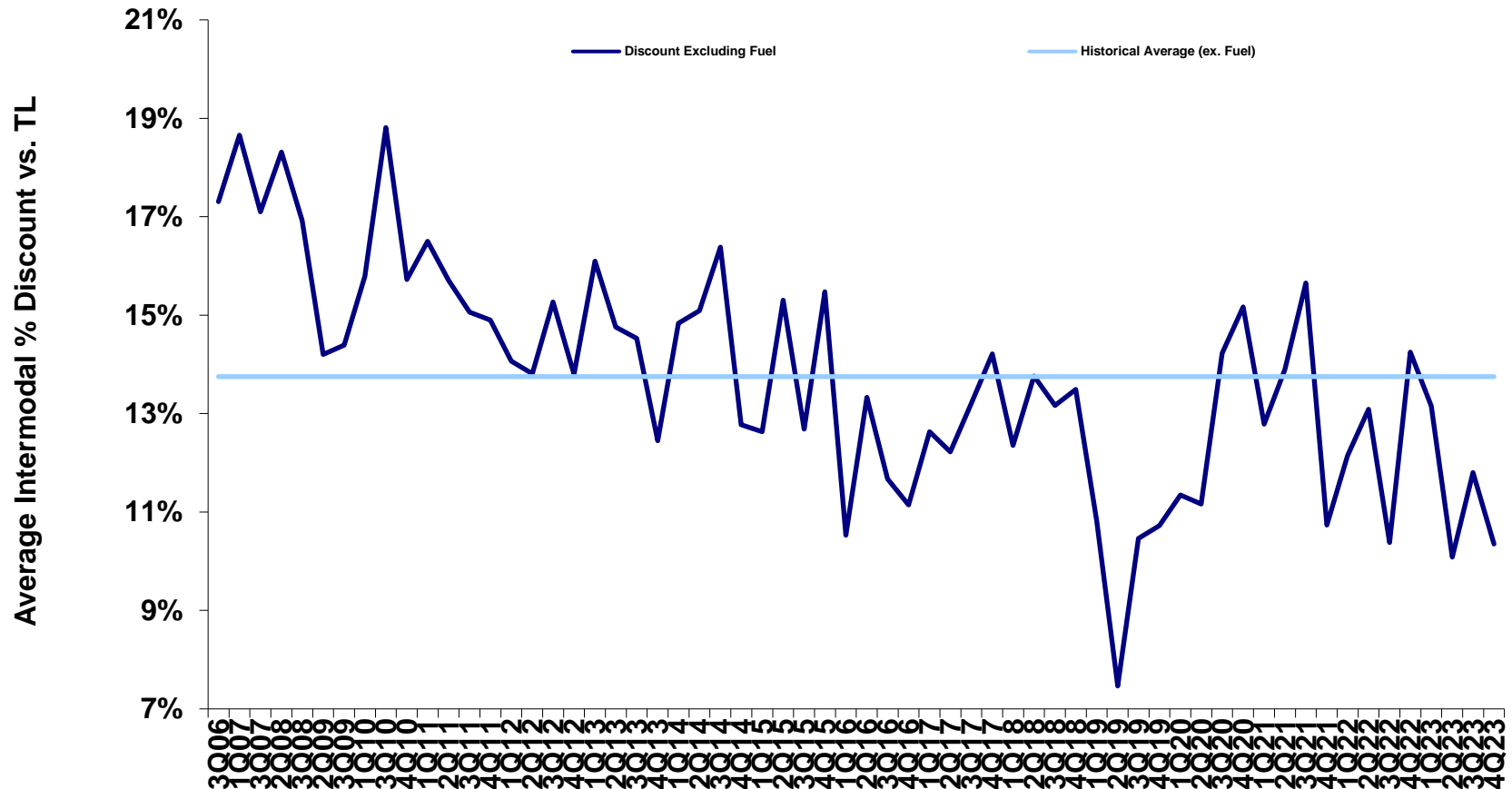


Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations



## 4. Intermodal Discount To TL (Ex. Fuel) Ticks Back Down and Remains Well Below Historical Avg.

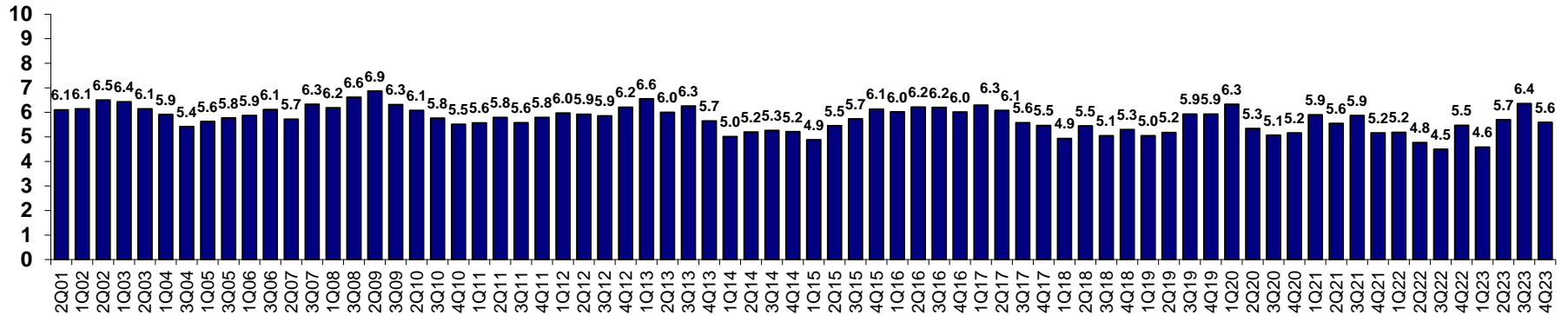
What discount is being offered in the marketplace for intermodal services when compared to TL services in a similar lane?



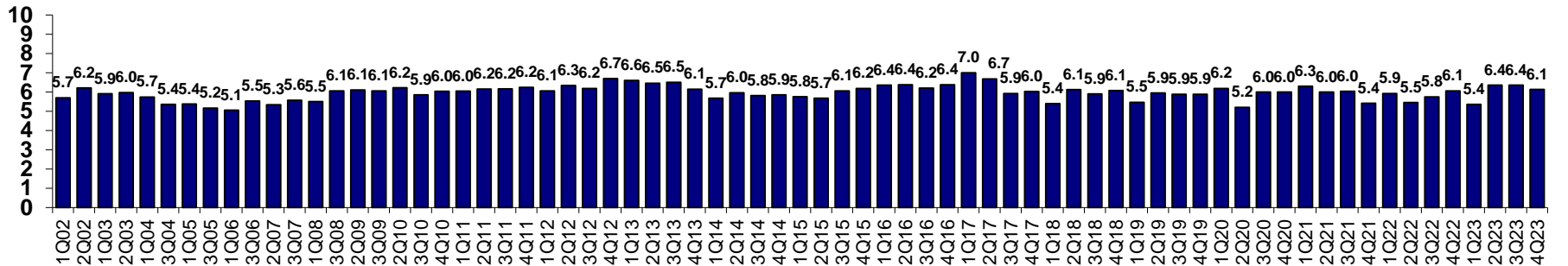


## 5. Both Rail Service and Value For Dollar Move Lower Seq. After Recent Improvement

### Service Reliability (Scale 1 = Worst to 10 = Best)



### Value for Dollar (Scale 1 = Worst to 10 = Best)



## Freight Pulse: Trucking Highlights

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# Trucking Highlights

## Freight Pulse: Trucking Key Takeaways

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### 1. Truck Volume

- Volume Growth Expectations Move Higher Across All Modes and Reenter Positive Territory

### 2. Pricing

- Rate Expectations Continue to Move Up Across All Modes; IM and TL Remain In Negative Territory

### 3. Capacity

- Shippers Expect Capacity to Loosen Across the Board; TL and IM Expected to be the Loosest Modes

### 4. Intermodal Use

- Fuel Efficiency Remains Most Important Driver To IM Growth; Value For Dollar Increases Everywhere Except Regional LTL, Rail And Airfreight

### 5. Intermodal Cost

- TL Discounts As A Limiting Factor Reaches New Highs While Other Factors Noticeably Declines

### 6. Truck to Rail

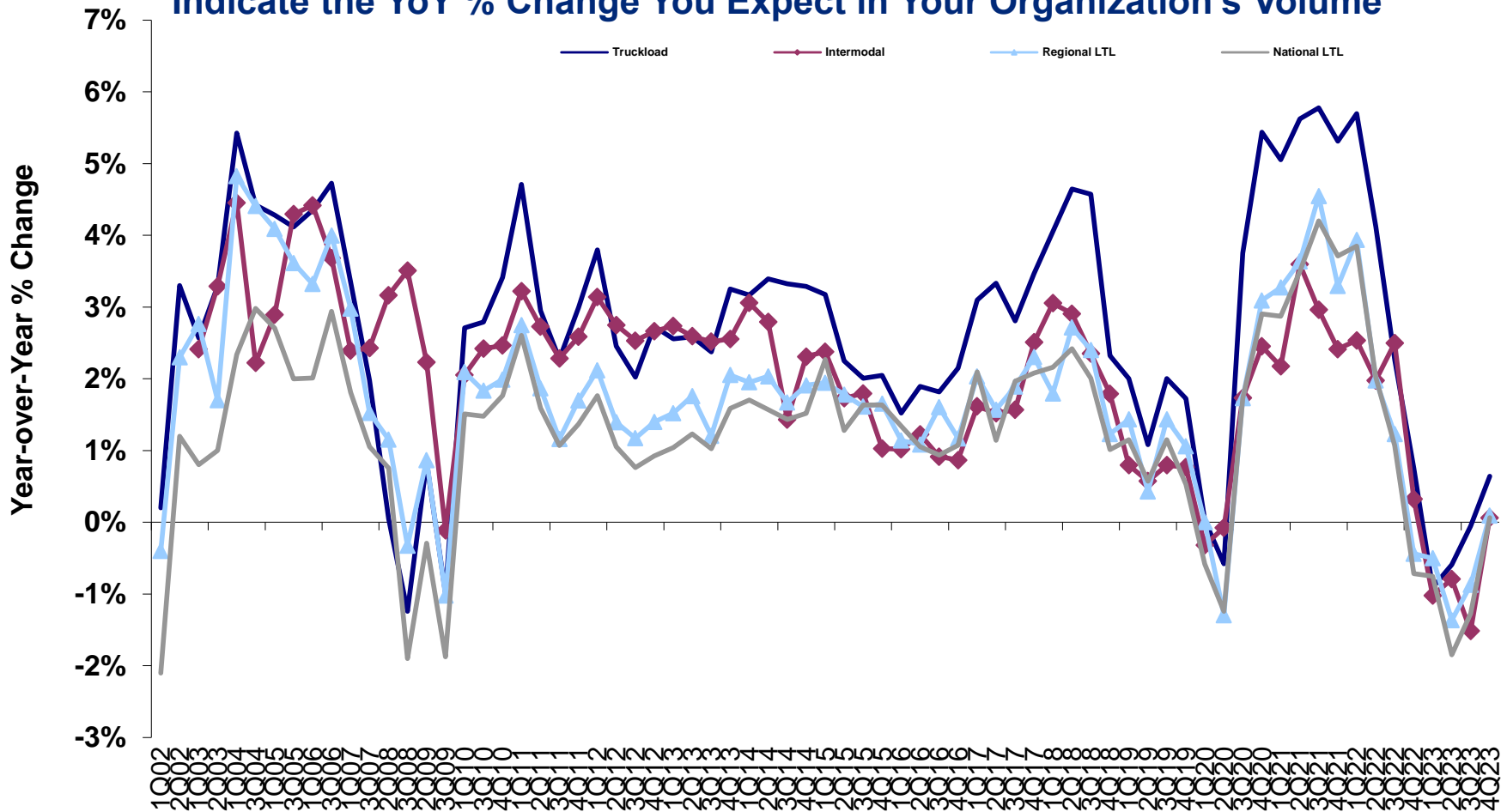
- Shippers Shifting At Least Some Volume From TL To Rail Moves (Meaningfully) Higher For The First Time In Three Quarters

### 7. Rail to Truck

- Some Share Shifting To Truck As Well But Only Slightly Higher Seq.

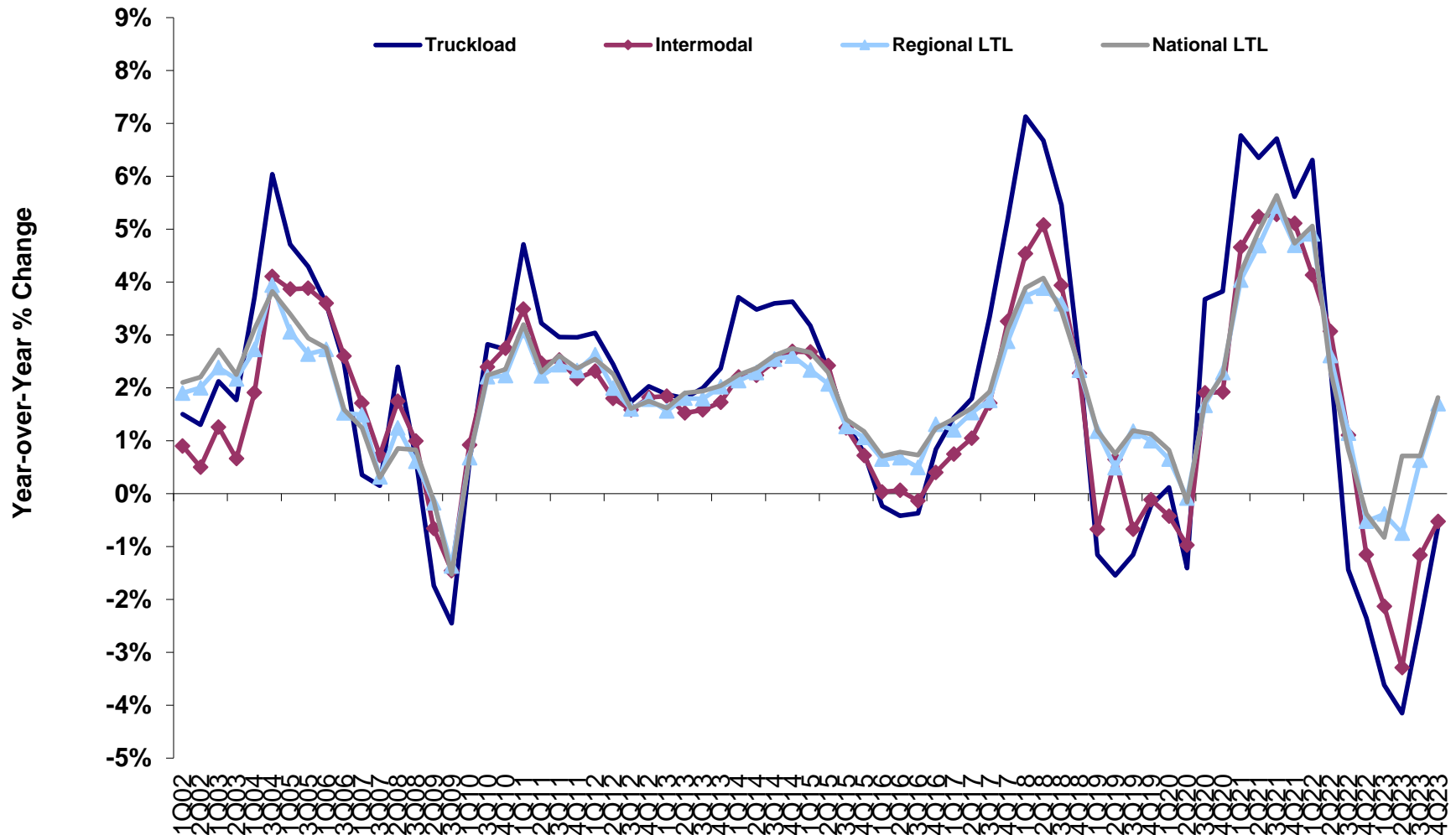
# 1. Volume Growth Expectations Move Higher Across All Modes and Reenter Positive Territory

Indicate the YoY % Change You Expect in Your Organization's Volume



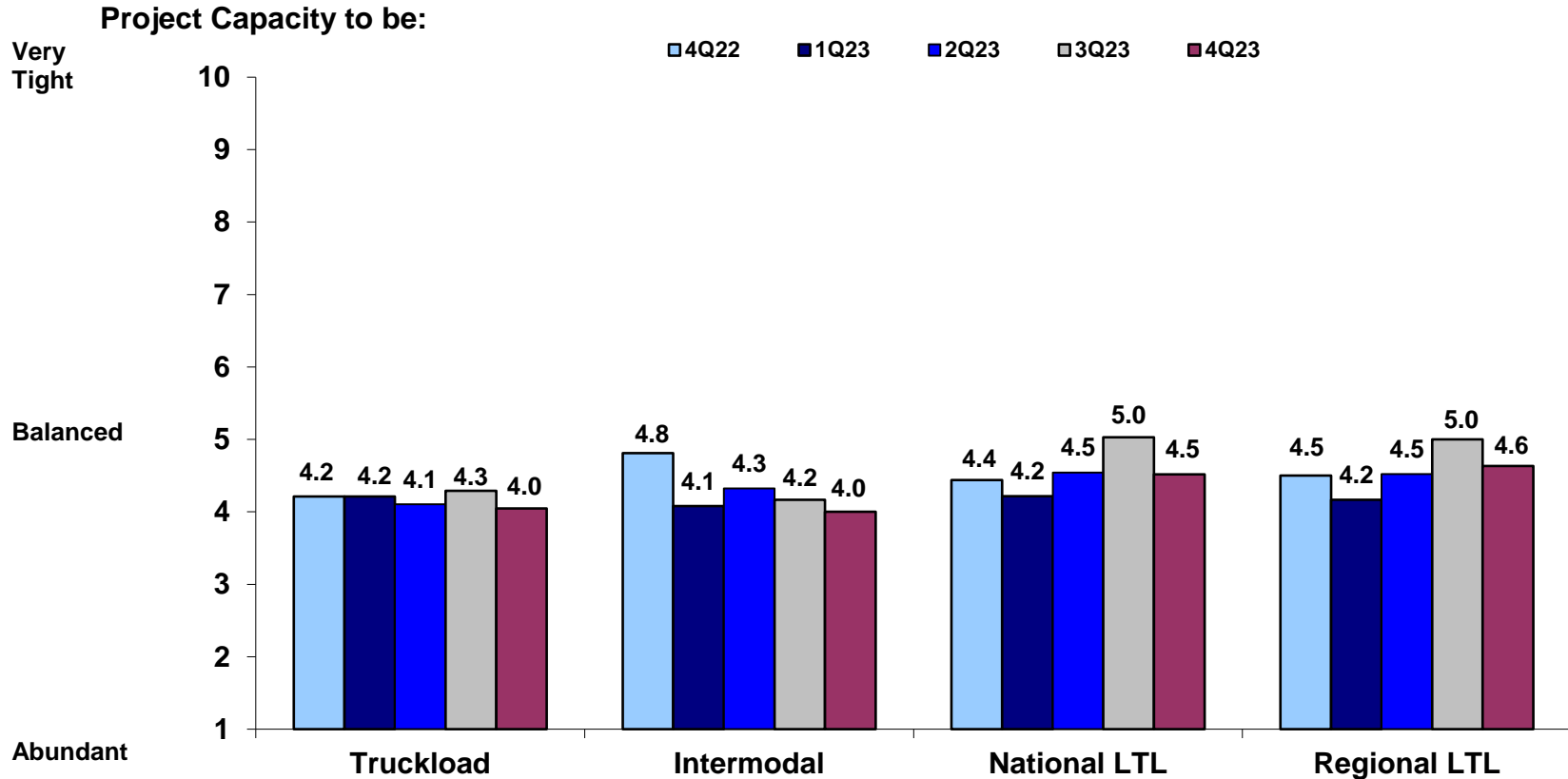
## 2. Rate Expectations Continue to Move Up Across All Modes; IM and TL Remain In Negative Territory

Indicate the YoY % Change You Expect in Your Organization's Base Rates



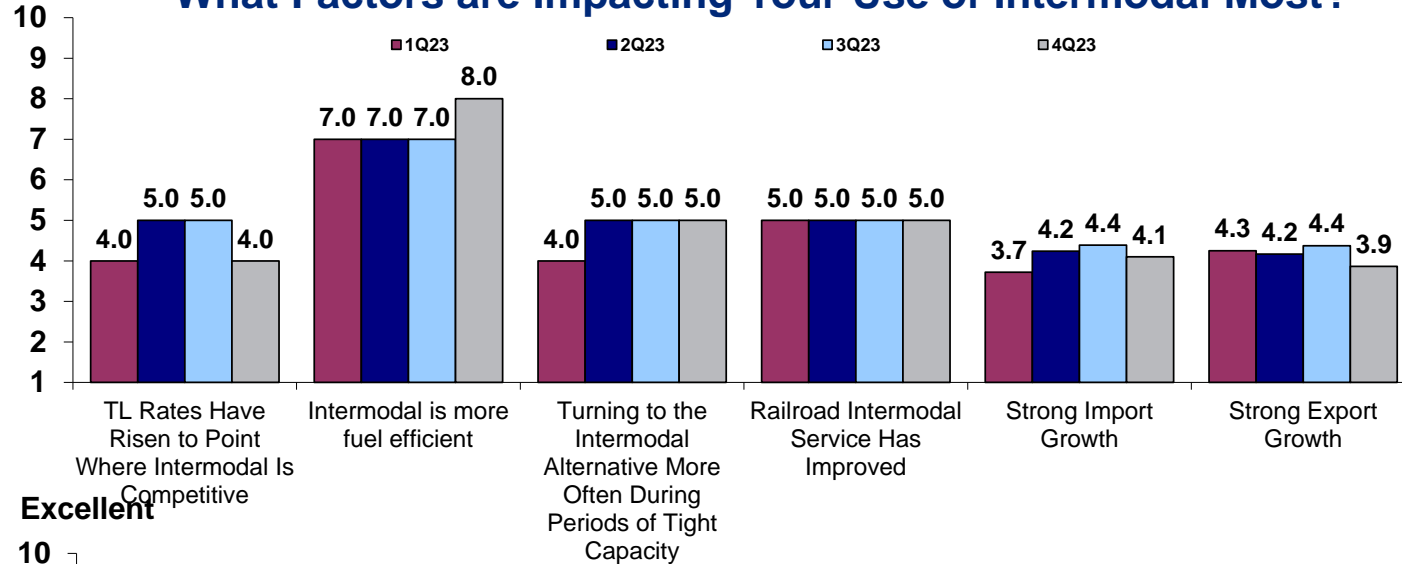
### 3. Shippers Expect Capacity to Loosen Across the Board; TL and IM Expected to be the Loosest Modes

#### What are your Expectations for Capacity in 6 Months?



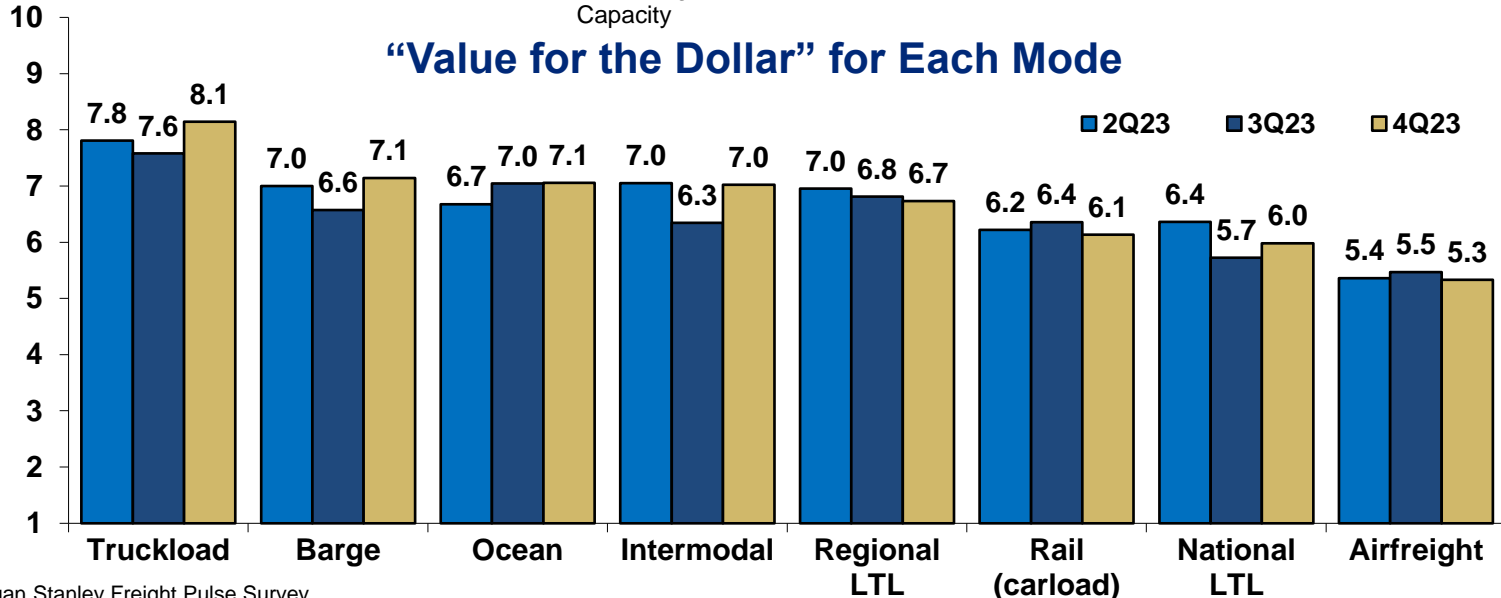
## 4. Fuel Efficiency Remains Most Important Driver To IM Growth; Value For Dollar Increases Everywhere Except Regional LTL, Rail And Airfreight

### What Factors are Impacting Your Use of Intermodal Most?



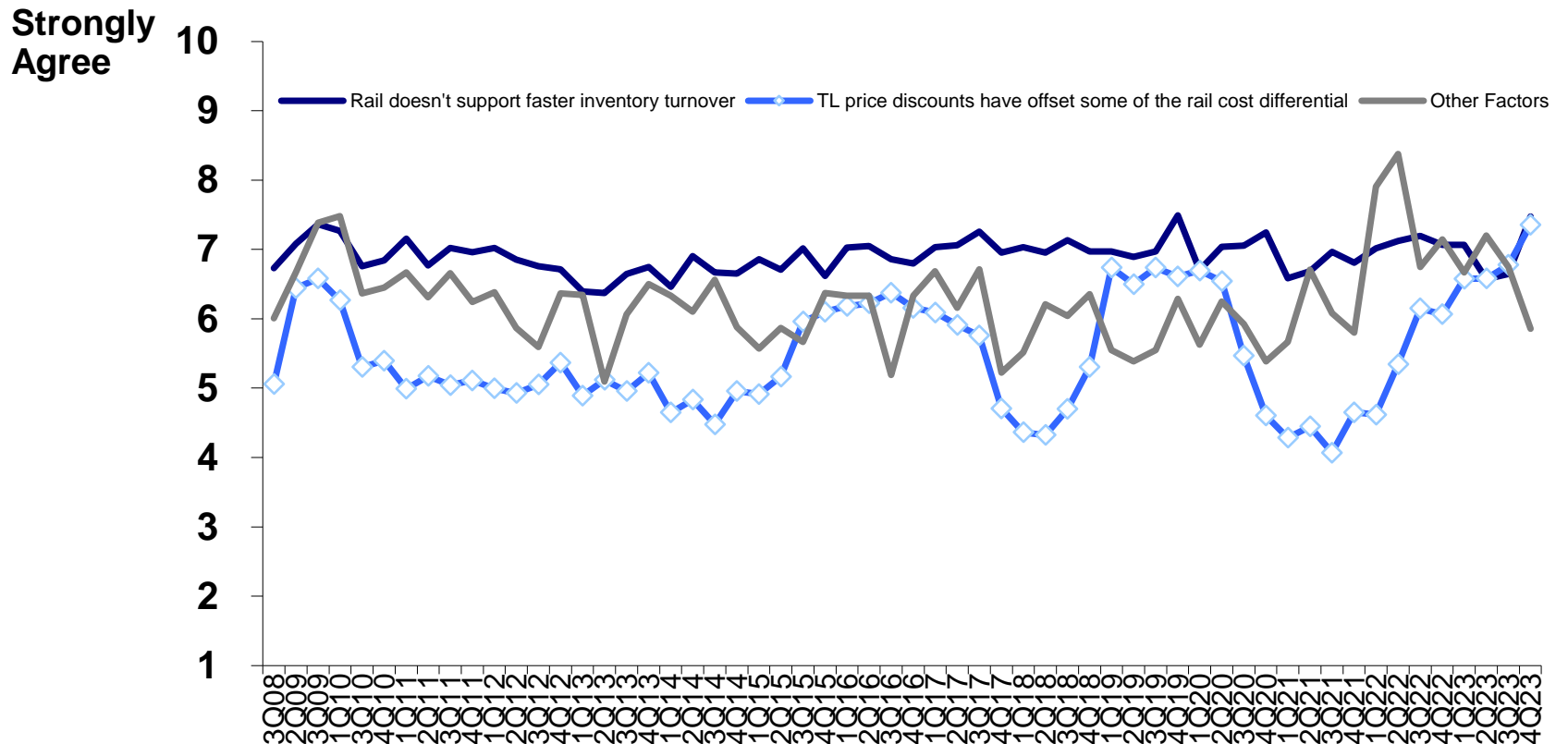
Excellent

### “Value for the Dollar” for Each Mode



# 5. TL Discounts as a Limiting Factor Reaches New Highs While Other Factors Noticeably Declines

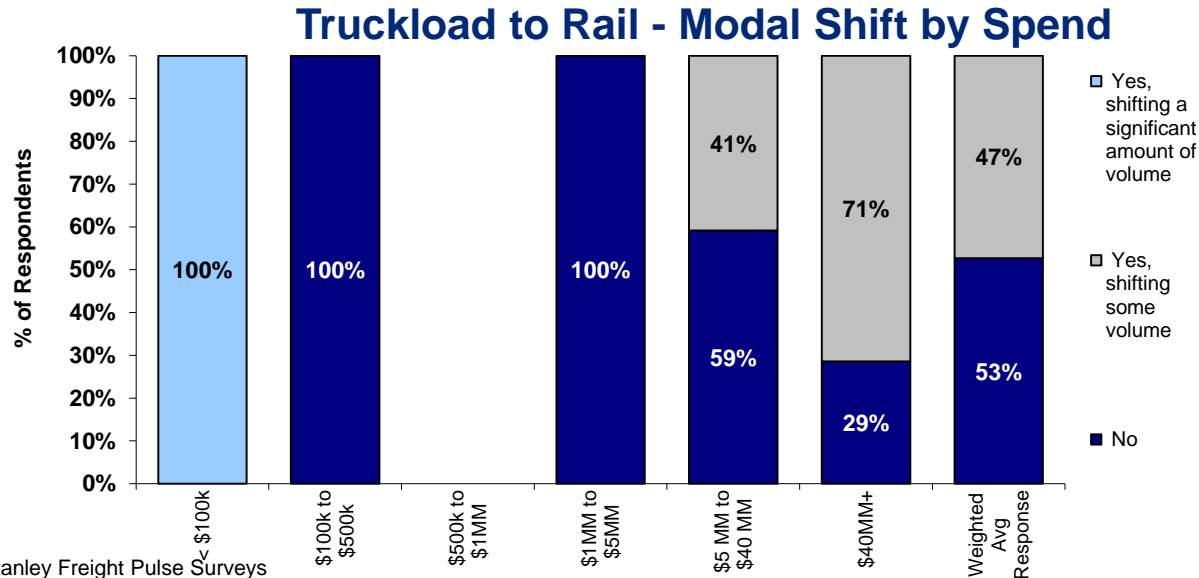
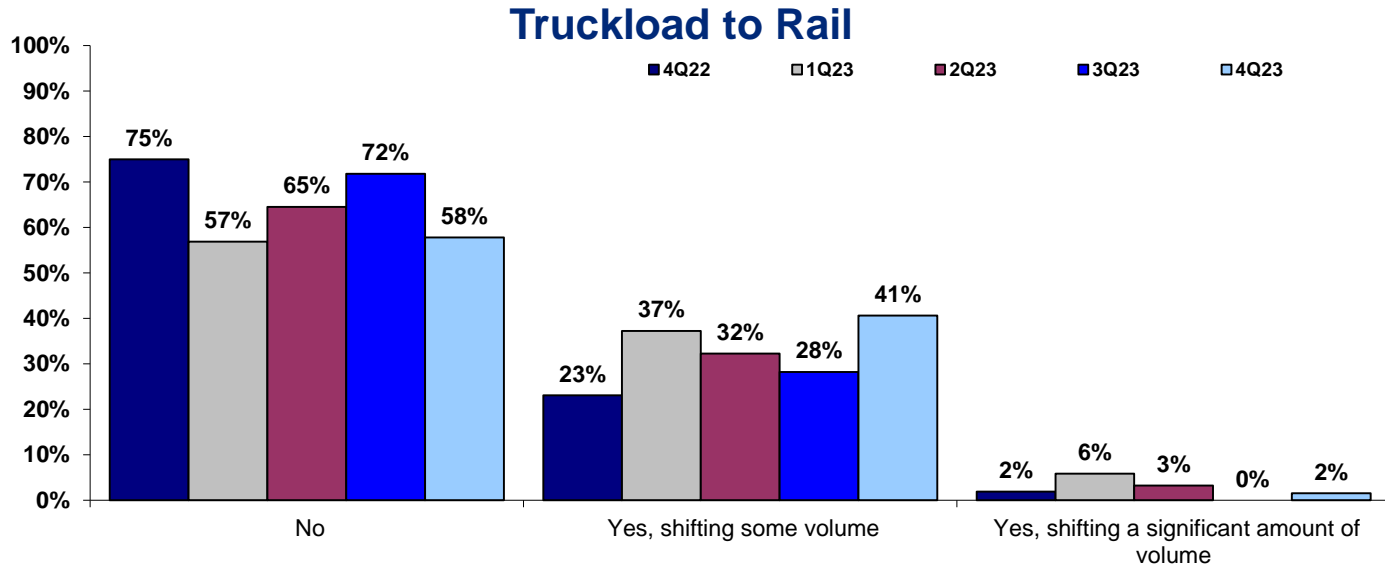
## What Factors are Limiting your Organization from Shipping More Volume on the Railroads?



Source: Morgan Stanley Freight Pulse Surveys



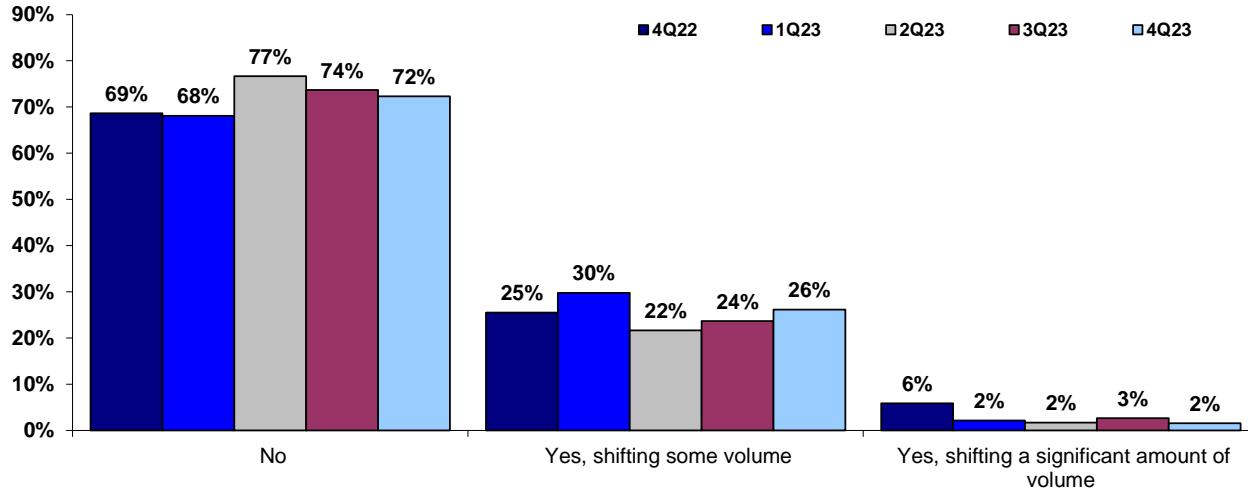
## 6. Shippers Shifting At Least Some Volume From TL To Rail Moves (Meaningfully) Higher For The First Time In Three Quarters



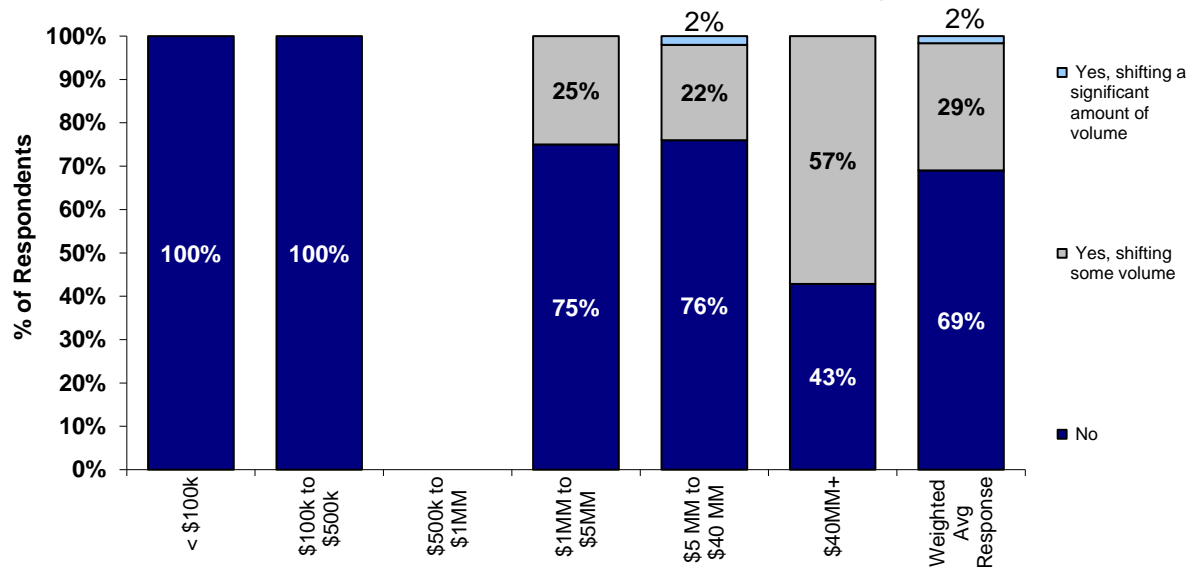
Source: Morgan Stanley Freight Pulse Surveys

## 7. Some Share Shifting To Truck As Well But Only Slightly Higher Seq.

### Rail to Truckload



### Rail to Truckload - Modal Shift by Spend



**Freight Pulse: Parcel Highlights**

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# Parcel Highlights

## Freight Pulse: Parcel Key Takeaways



### 1. Parcel Volumes

- Volume Growth Expectations Move Higher Across the Board; All Modes Back In Positive Territory

### 2. Pricing

- Pricing Expectations Were Mixed Across Modes

### 3. Competition

- Carrier “Aggressiveness” Moves Higher For UPS While FDX Retreats From Highs, But Remains Relatively Aggressive

### 4. B2C

- % Of Shippers Expecting To Ship A Slightly Larger Portion Of Volumes As B2C Increases Seq. While Slightly Smaller Portion Moves to 0%

### 5. Rate Discounts

- Rate Discounts Tick Down Across The Board, Though FDX Air Remains Inline Seq.

### 6. Value for Dollar

- Ground Value For Dollar Moves Higher For FDX Ground While UPS Ground Remains Stable

### 7. Airfreight

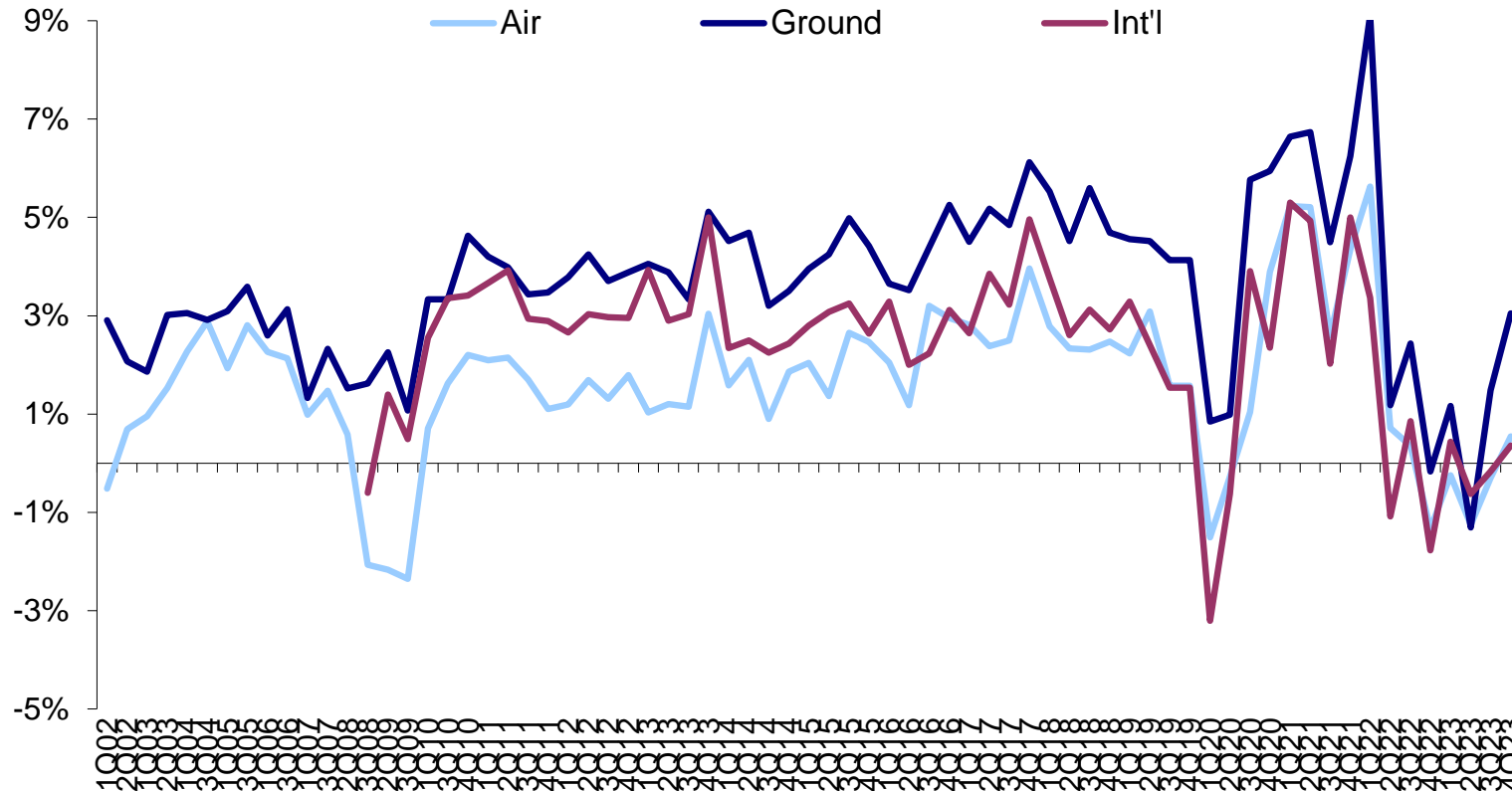
- Airfreight Capacity Tightens Slightly Seq.

### 8. Ocean

- While Ocean Capacity Remains On The Looser Side

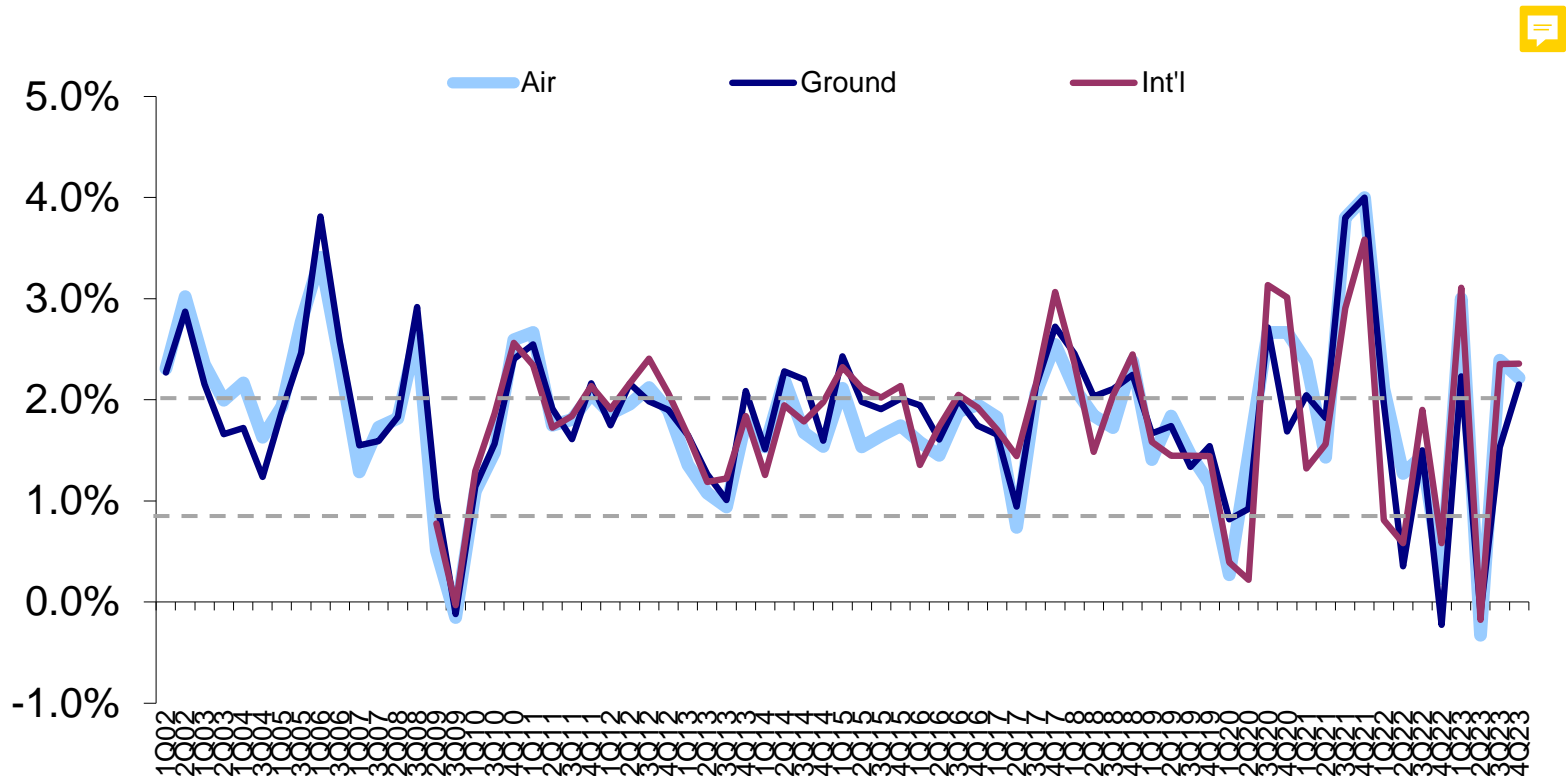
# 1. Volume Growth Expectations Move Higher Across the Board; All Modes Back In Positive Territory

## Volume Growth Expectations “Over the Next 6 Months” vs. Last Year



## 2. Pricing Expectations Were Mixed Across Modes

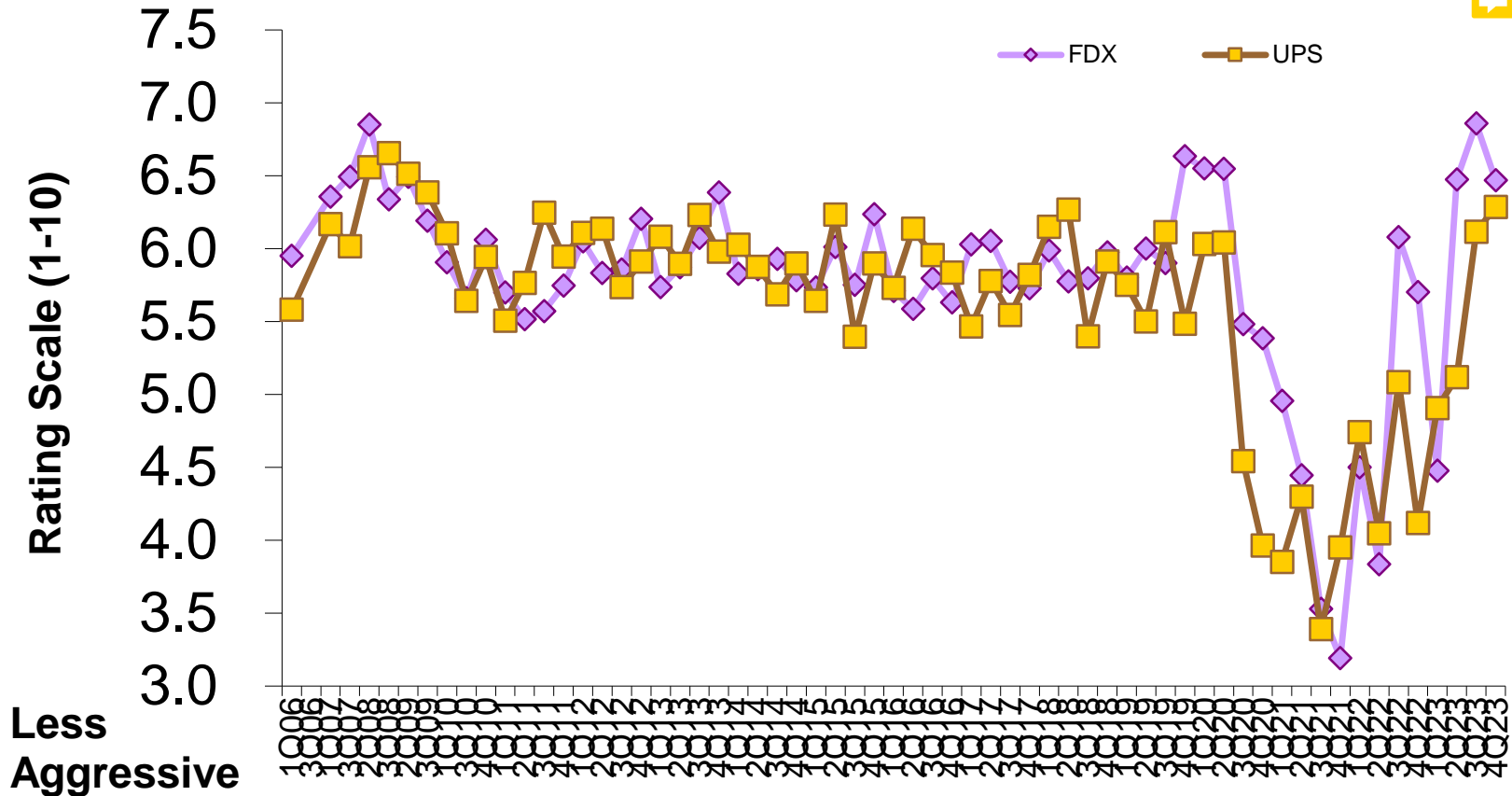
### Average Base Rate Expectations “Over the Next 6 Months” vs. Last Year



### 3. Carrier “Aggressiveness” Moves Higher For UPS While FDX Retreats From Highs, But Remains Relatively Aggressive

#### Parcel Shippers’ Rankings of Carriers’ “Aggressiveness” in Trying to Win Business Over Past Six Months

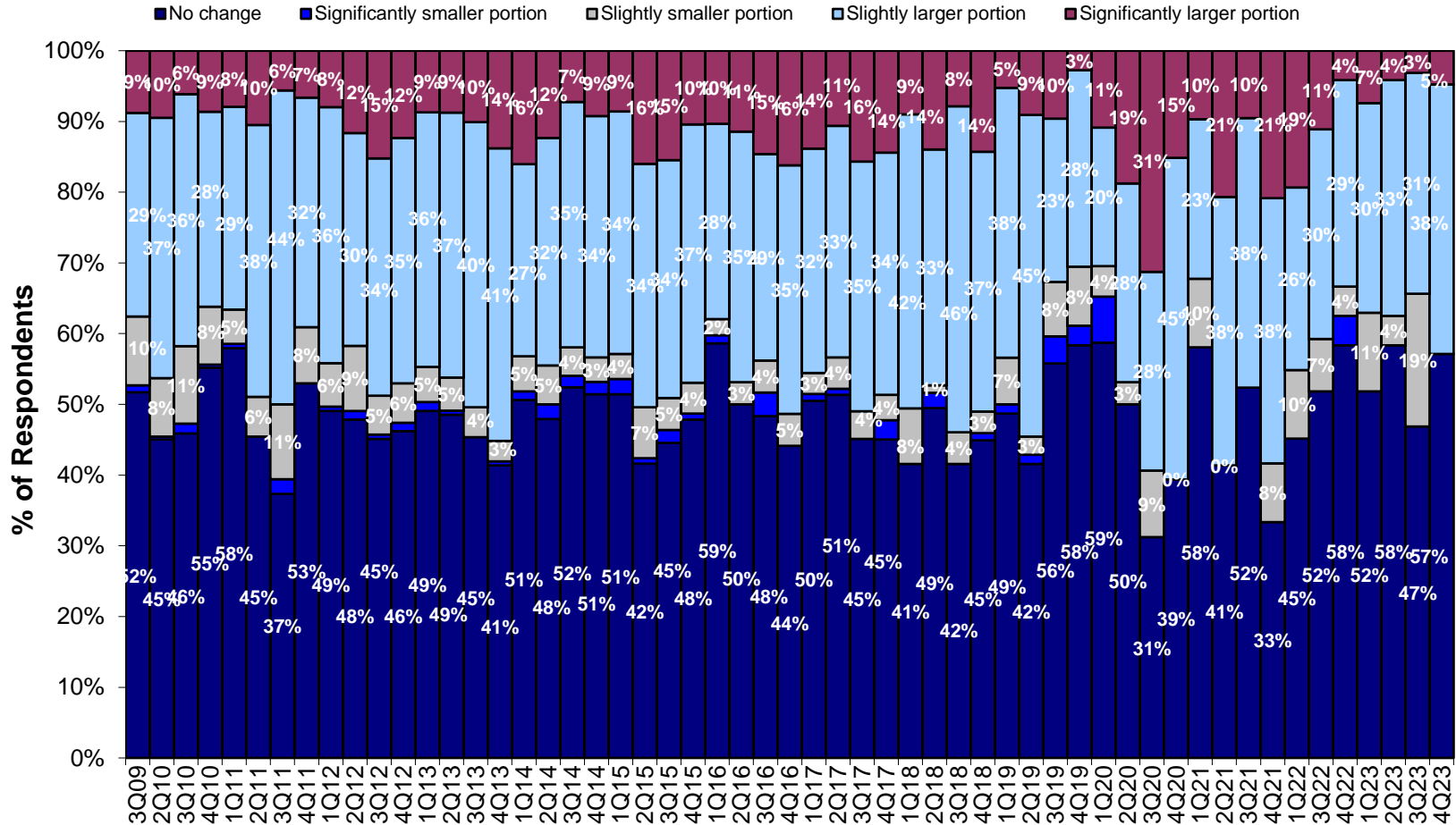
More Aggressive



Source: Morgan Stanley Parcel Survey

# 4. % Of Shippers Expecting To Ship A Slightly Larger Portion Of Volumes As B2C Increases Seq. While Slightly Smaller Portion Moves to 0%

## B2C as % of Total



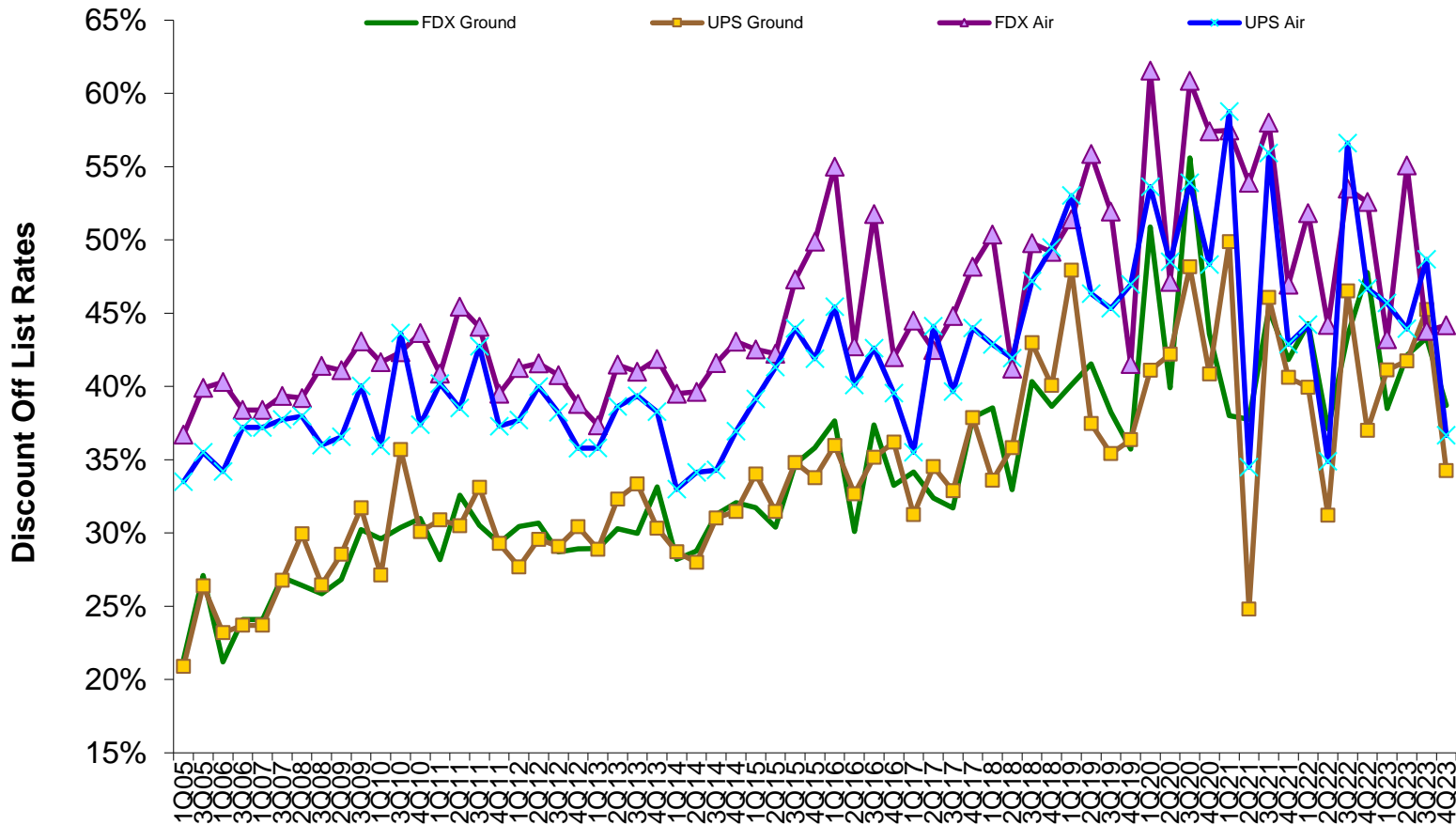
Source: Morgan Stanley Parcel Survey

Ravi Shanker, (212) 761-6350, [Ravi.Shanker@morganstanley.com](mailto:Ravi.Shanker@morganstanley.com)

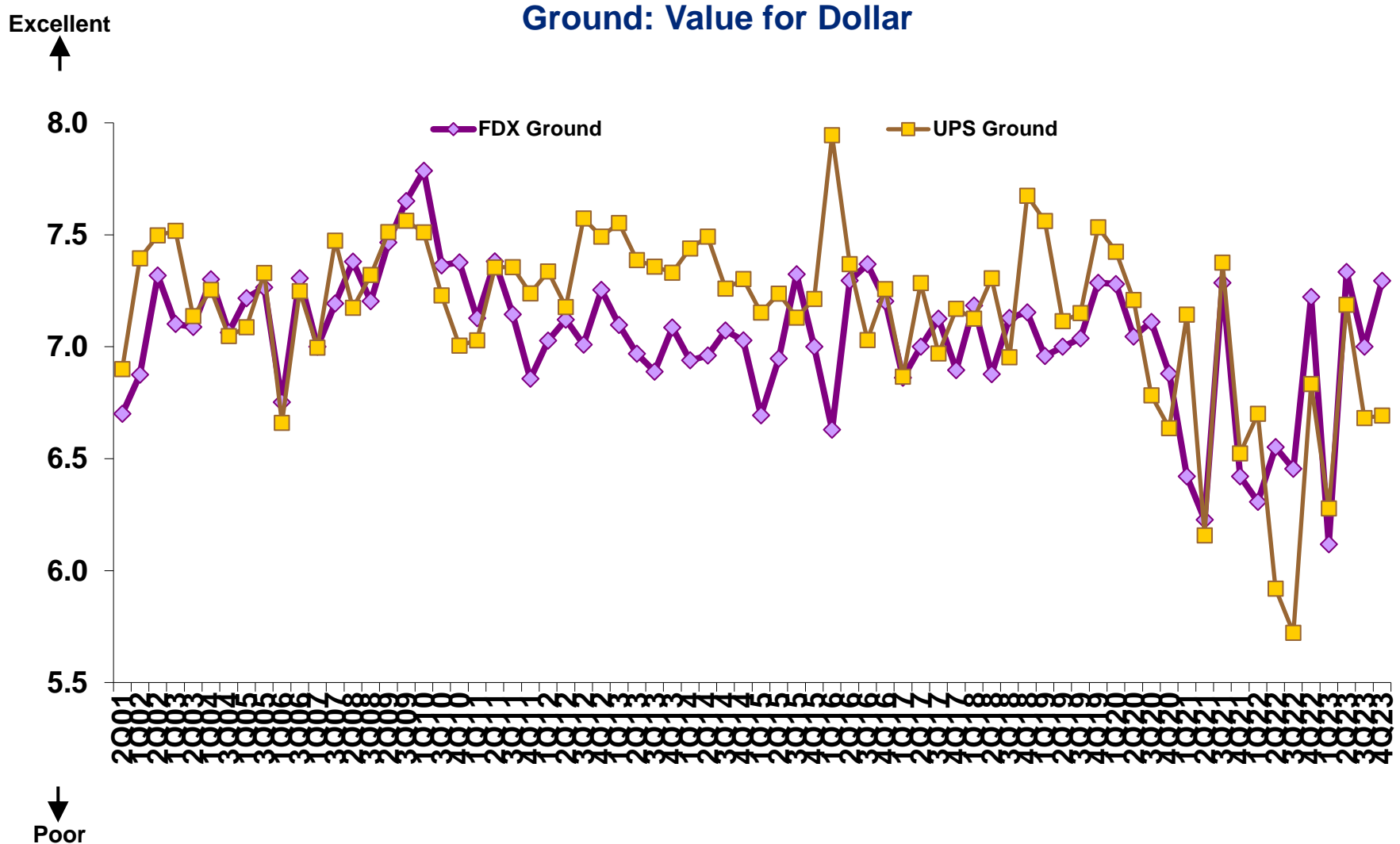


5. Rate Discounts Tick Down Across The Board, Though FDX Air Remains Inline Seq.

Average List Rate Discount



## 6. Ground Value For Dollar Moves Higher For FDX Ground While UPS Ground Remains Stable

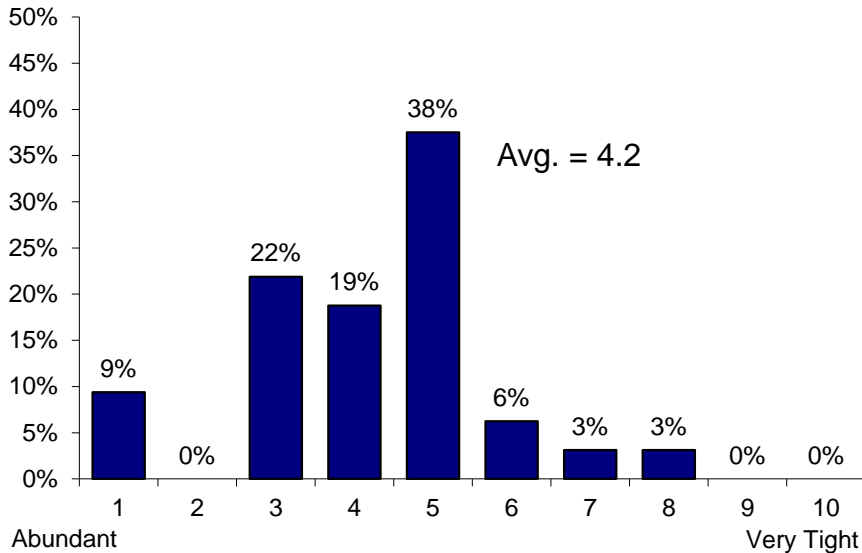


Source: Morgan Stanley Parcel Survey

## 7. Airfreight Capacity Tightens Slightly Seq.

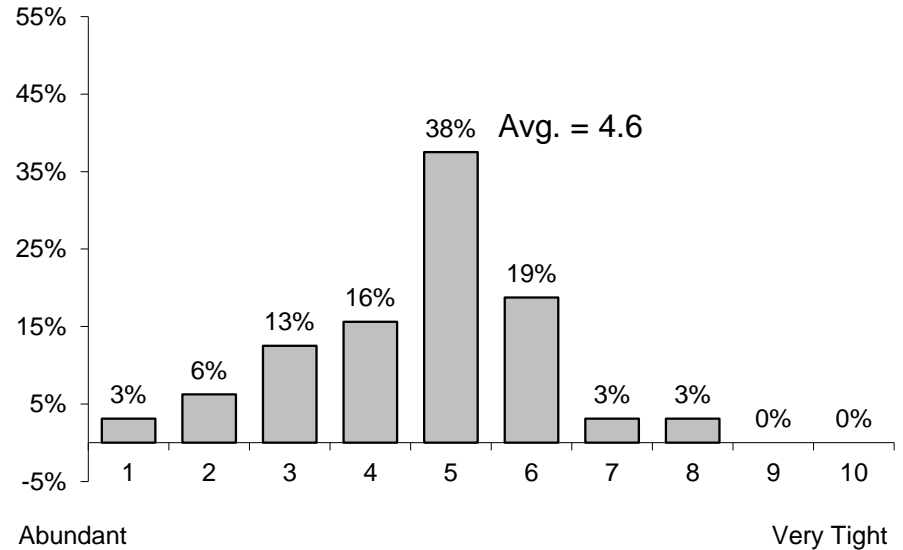
### Current Capacity

Airfreight - % of Shippers Providing Rankings



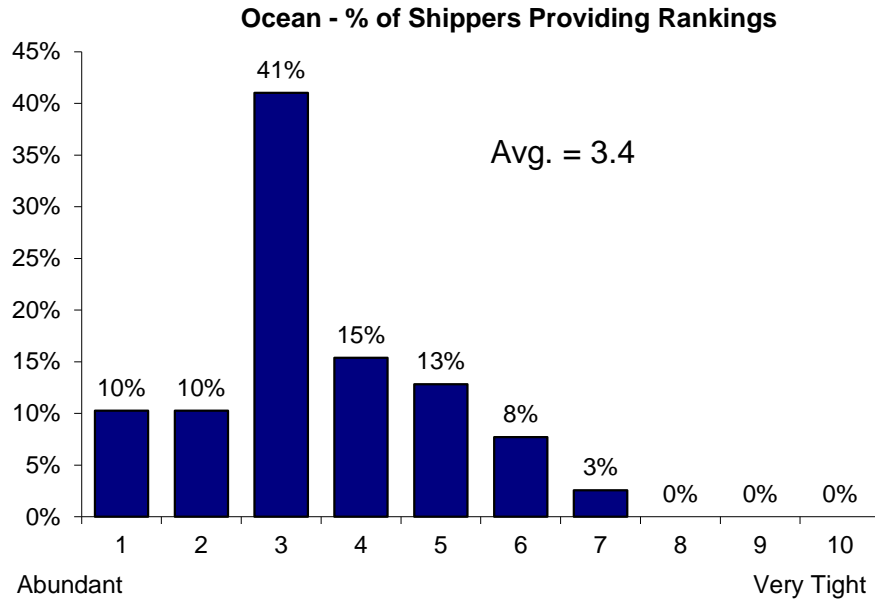
### Projected Capacity in 6 Months

Airfreight - % of Shippers Providing Rankings

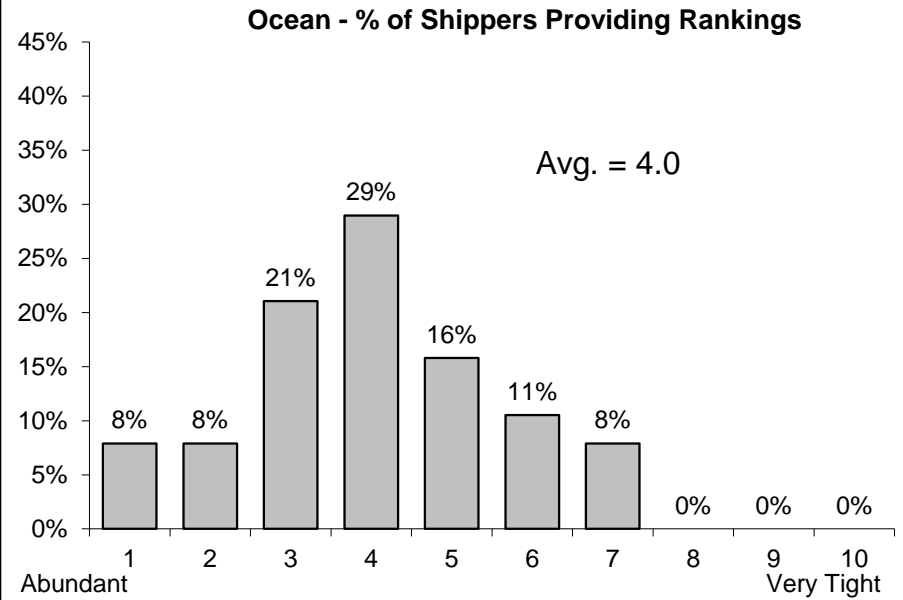


## 8. While Ocean Capacity Remains On The Looser Side

### Current Capacity



### Projected Capacity in 6 Months



**Appendix**

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# Appendix

## Summary of Contents

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**About the Surveys**

**General Freight Trends**

**Rail Trends**

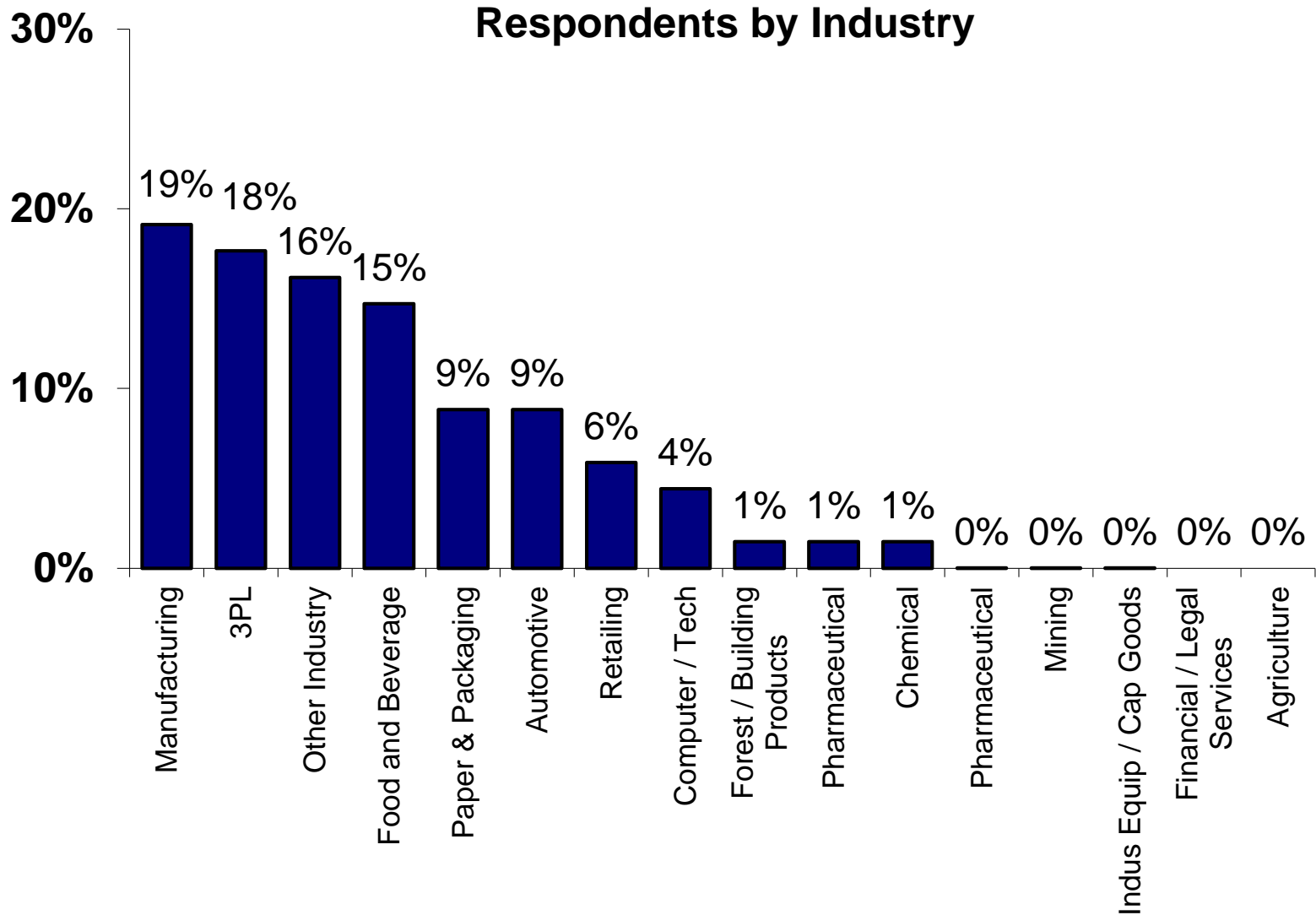
**Truck Trends**

**Parcel Trends**

### **Part 1: About the Surveys**

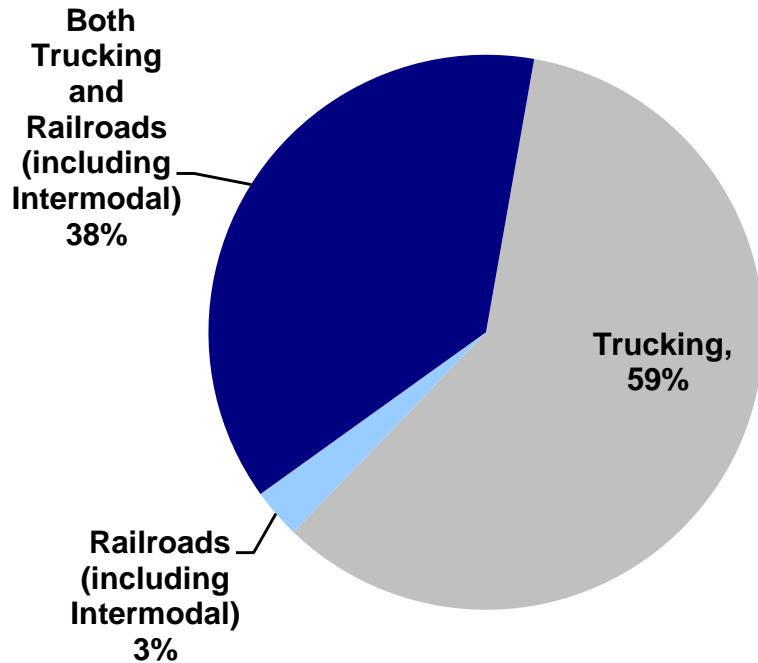
1. General Freight
2. Rail Industry
3. Truck Industry
4. Parcel Industry

General Freight: About the Freight Pulse Survey

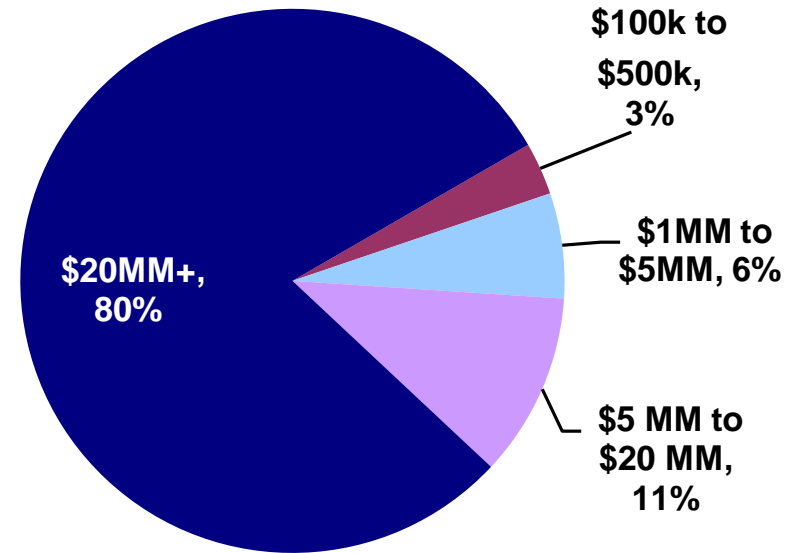


## General Freight: Segmented by Shipper Profile

### Modes Used



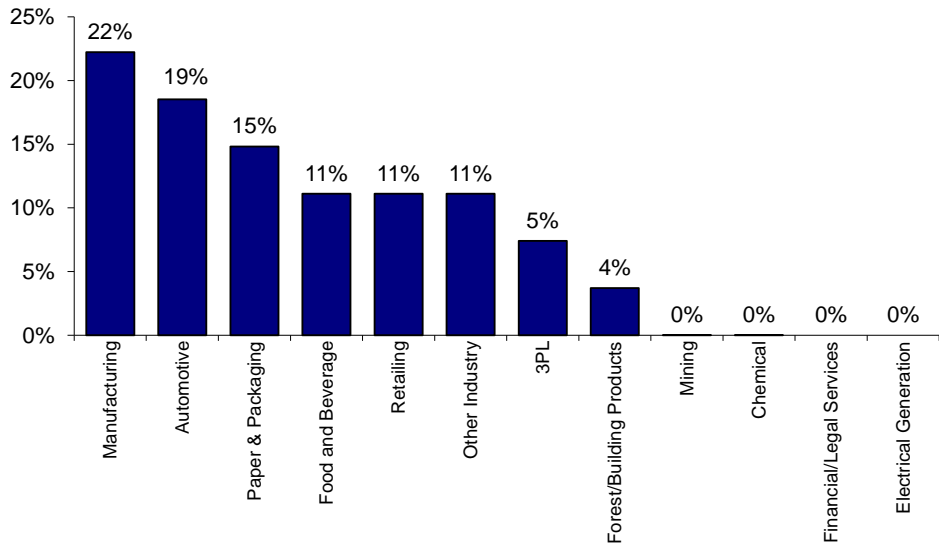
### Respondents' Total Spend



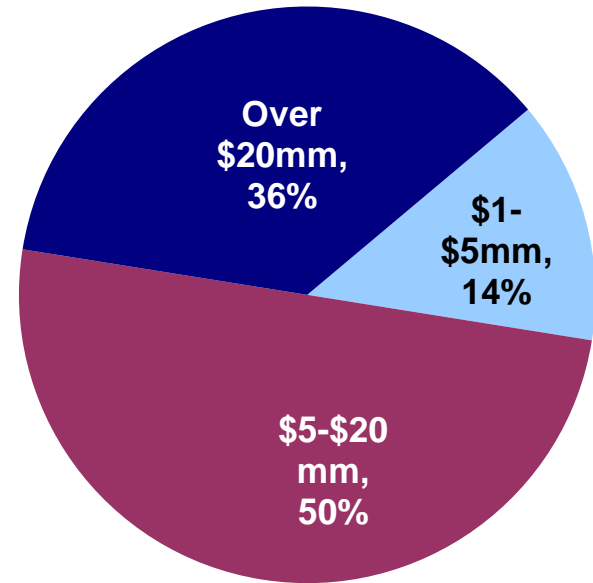


Rails: Segmented by Industry and Shipper Profile

Rail Respondents by Industry

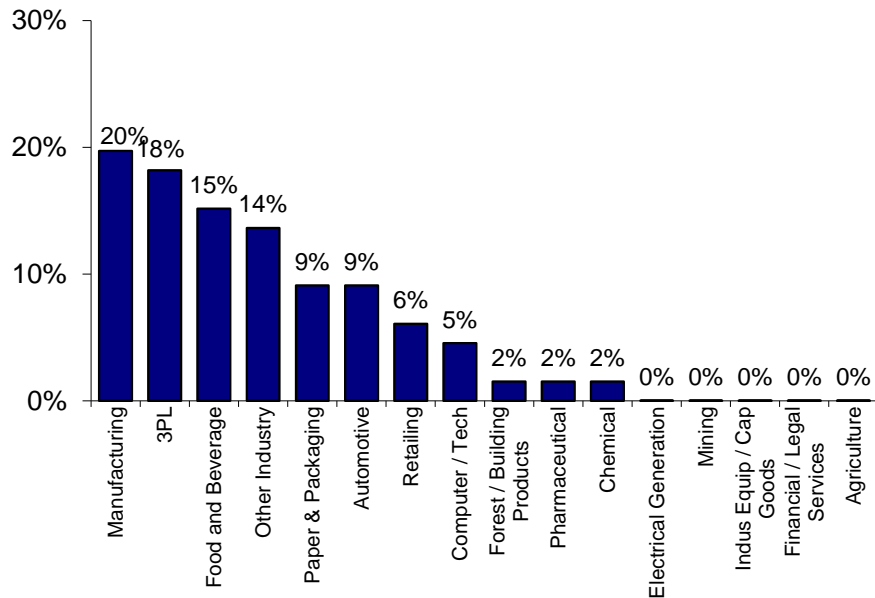


Respondents' Rail Spend

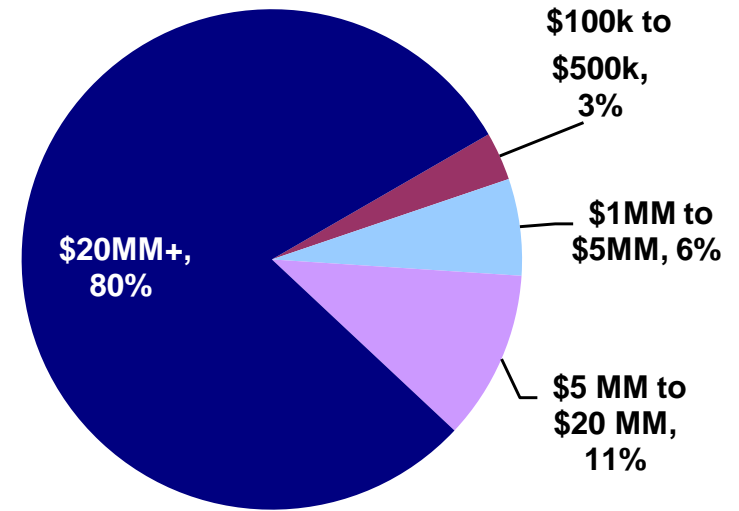


## Trucks: Segmented by Industry and Shipper Profile

### Truck Respondents by Industry

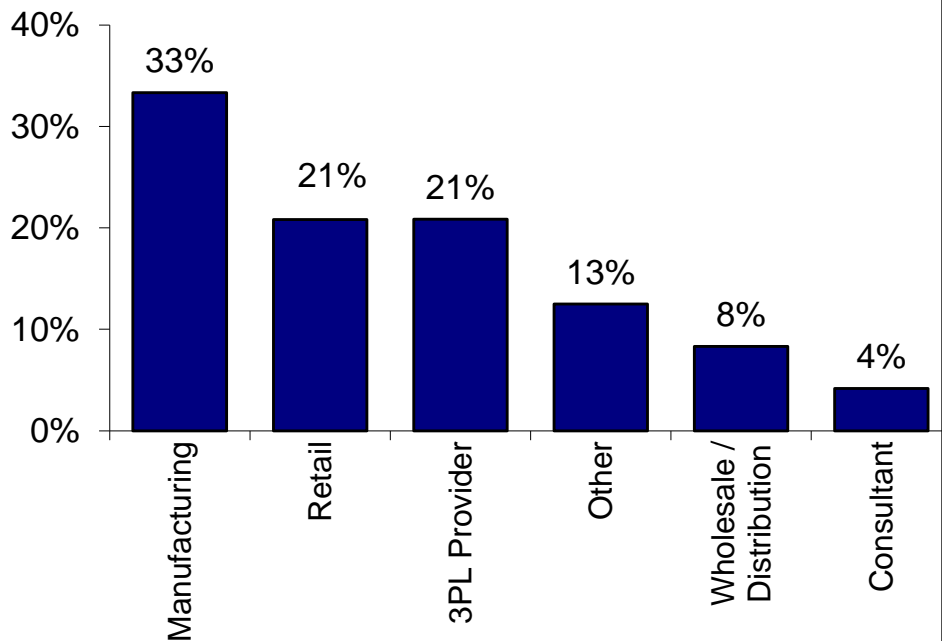


### Respondents' Truck Spend

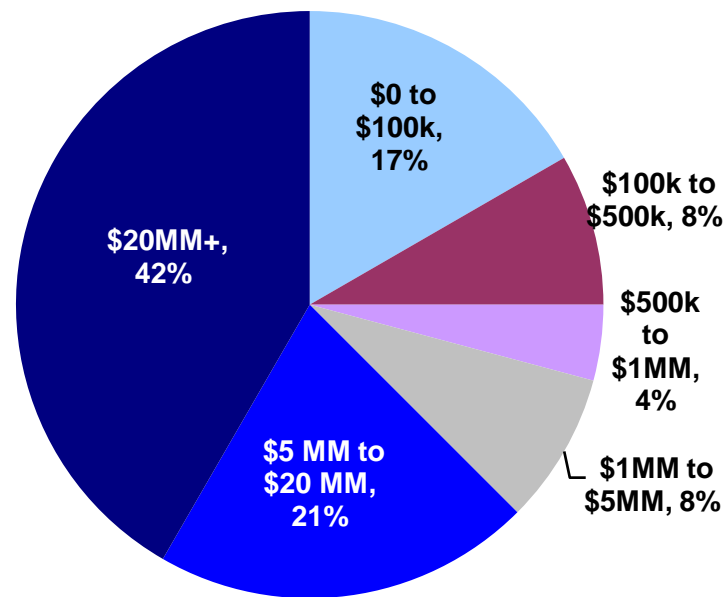


## Parcel: About Our Parcel Survey

### Respondents' Primary Business

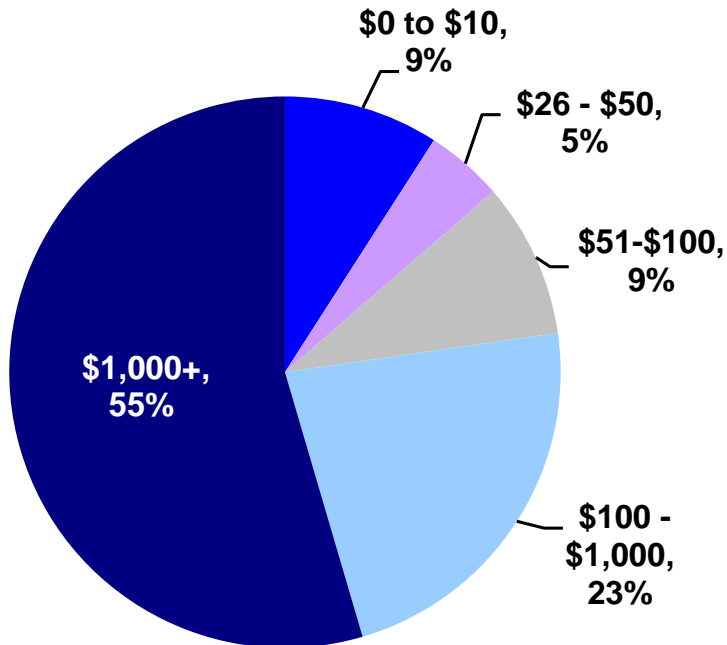


### Respondents' Parcel Spend

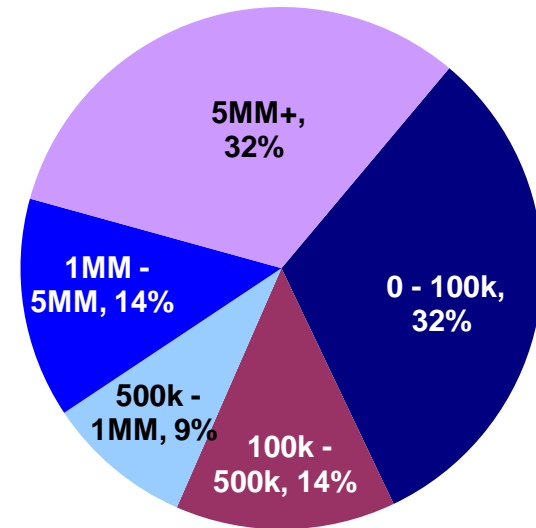


Parcel: Respondent Profile

Company Sales (\$MM)

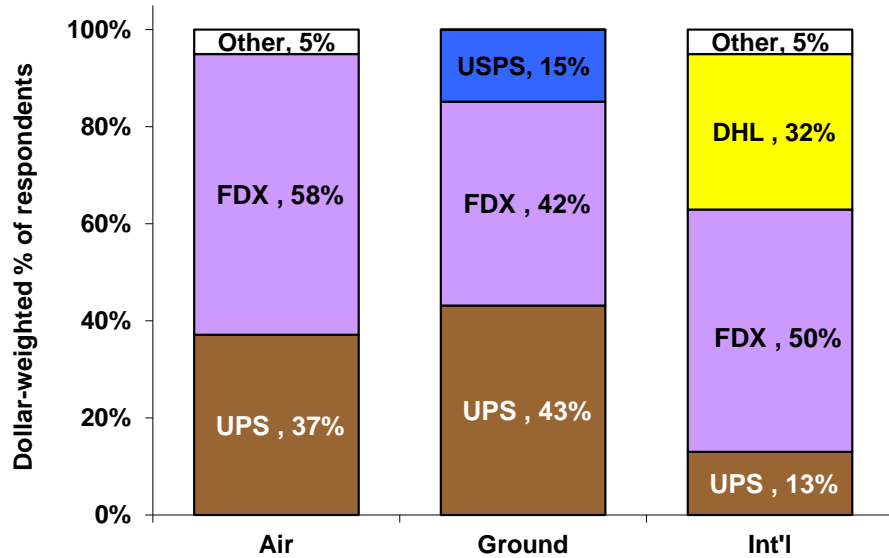


Parcels Shipped

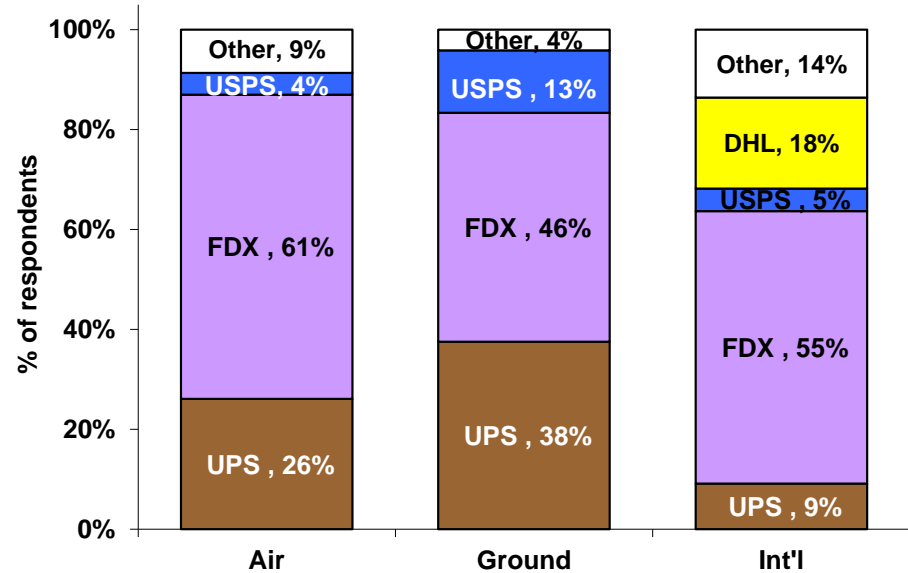


**Parcel: Market Share of Respondents Roughly Consistent with Market**

**Primary Parcel Carrier – Weighted by Spend**



**Parcel Carrier – Average of All Responses**



## Summary of Contents

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**About the Surveys**

**General Freight Trends**

**Rail Trends**

**Truck Trends**

**Parcel Trends**

### **Part 1: General Freight Industry Trends**

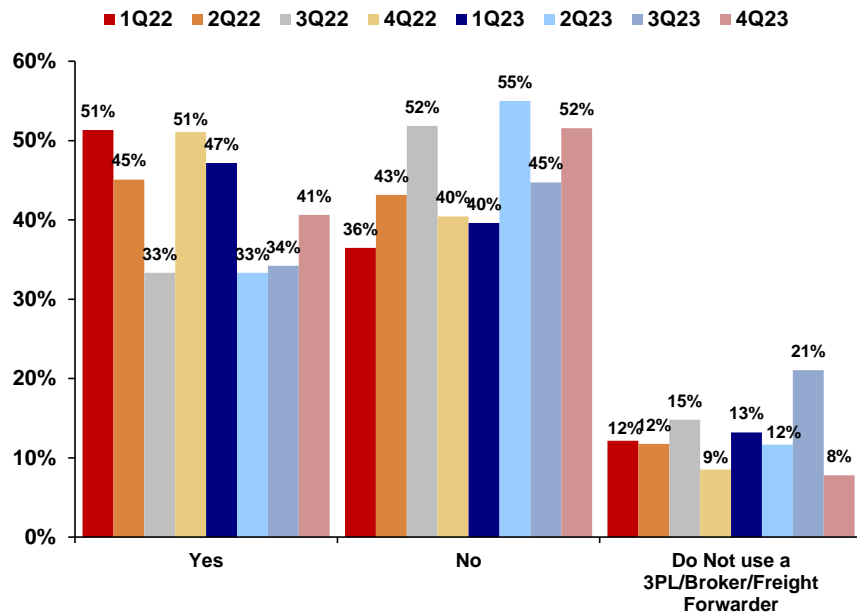
1. Digital Freight Brokers
2. Service Trends
3. Capacity Trends
4. Modal Shift
5. Intermodal vs. Truck

### **Part 2: Macro Trends**

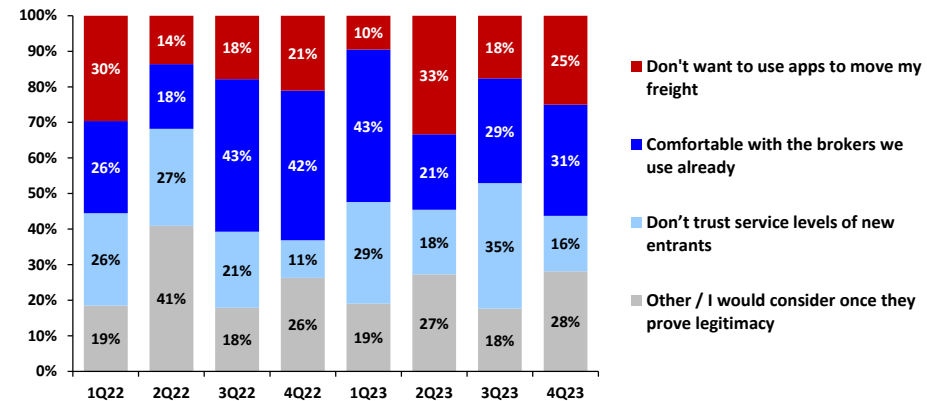
1. Inventories and Orders
2. Economic Outlook

## Shippers' Willingness to Use App-based Brokers

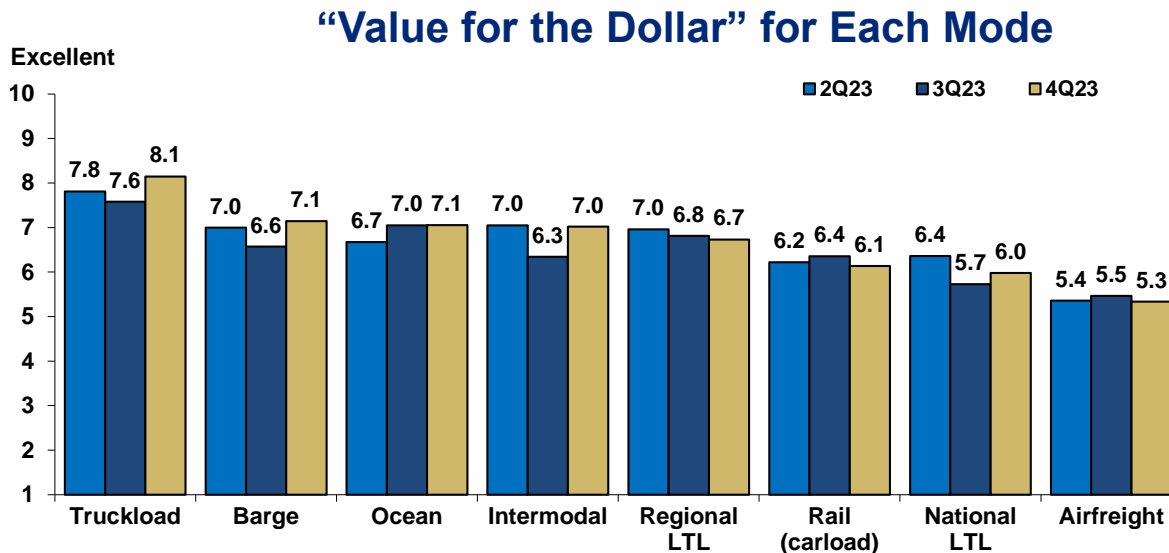
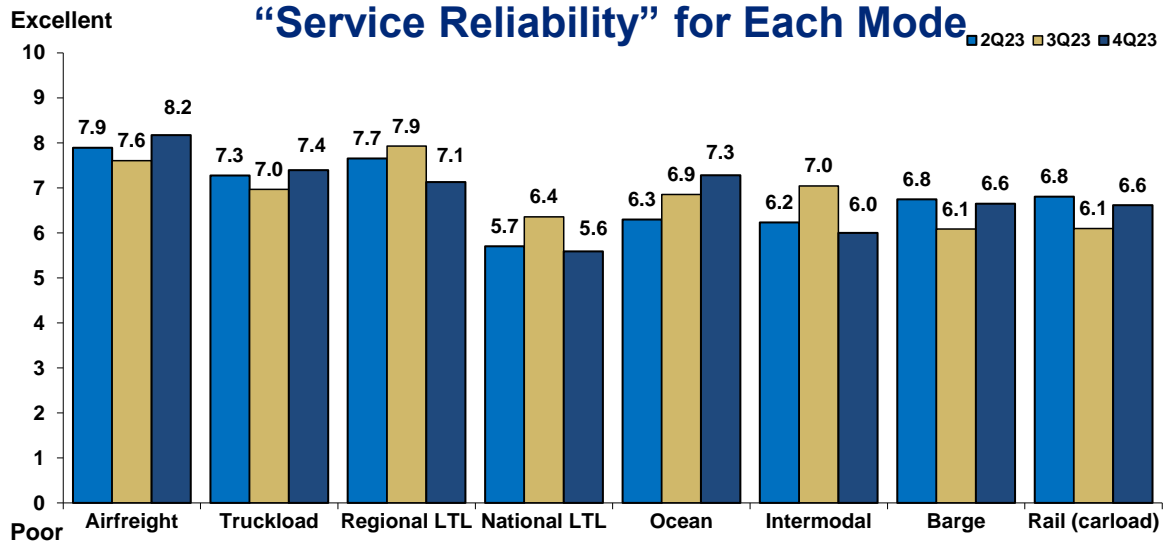
If a phone/TMS app-based broker offers a 10-15% cheaper price for similar service and data analytics, would you use it instead of a traditional third-party broker?



Why would you not use a phone/app-based broker to move your shipment?



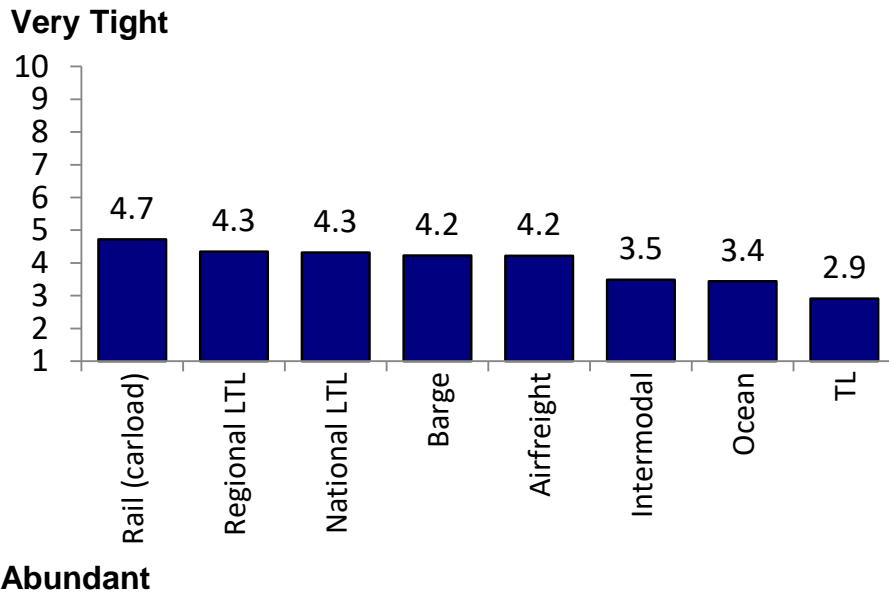
## Service Reliability & Value by Mode: Average Across All Shippers



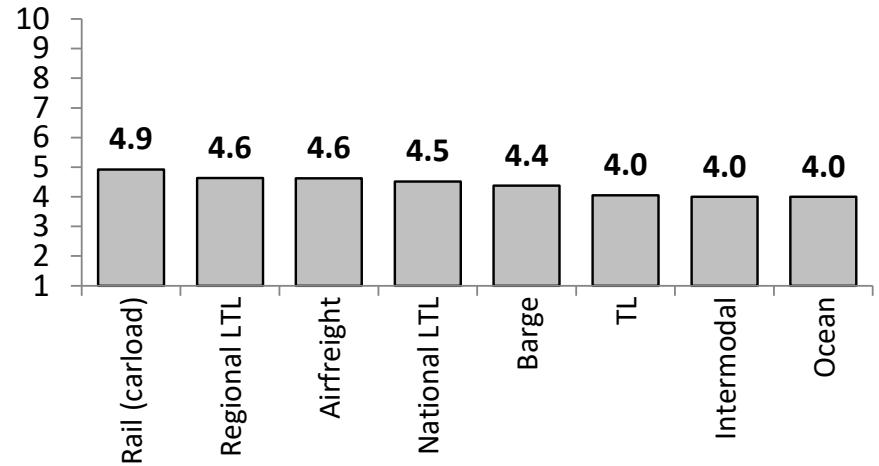


Capacity By Mode

Current Capacity

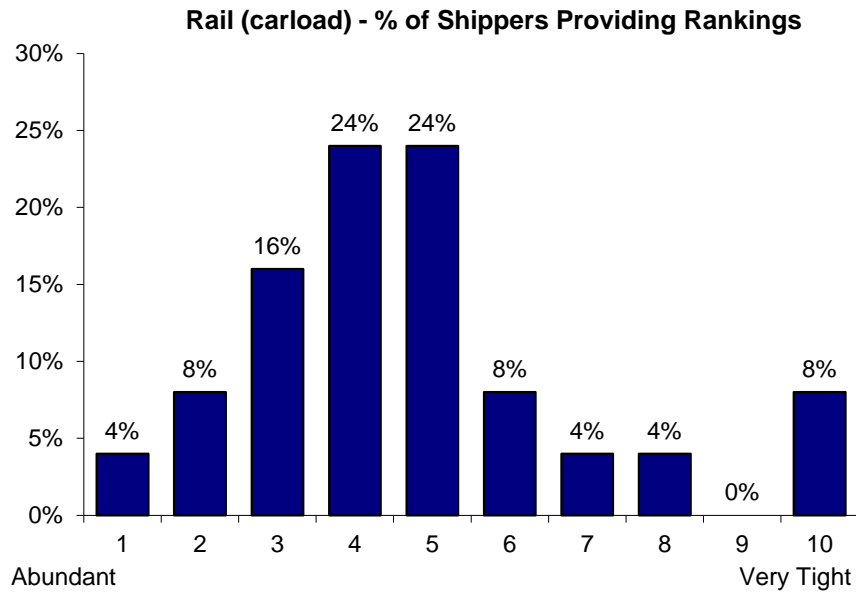


Projected Capacity in 6 Months

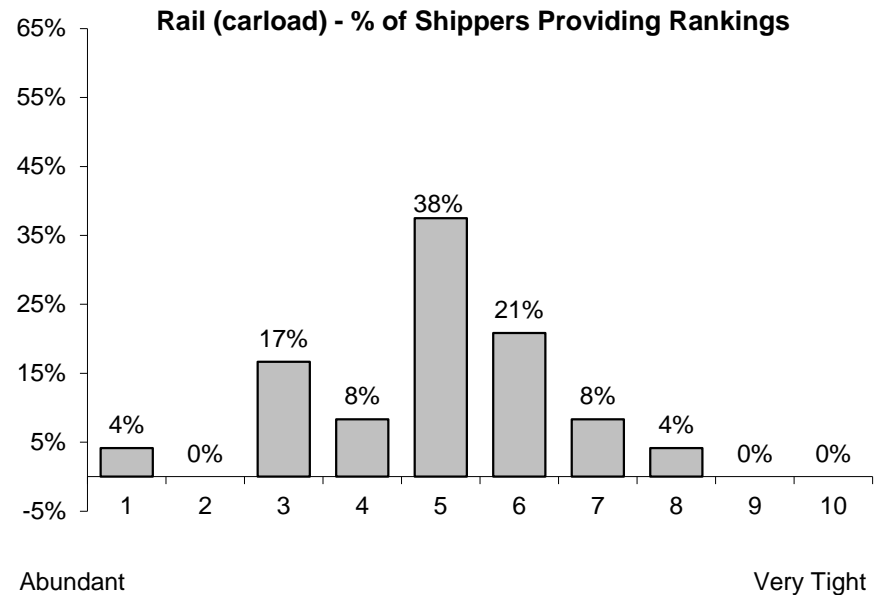


Capacity Ranking Skew: Rail (Carload)

Current Capacity



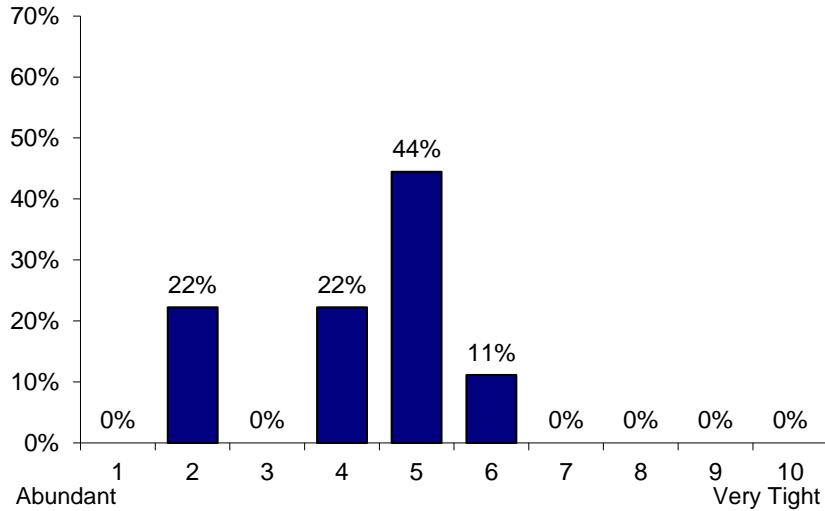
Projected Capacity in 6 Months



Capacity Ranking Skew: Barge

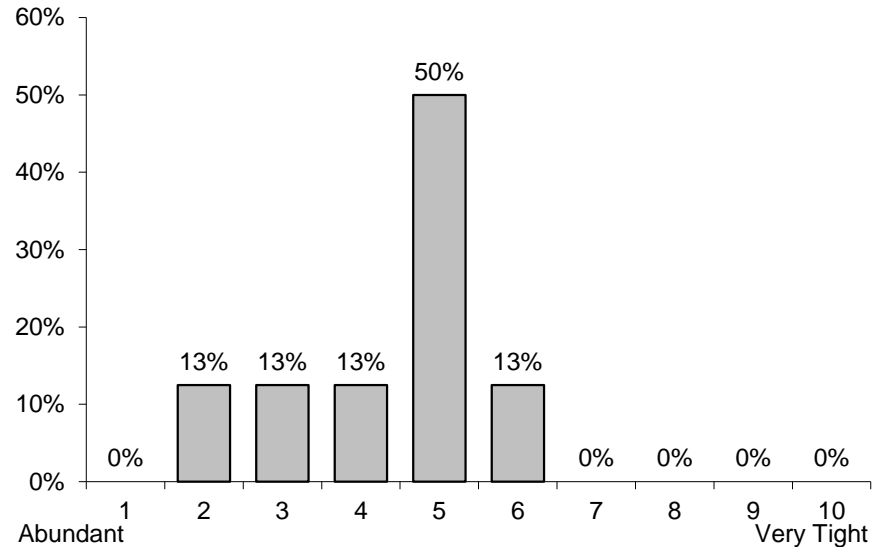
Current Capacity

Barge - % of Shippers Providing Rankings



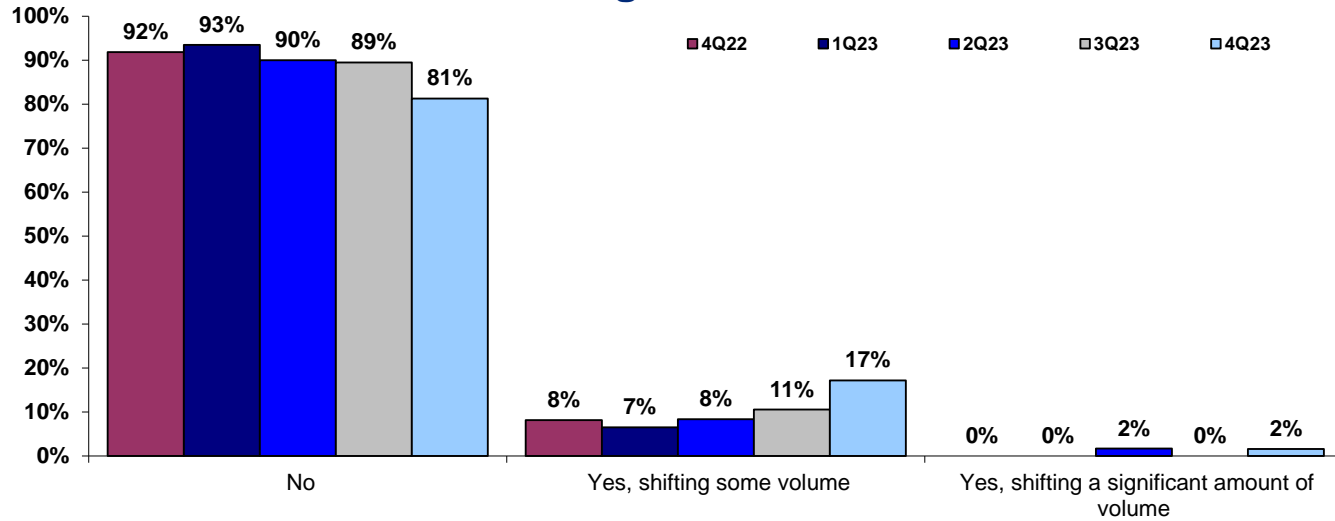
Projected Capacity in 6 Months

Barge - % of Shippers Providing Rankings

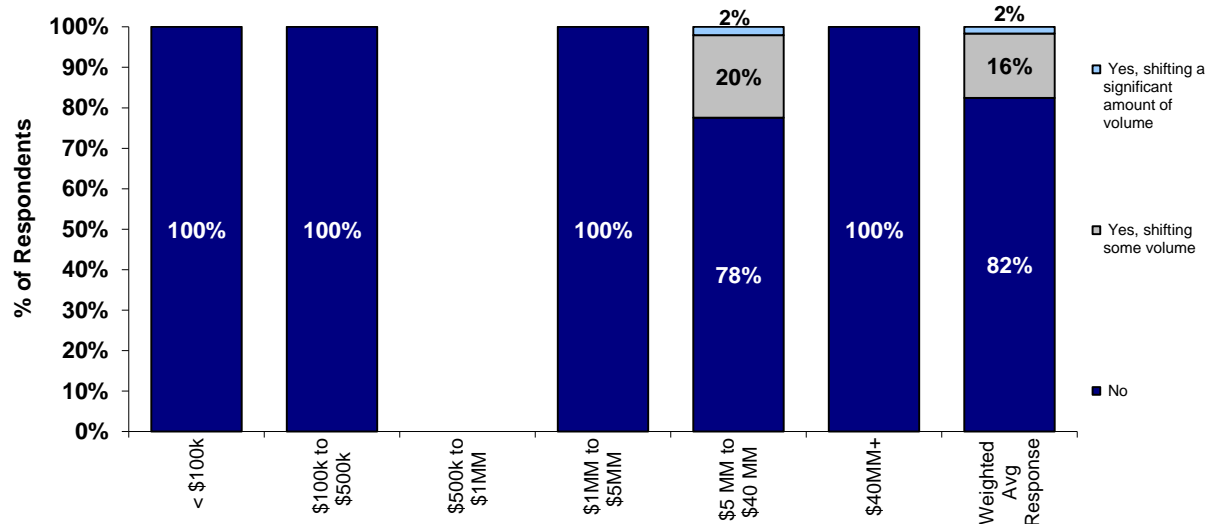


## Shipper Modal Shift Statistics – Airfreight to LTL

### Airfreight to LTL

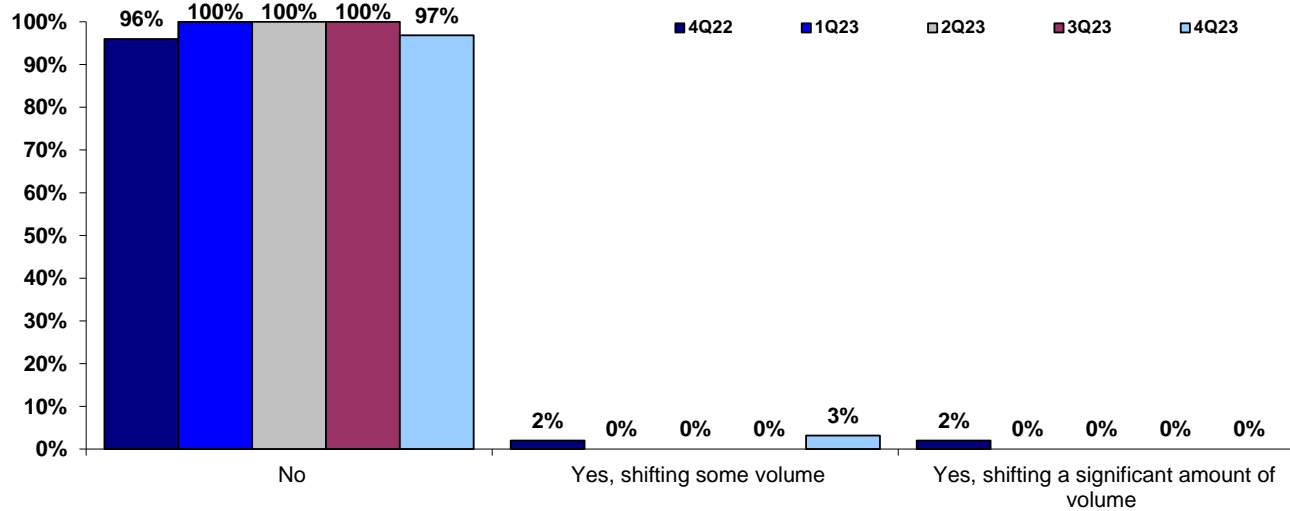


### Airfreight to LTL - Modal Shift by Spend

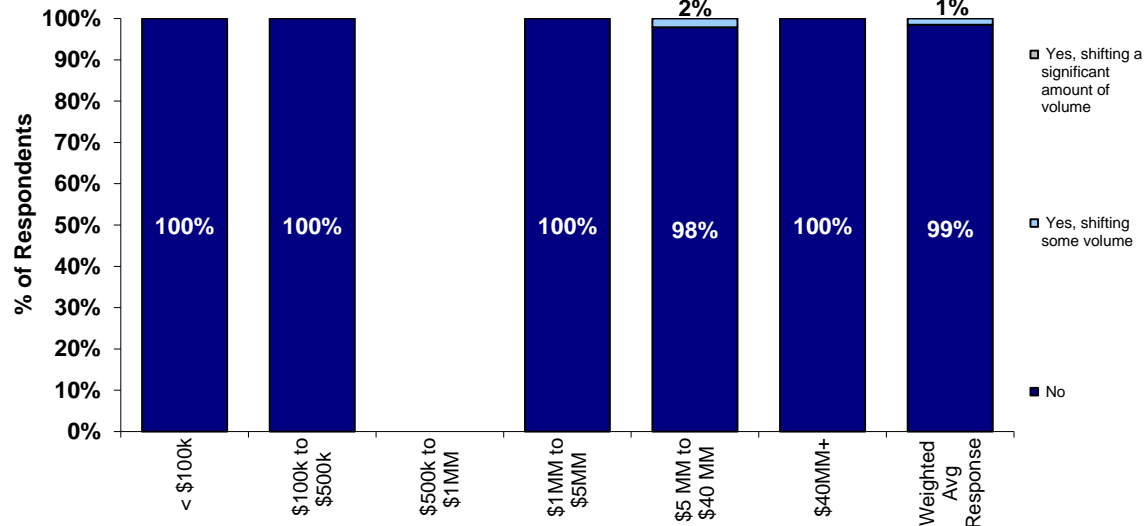


## Shipper Modal Shift Statistics – LTL to Airfreight

### LTL to Airfreight

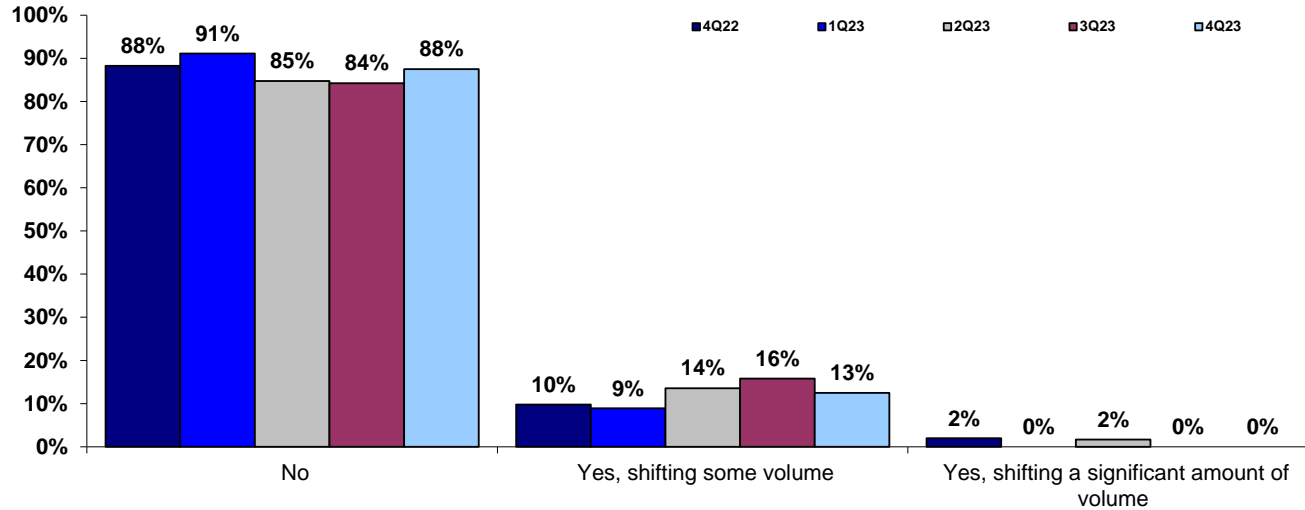


### LTL to Airfreight - Modal Shift by Spend

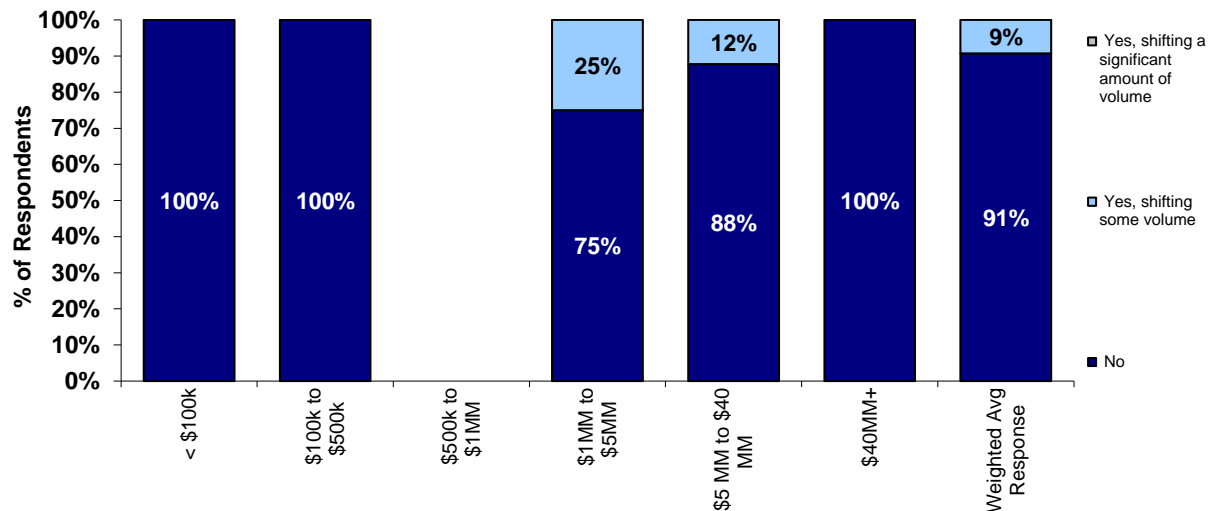


## Shipper Modal Shift Statistics – Truckload to LTL

### Truckload to LTL

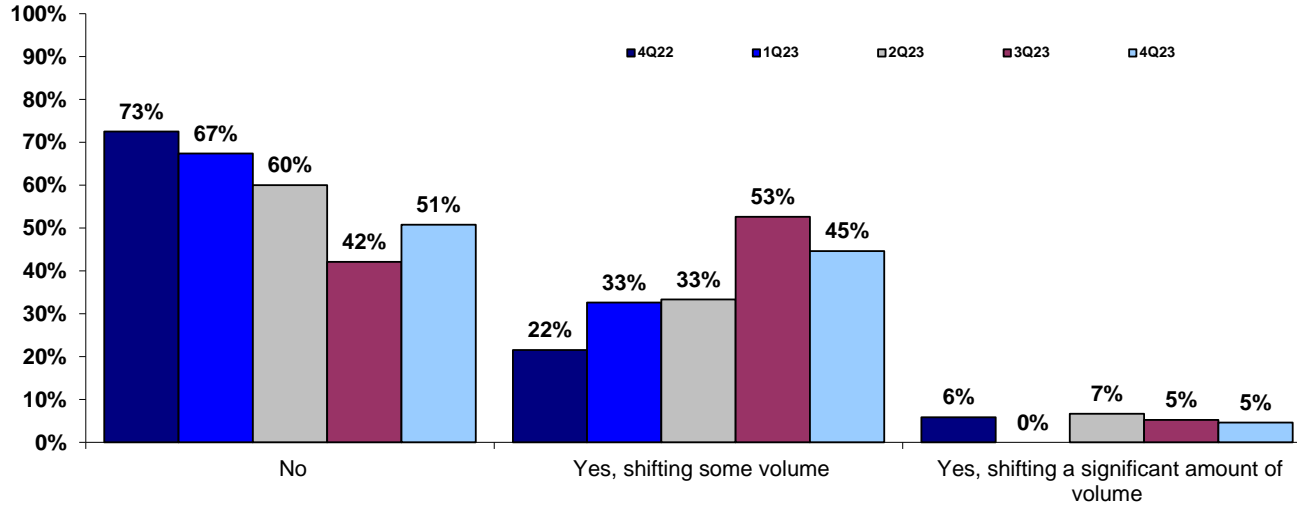


### Truckload to LTL - Modal Shift by Spend

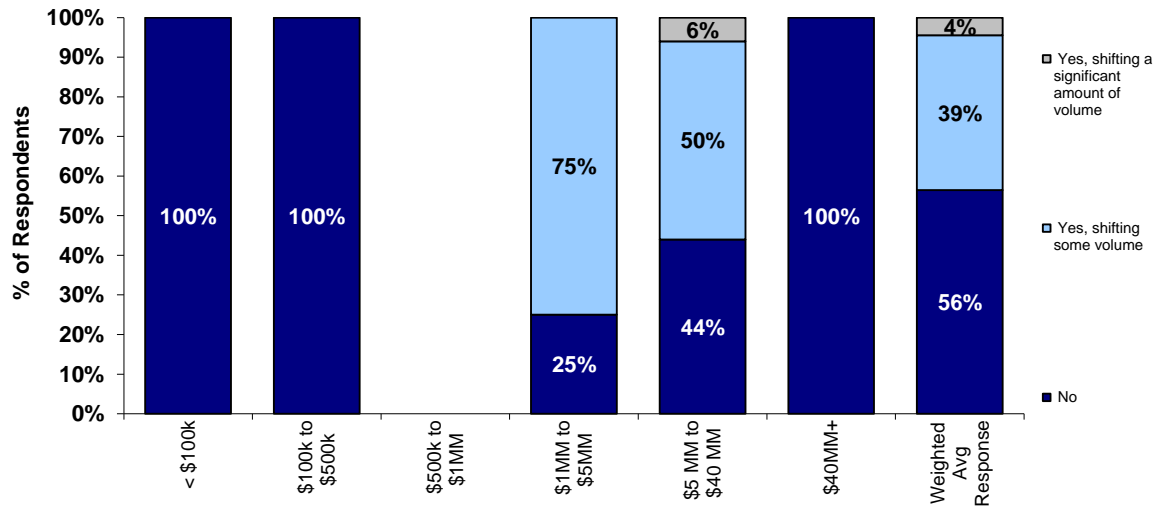


## Shipper Modal Shift Statistics – LTL to Truckload

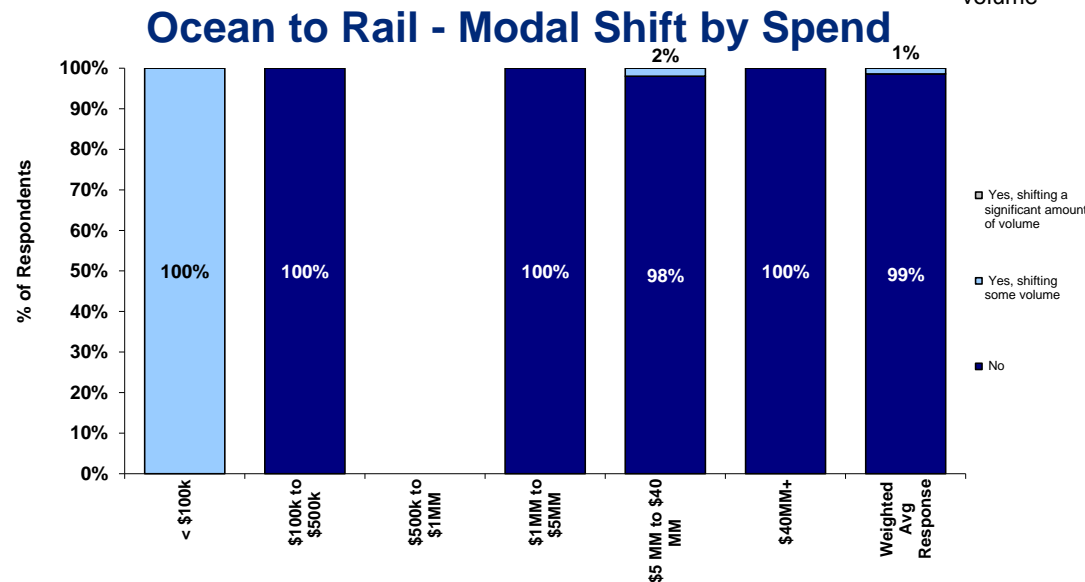
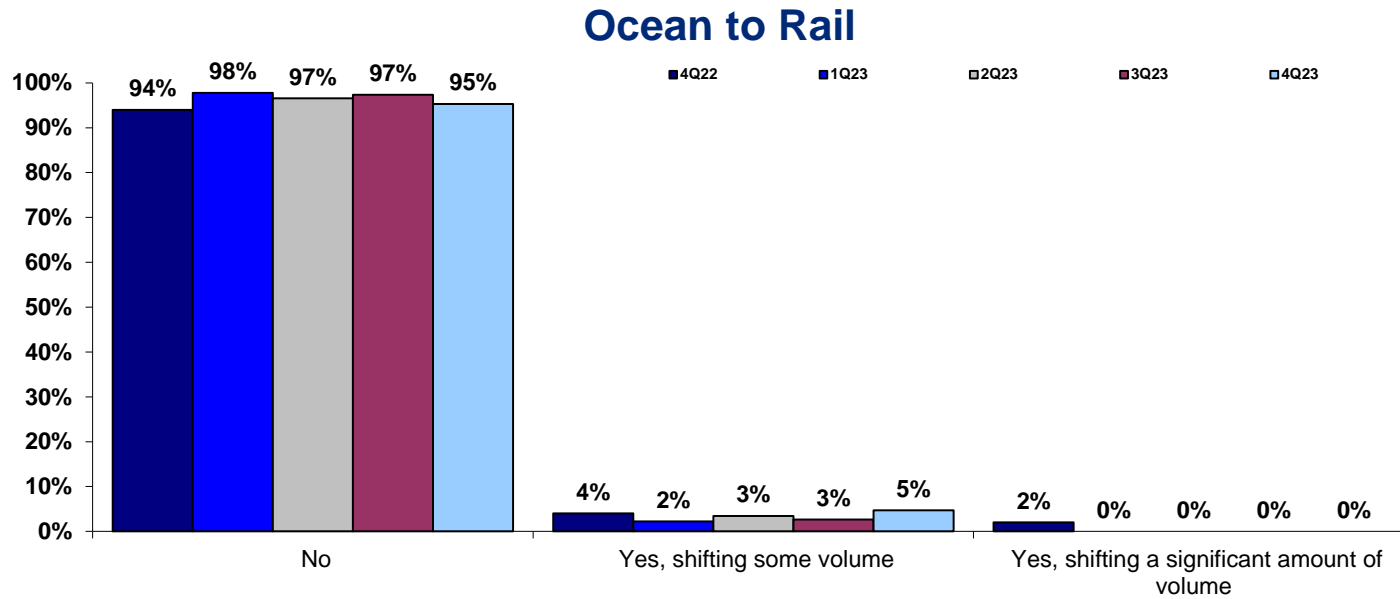
### LTL to Truckload



### LTL to Truckload - Modal Shift by Spend



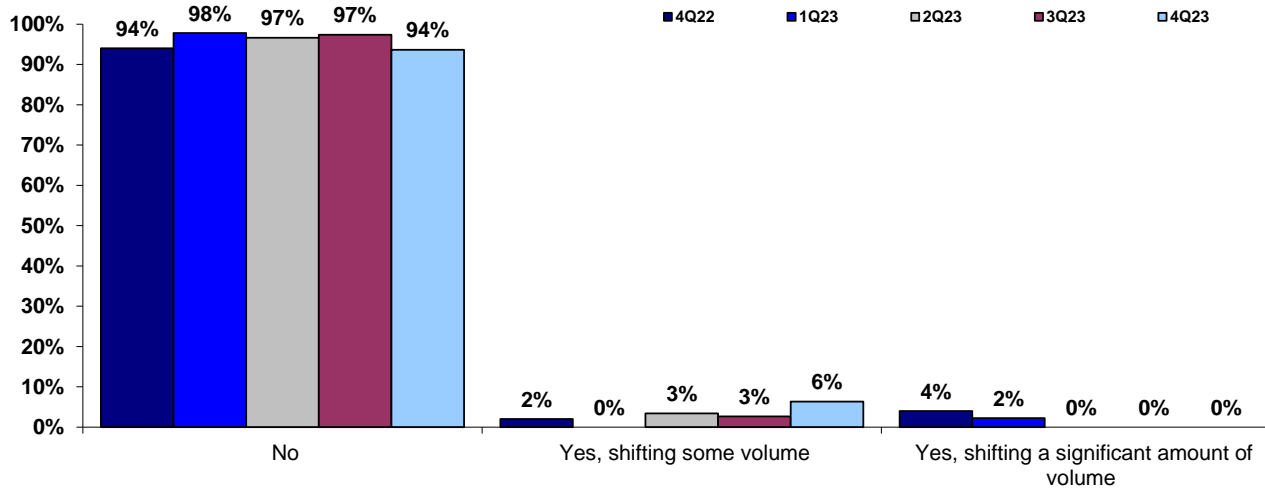
## Shipper Modal Shift Statistics – Ocean to Rail



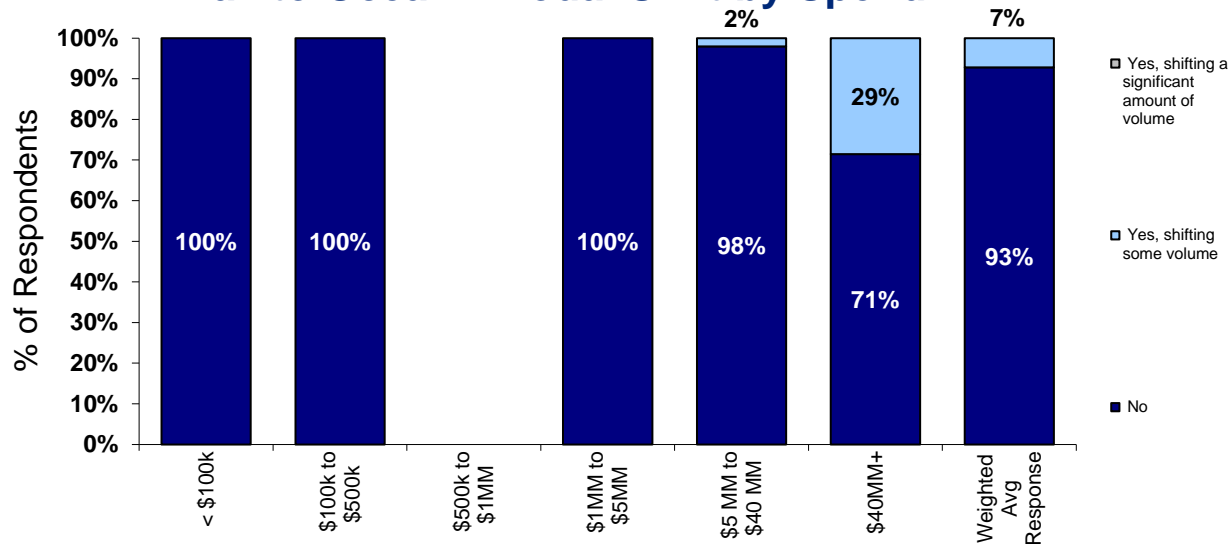


## Shipper Modal Shift Statistics – Rail to Ocean

### Rail to Ocean

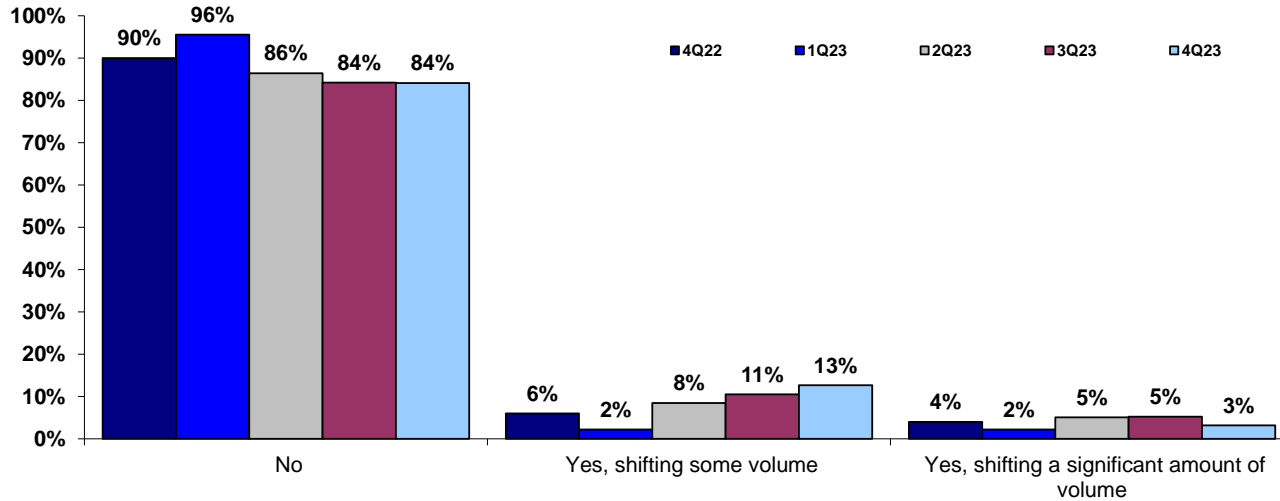


### Rail to Ocean - Modal Shift by Spend

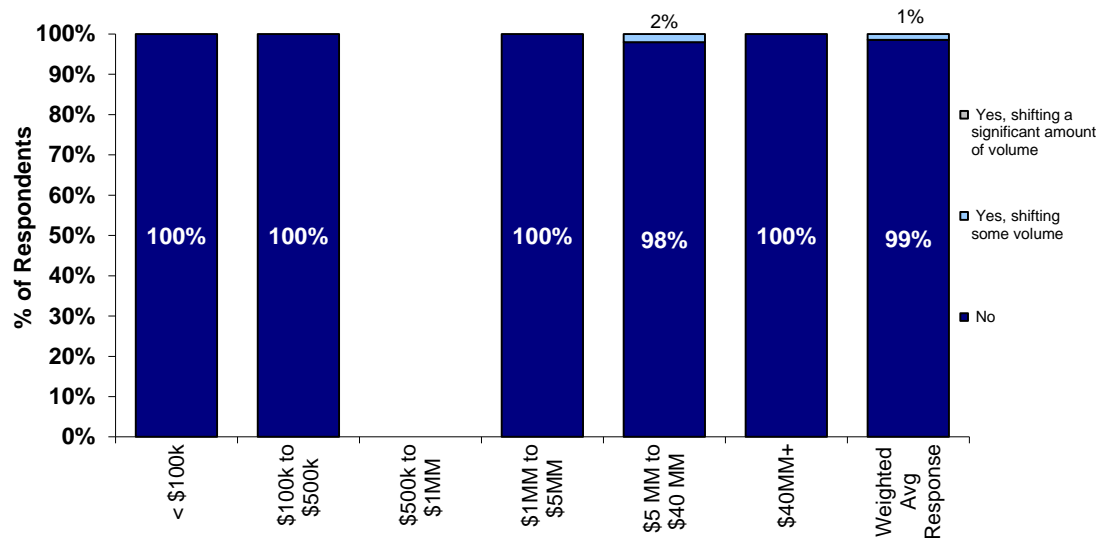


## Shipper Modal Shift Statistics – Airfreight to Ocean

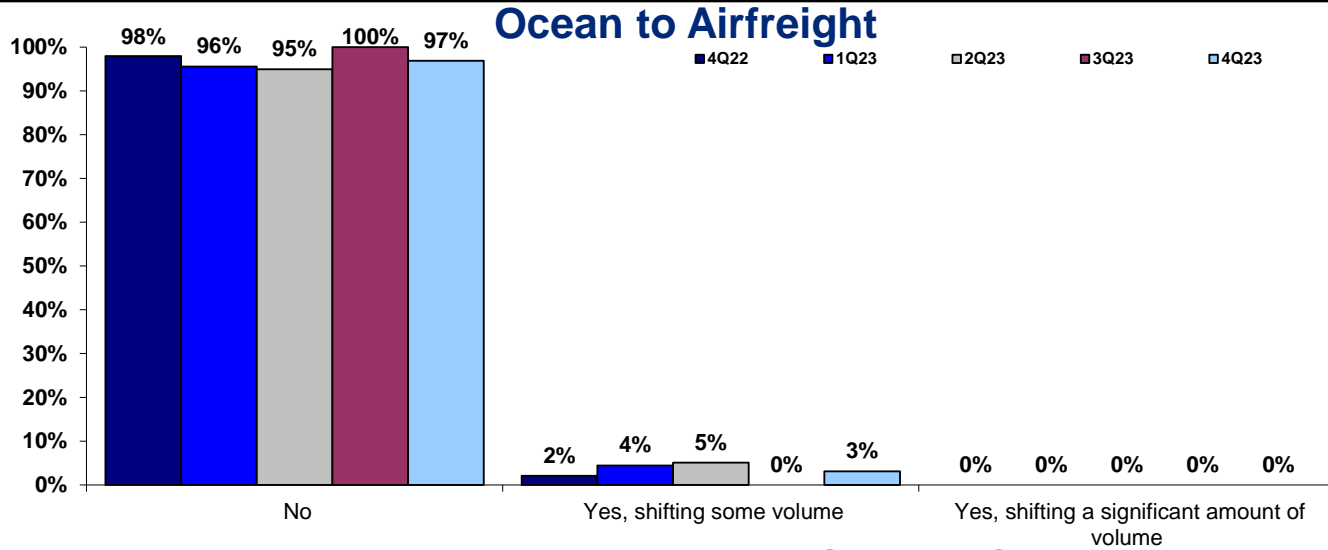
### Airfreight to Ocean



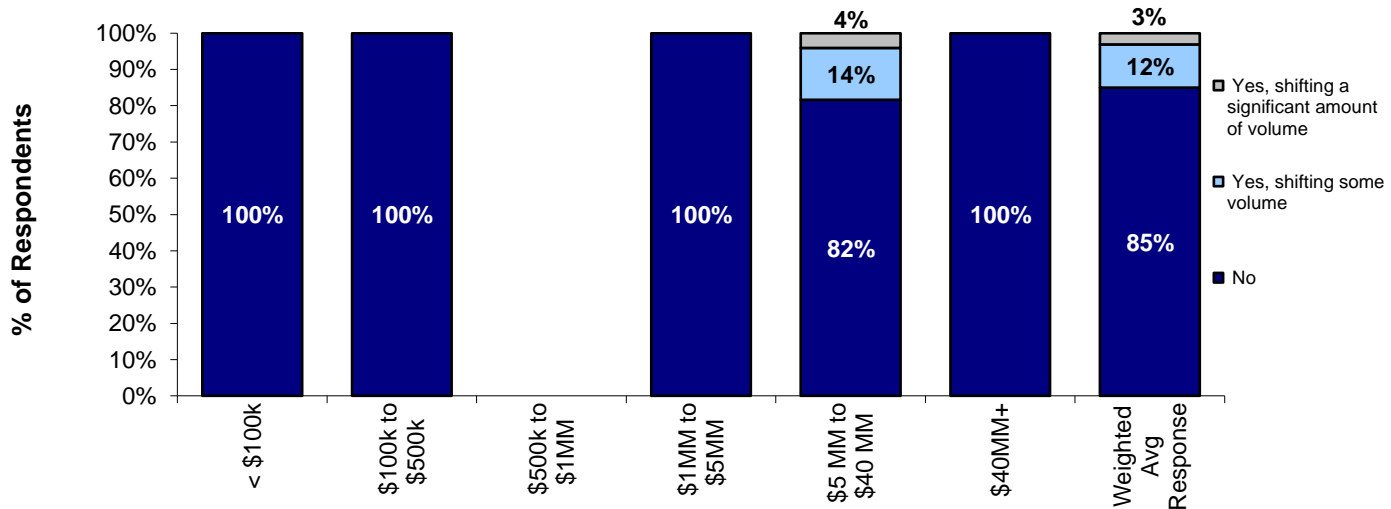
### Airfreight to Ocean - Modal Shift by Spend



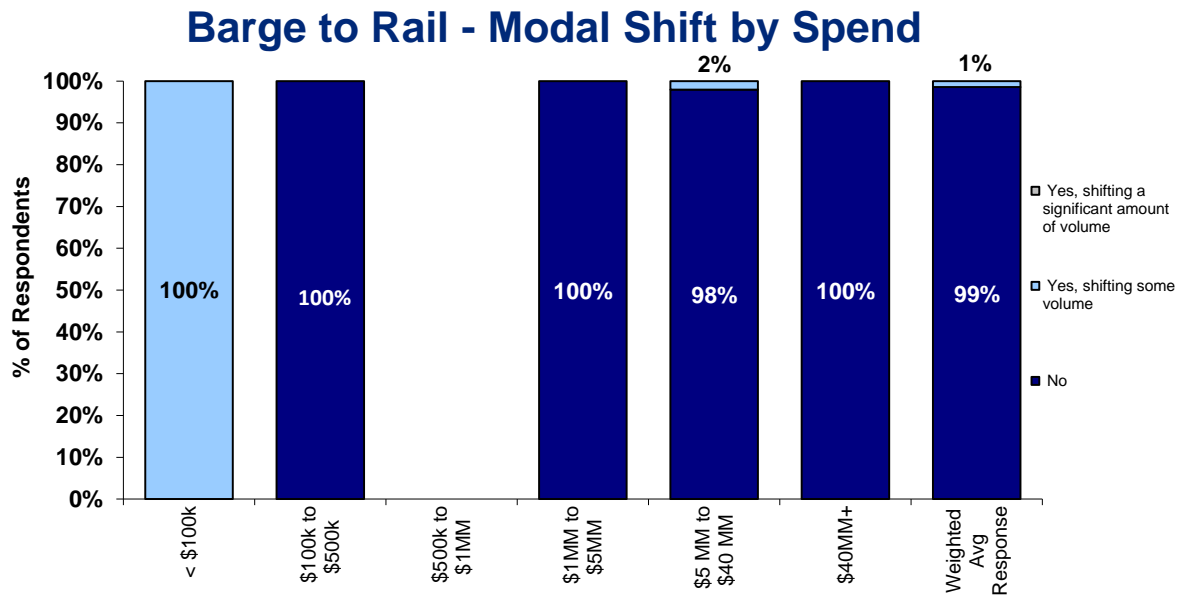
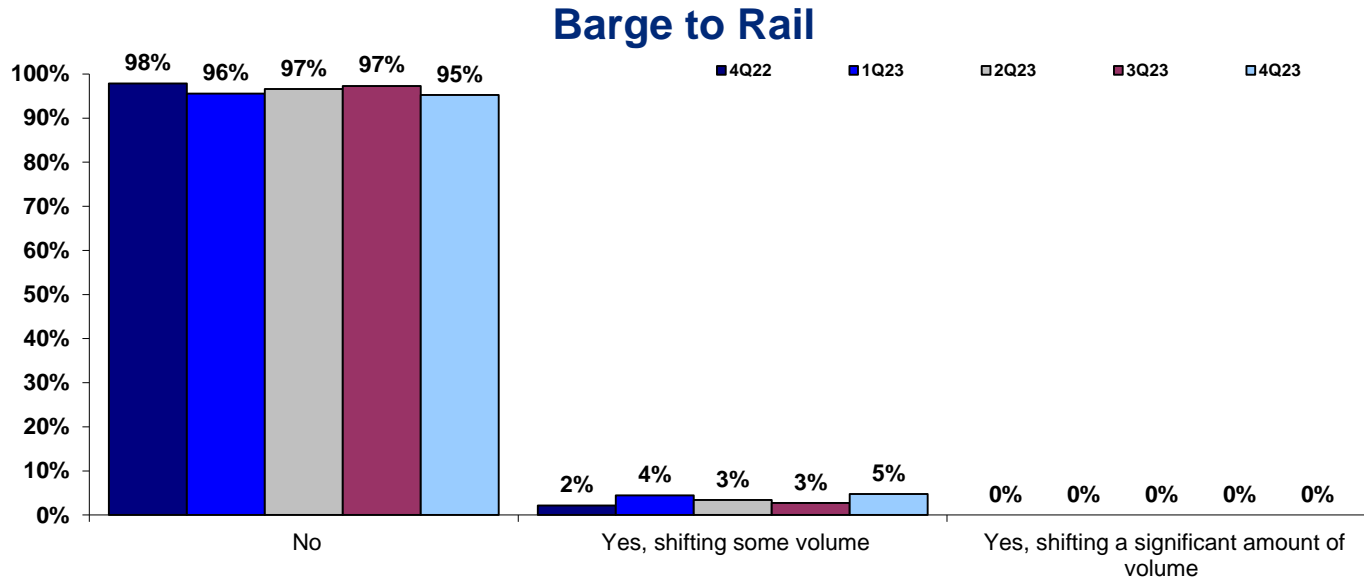
## Shipper Modal Shift Statistics – Ocean to Airfreight



### Ocean to Airfreight - Modal Shift by Spend

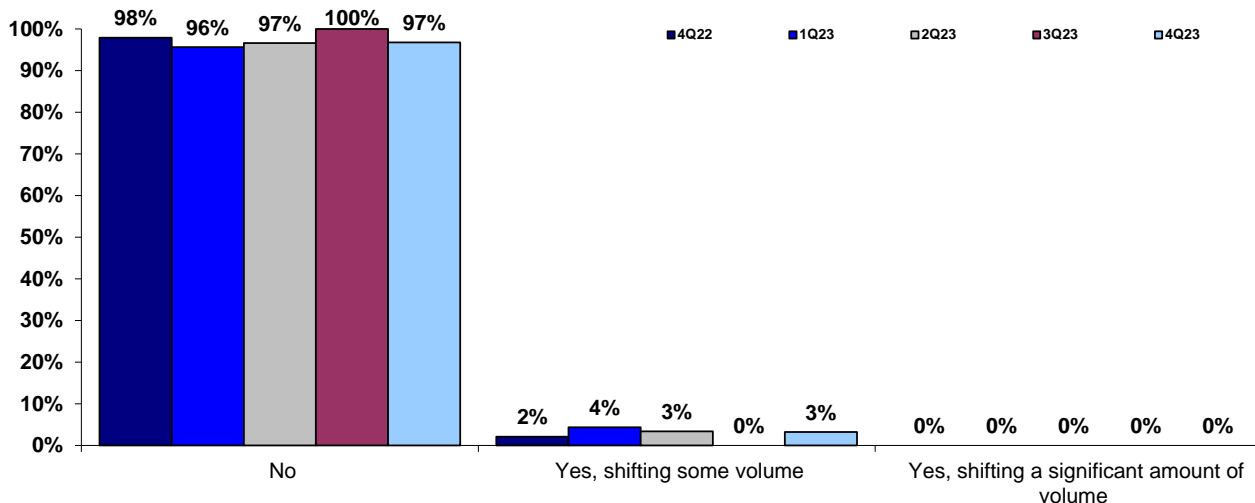


## Shipper Modal Shift Statistics – Barge to Rail

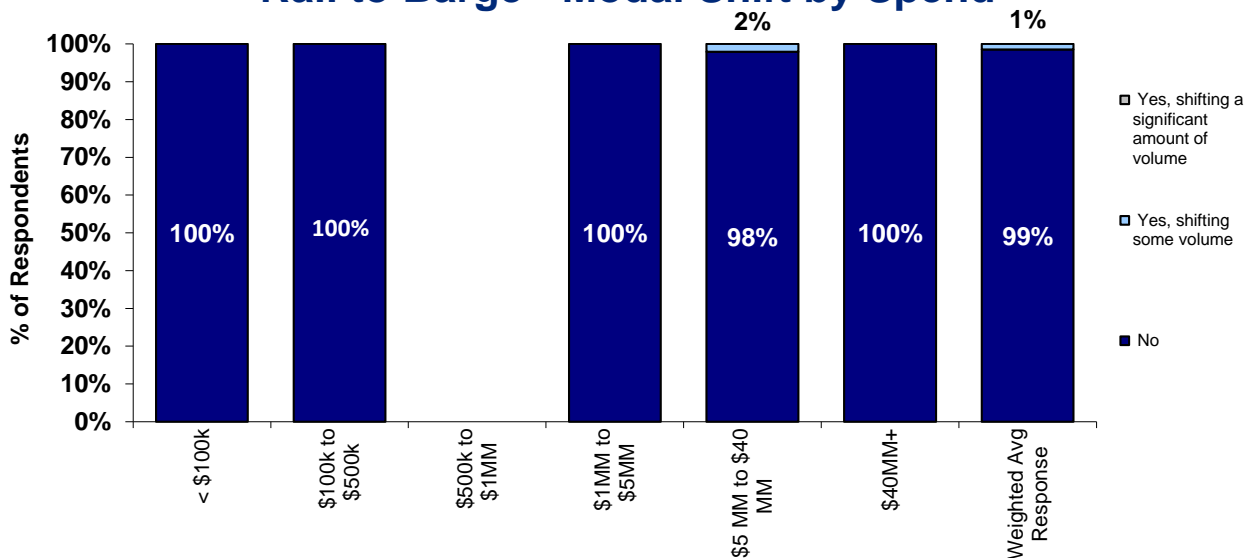


## Shipper Modal Shift Statistics – Rail to Barge

### Rail to Barge

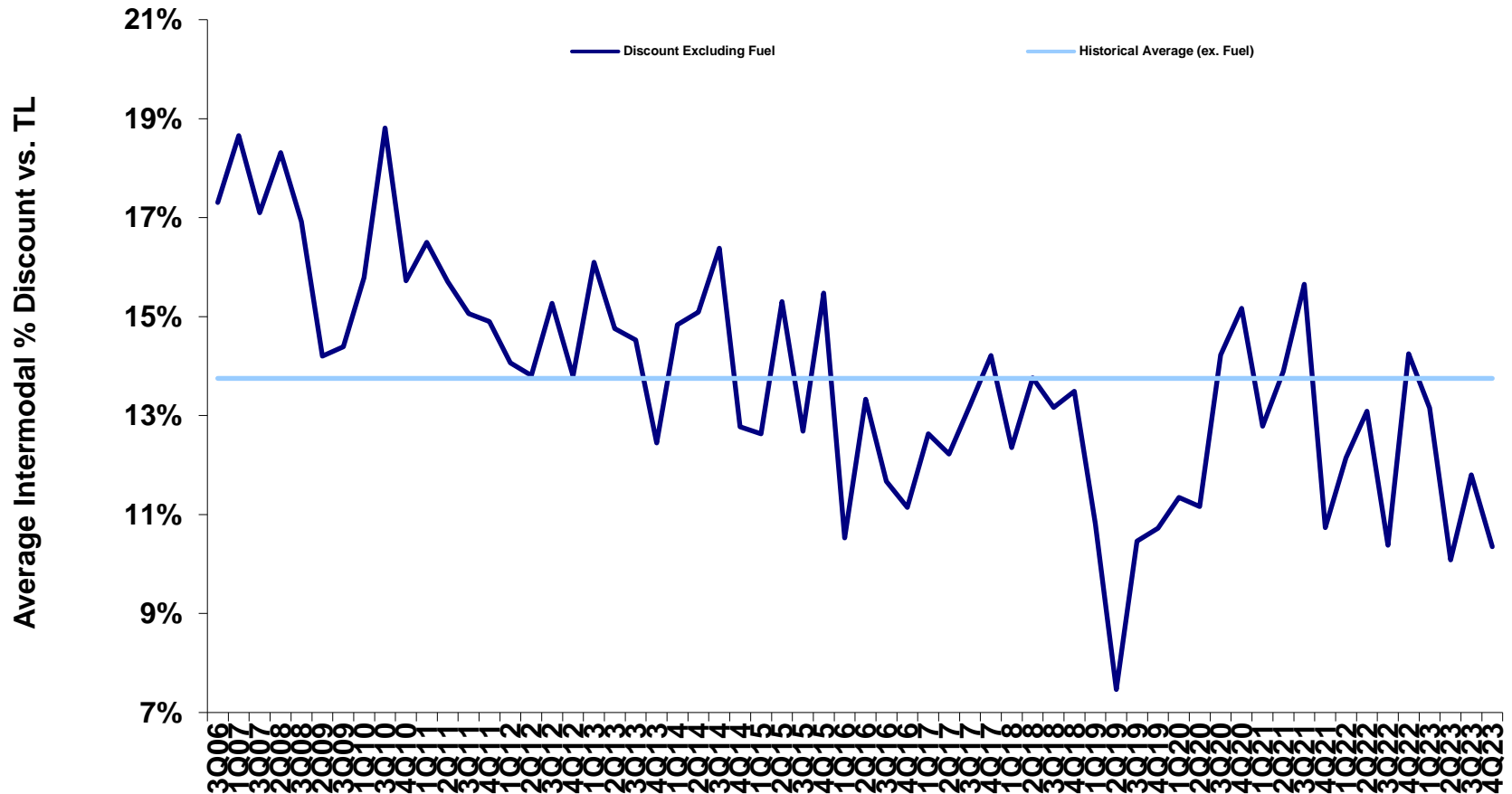


### Rail to Barge - Modal Shift by Spend



Intermodal vs. Truck: Intermodal Discount Over Time

What discount is being offered in the marketplace for intermodal services when compared to TL services in a similar lane?



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### **Part 1: General Freight Industry Trends**

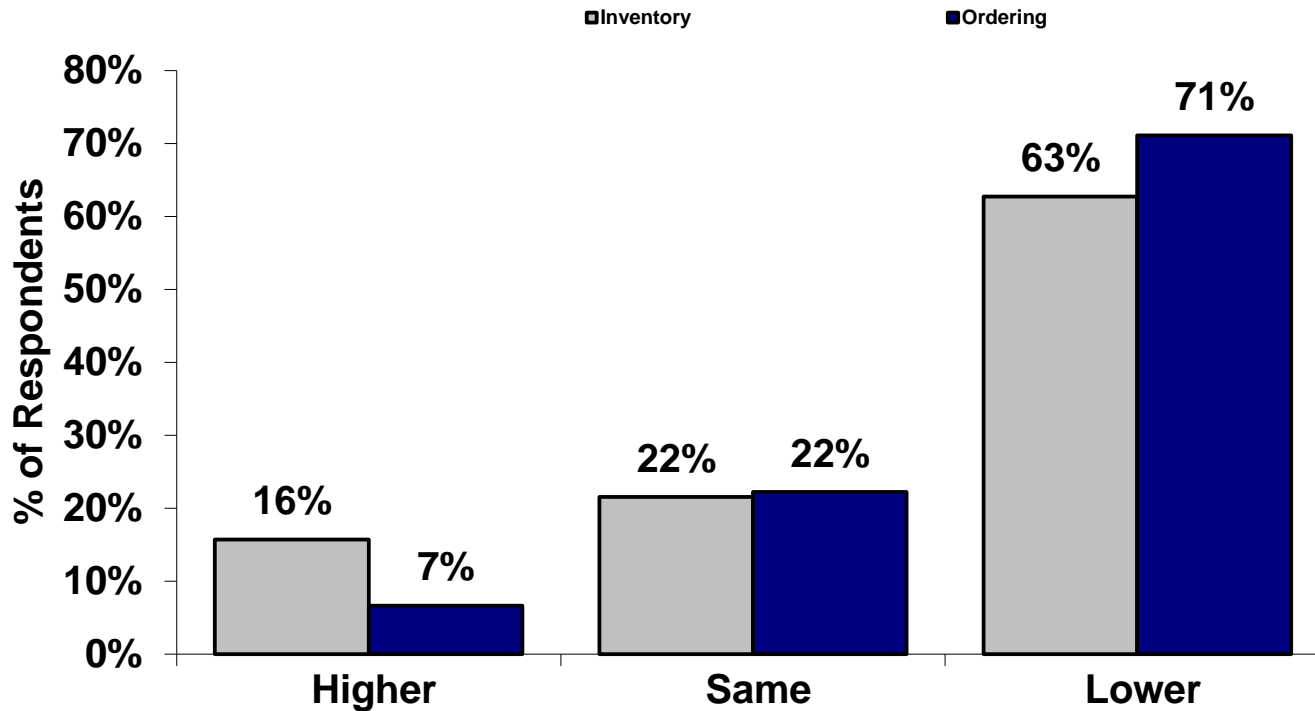
1. Digital Freight Brokers
2. Service Trends
3. Capacity Trends
4. Modal Shift
5. Intermodal vs. Truck

### **Part 2: Macro Trends**

1. Inventories and Orders
2. Economic Outlook

## Shipper Inventory and Stocking Trends

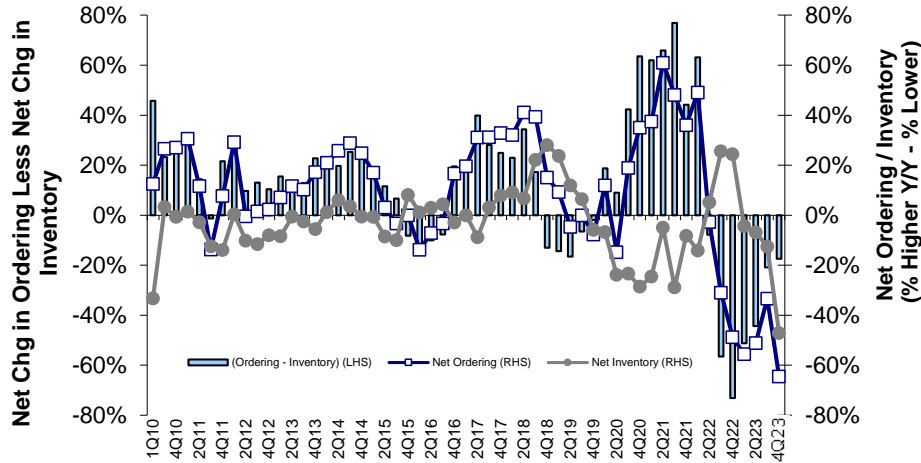
### Shipper Inventories and Orders Relative to Last Year



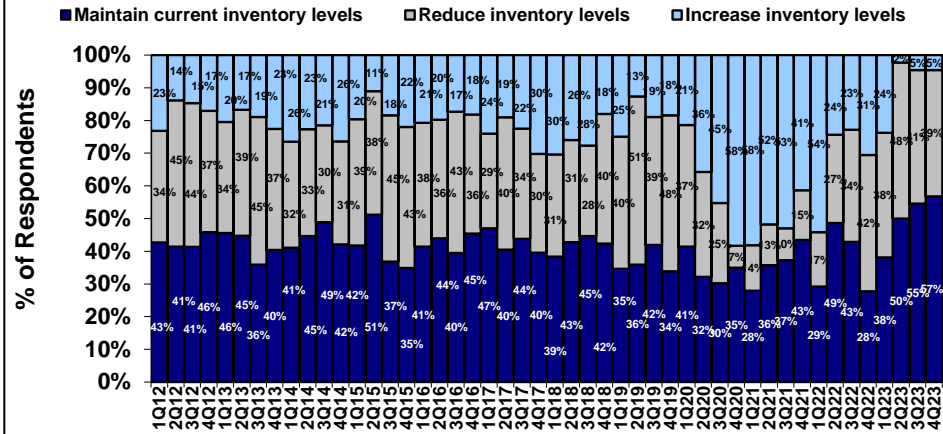


# Assessing Restocking Potential: Net Inventory Trends and Inventory Plans

## Shippers' Net Y/Y Orders vs. Net Y/Y Inventory

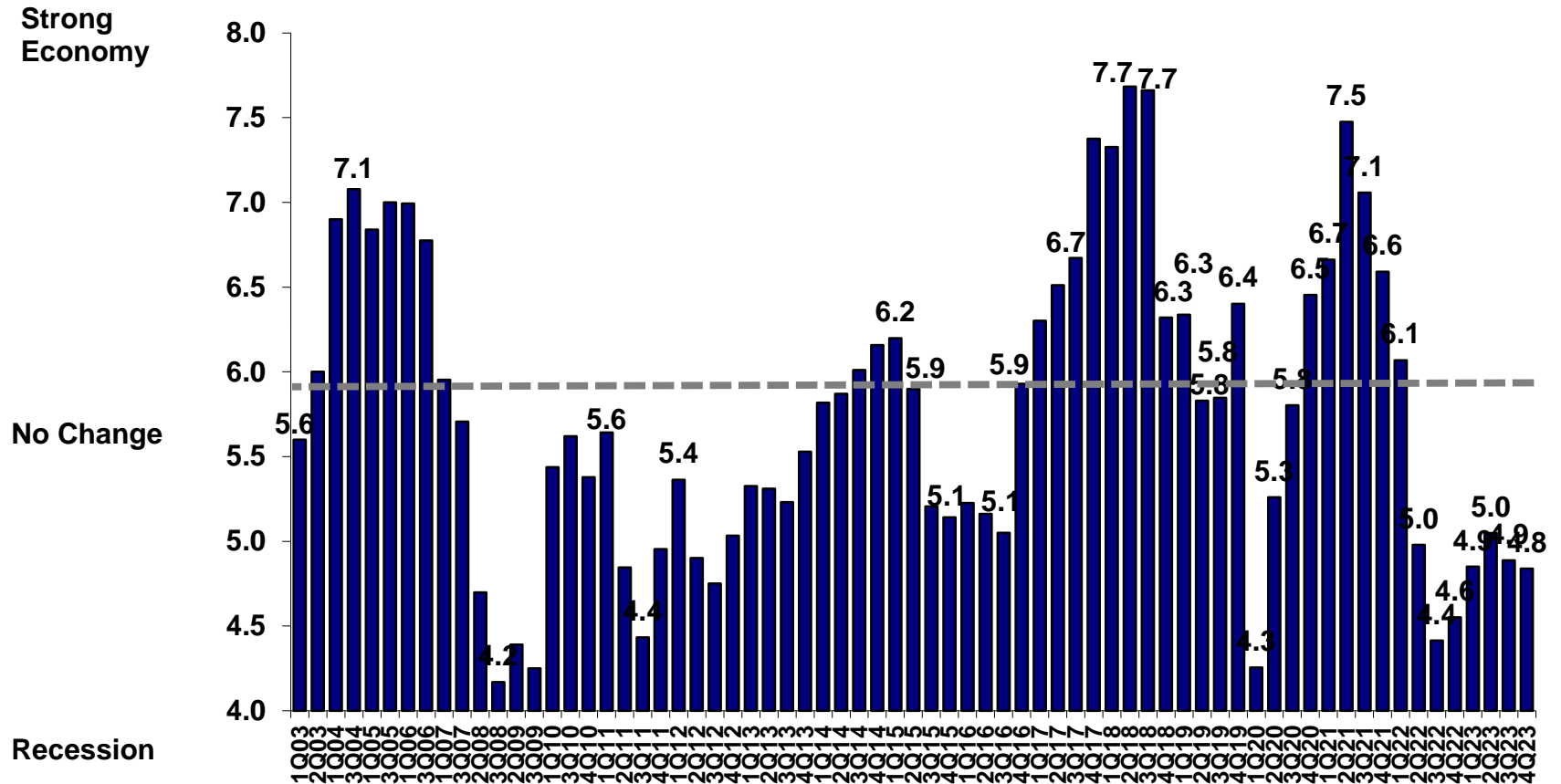


## Shippers' Inventory Plans



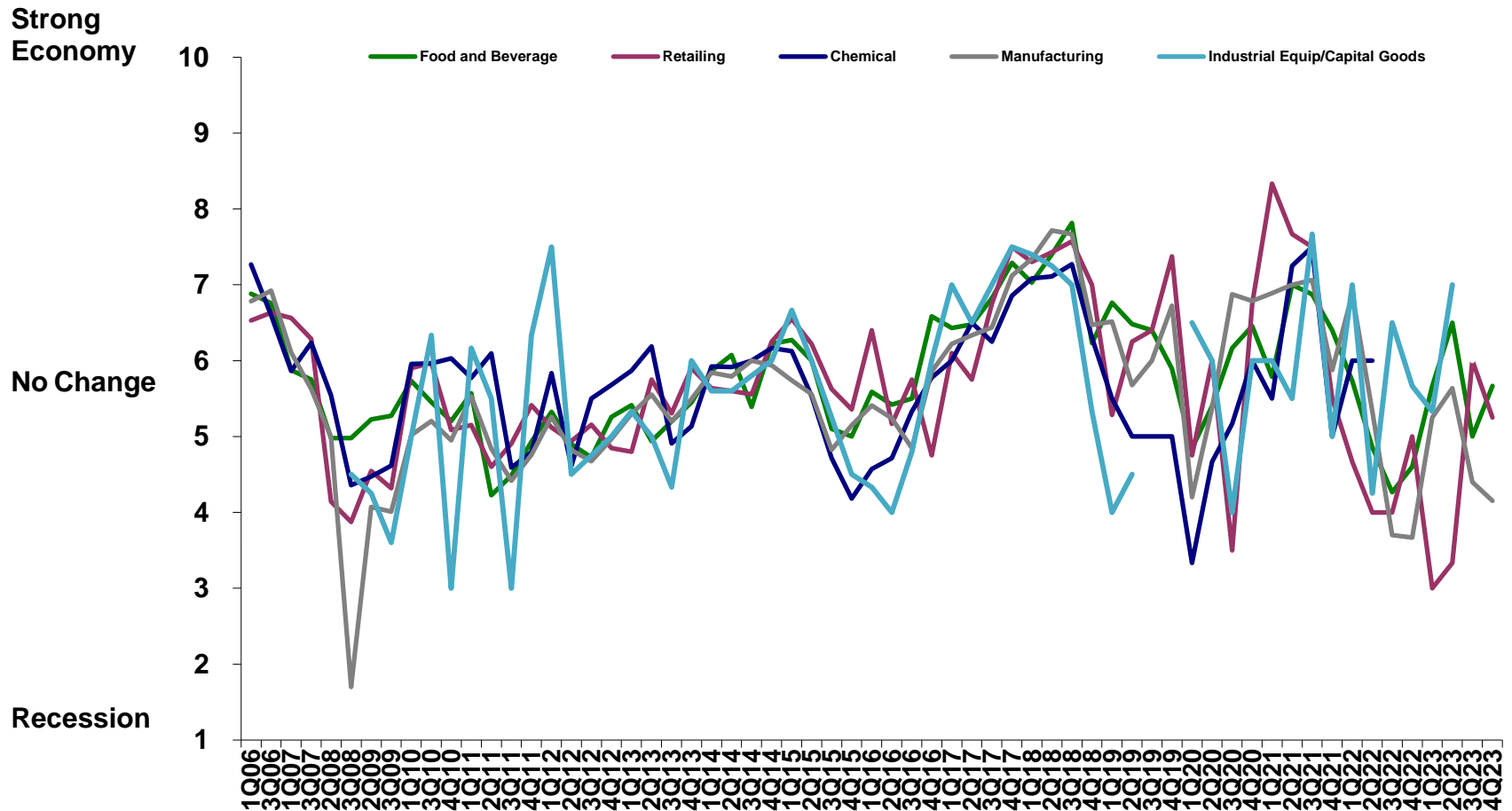
Economic Outlook: Average Across All Shippers

State of the Economy from Shippers' Perspective



Economic Outlook: View by Industry Over Time

Shippers' Historical View of the Economy by Industry Segment



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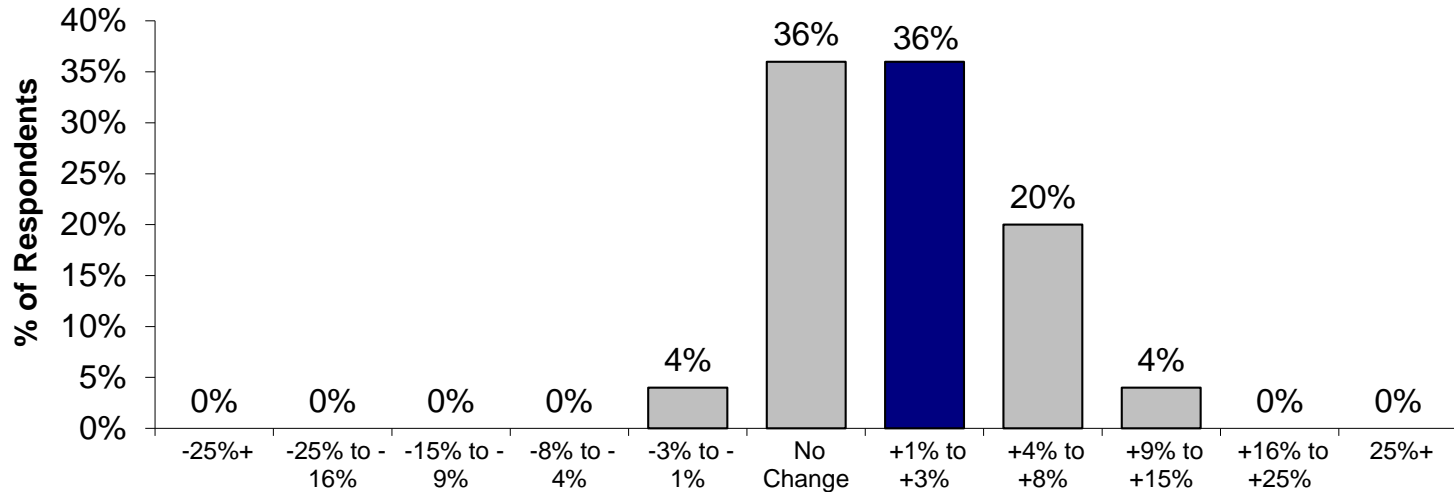
1. Volume Trends
2. Rate Trends
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4. Pricing Trends
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### **Part 2: Special Topics**

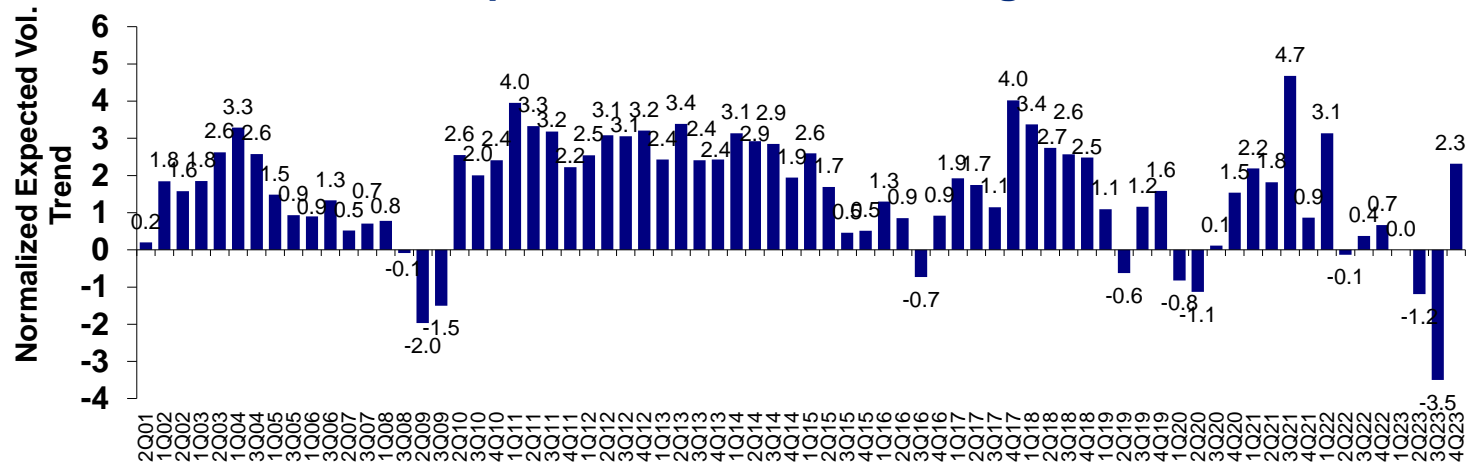
1. Intermodal
2. Rate Mitigation Efforts
3. Rail Competition
4. Rate Negotiations
5. Rate Cases
6. Support for Legislation

## Rail Volume Trends: Forward 6 Month YoY Volume Expectations

### YoY Volume Growth Expectations for Next 6 Mo. by Range

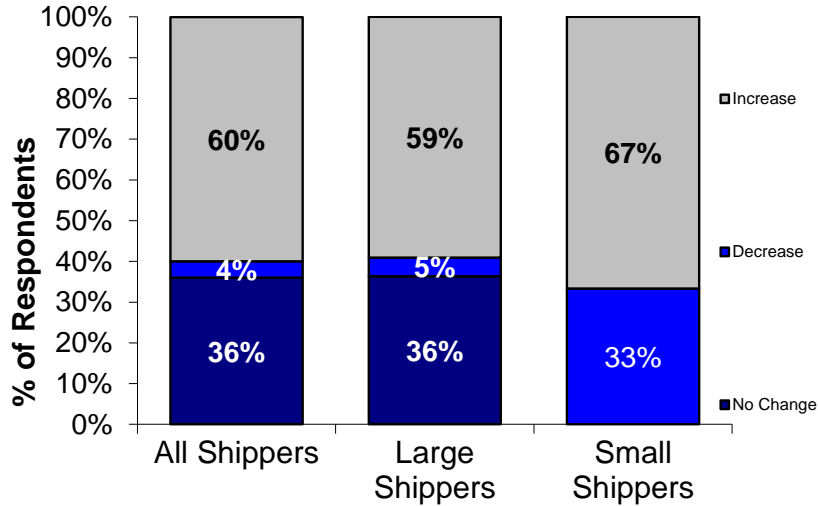


### MS Expected Rail Volume Change Index

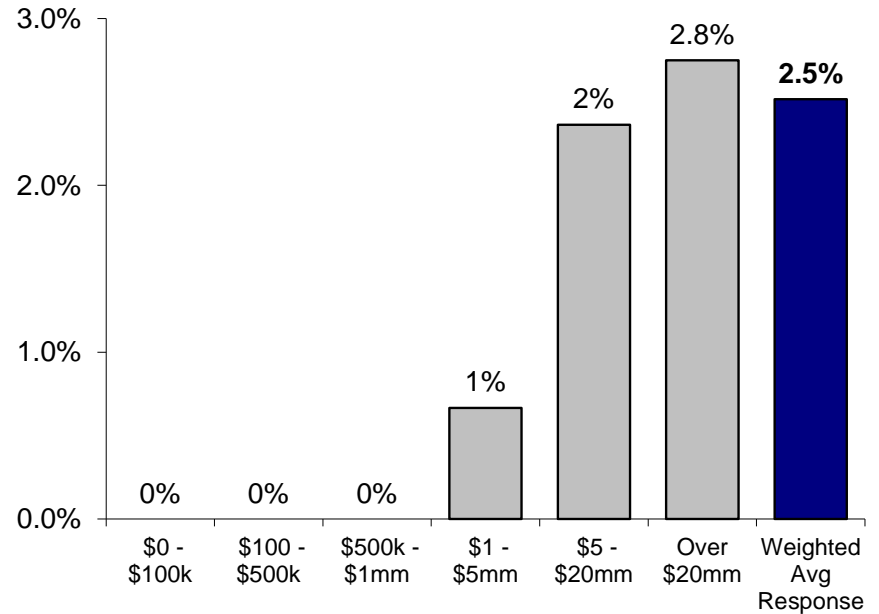


## Rail Volume Trends: Forward 6 Month YoY Volume Expectations by Segment

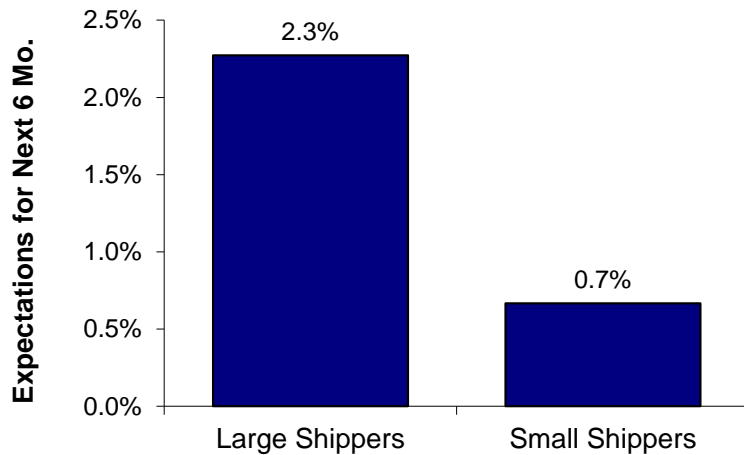
### YoY Volume Growth Expectations



### 6 Mo. YoY Volume Growth Expectation by Spend

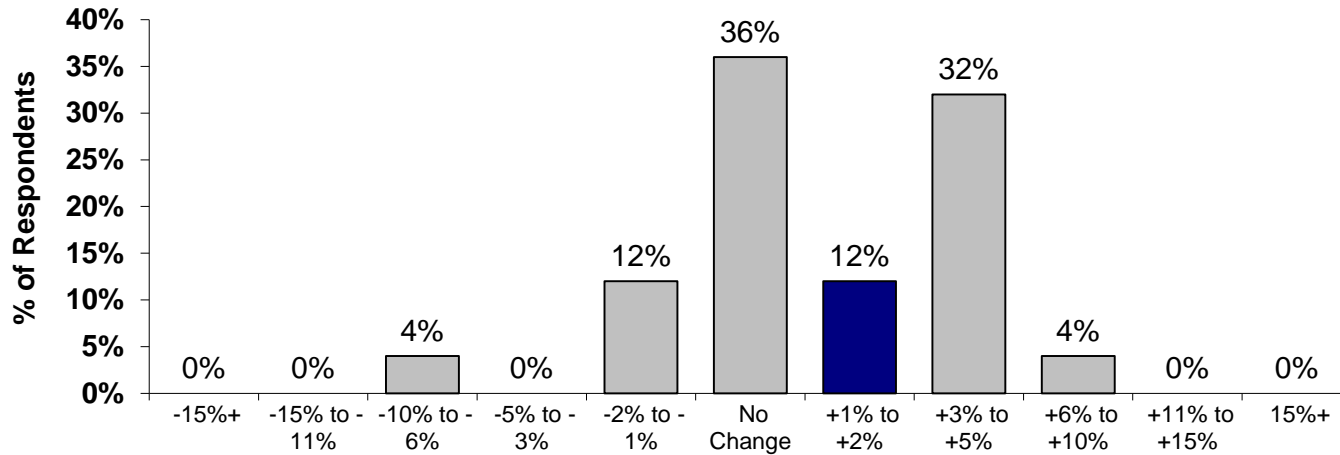


### YoY Volume Growth Expectations

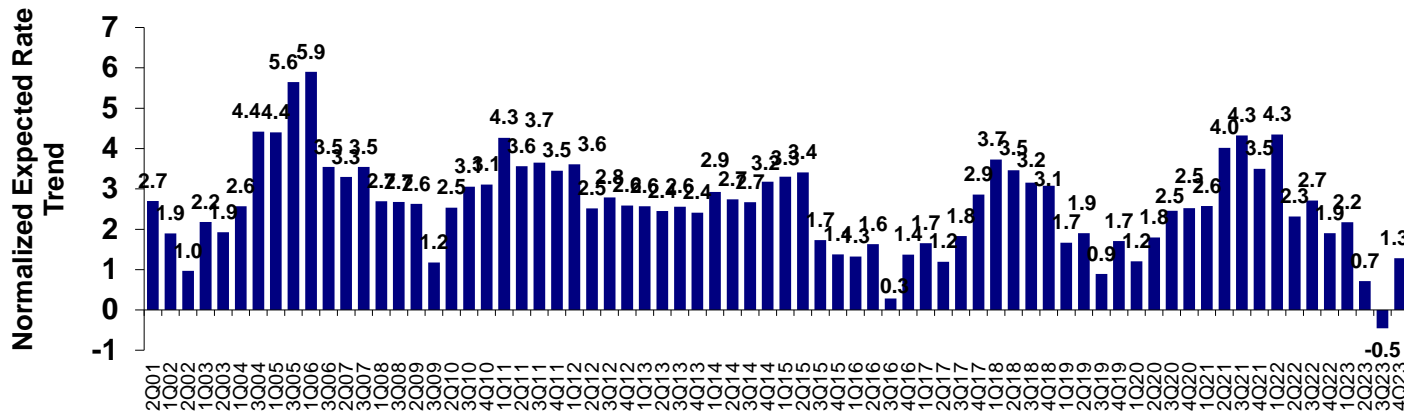


## Rail Rate Trends: Forward 6 Month YoY Rate Expectations

### YoY Rate Growth Expectations for Next 6 Mo. by Range

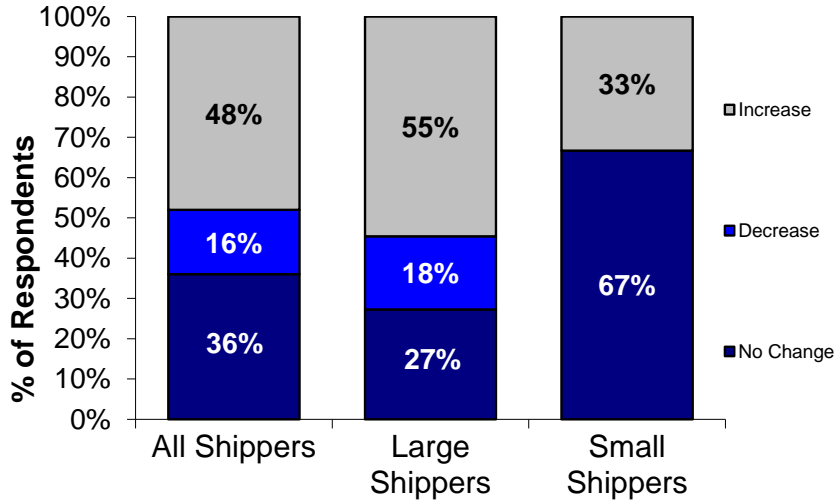


### MS Expected Rate Change Index

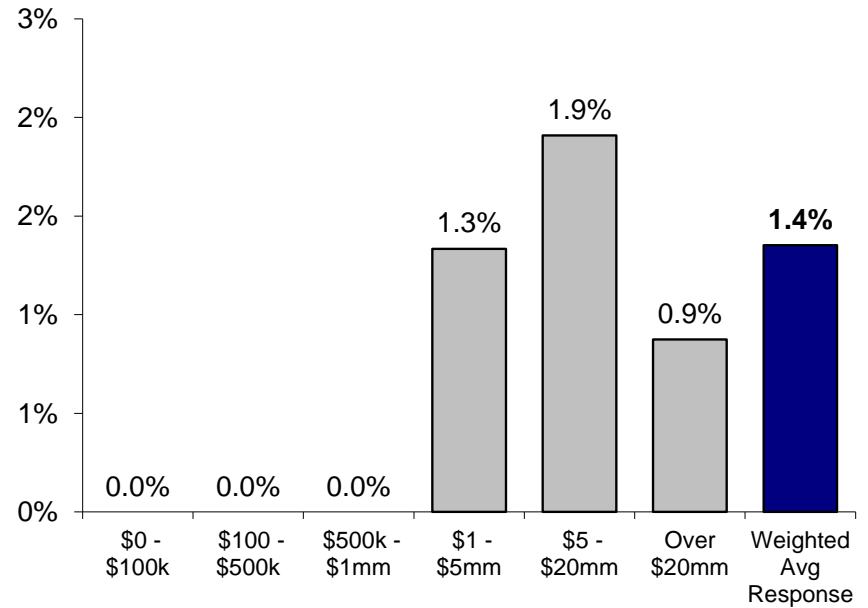


## Rail Rate Trends: Forward 6 Month YoY Rate Expectations by Segment

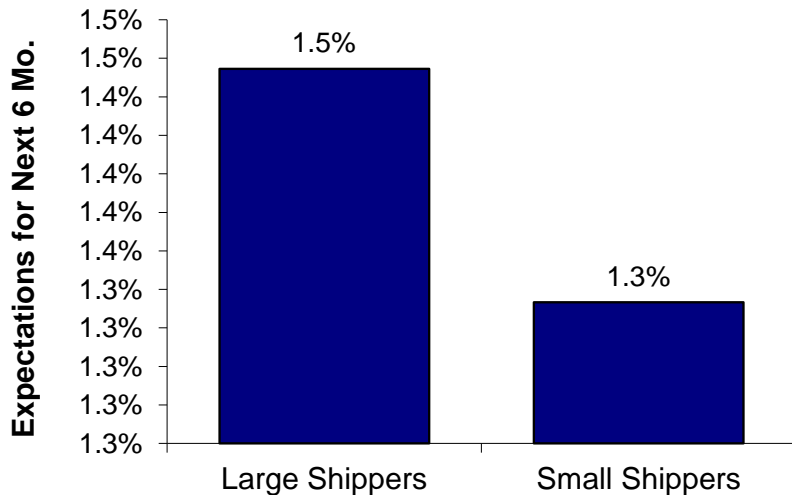
### YoY Rate Growth Expectations



### 6 Mo. YoY Rate Growth Expectation by Spend



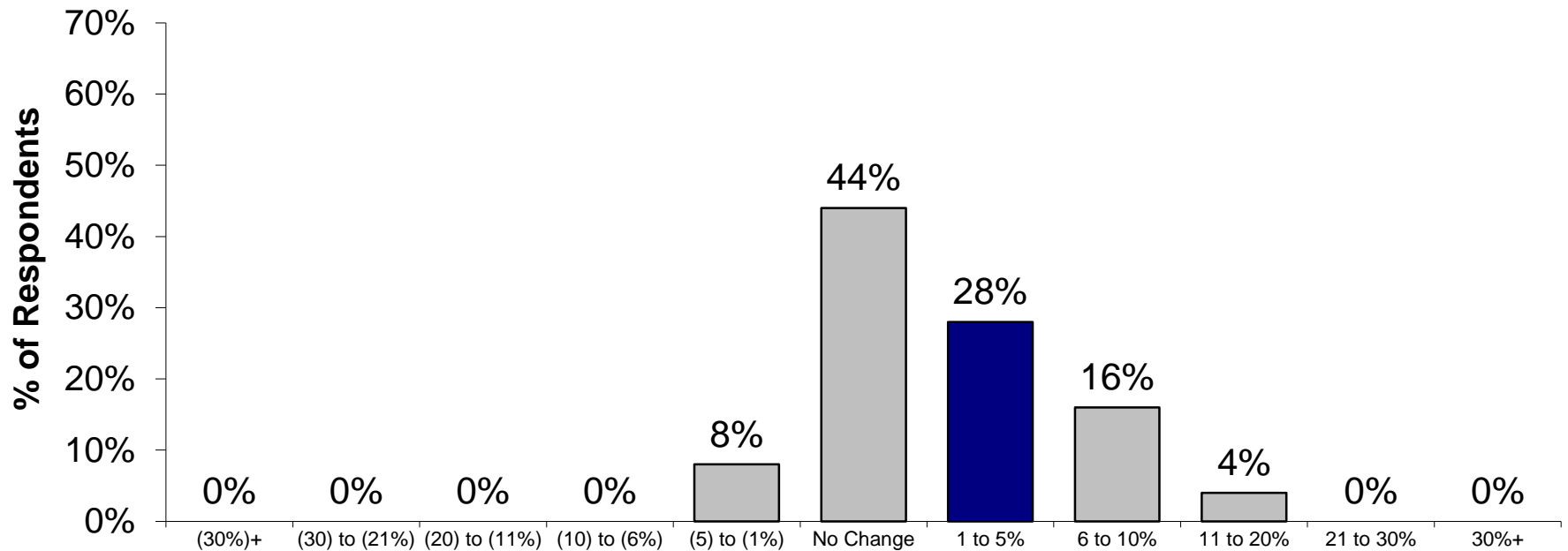
### YoY Rate Growth Expectations





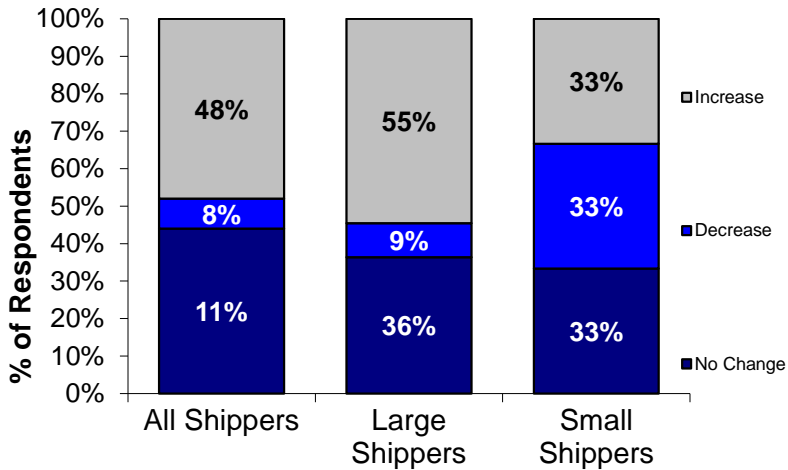
**Rail Spend Trends: Forward 6 Month YoY Spend Expectations**

**YoY Rail Spend Growth Expectations for Next 6 Mo. by Range**

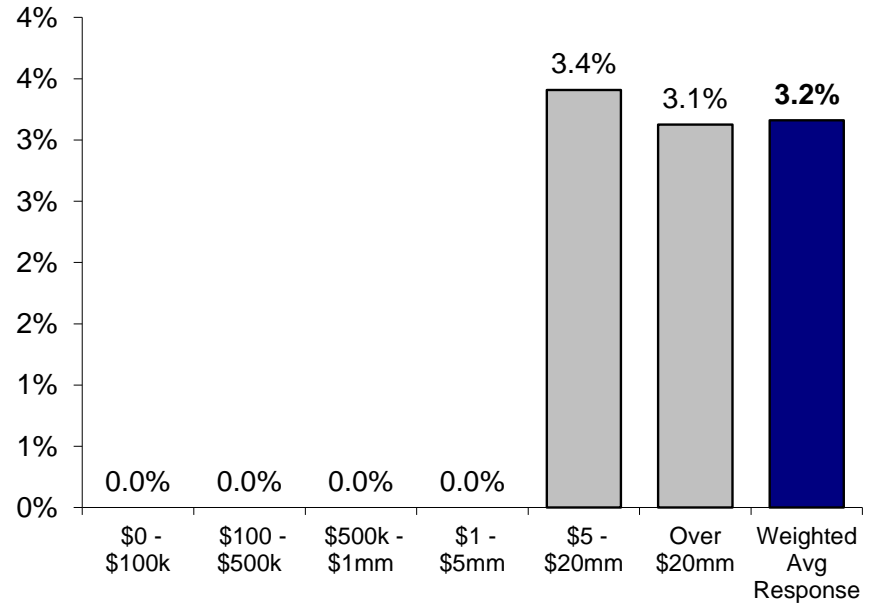


## Rail Spend Trends: Forward 6 Month YoY Spend Expectations by Segment

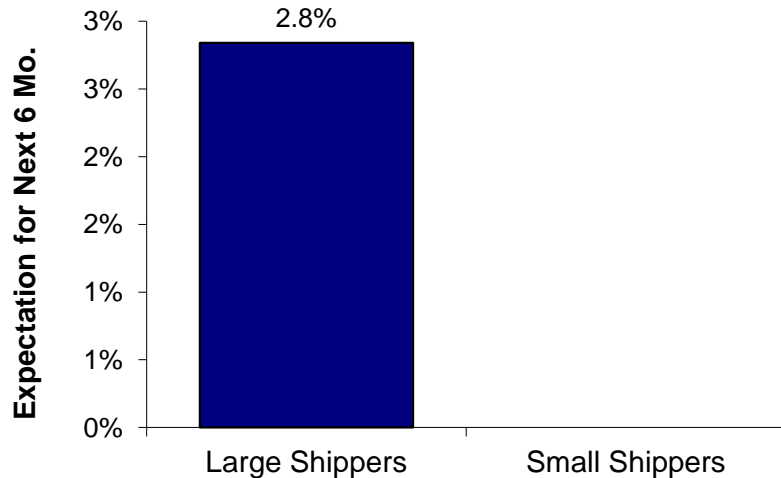
### YoY Spend Growth Expectations



### 6 Mo. YoY Spend Growth Expectation by Spend

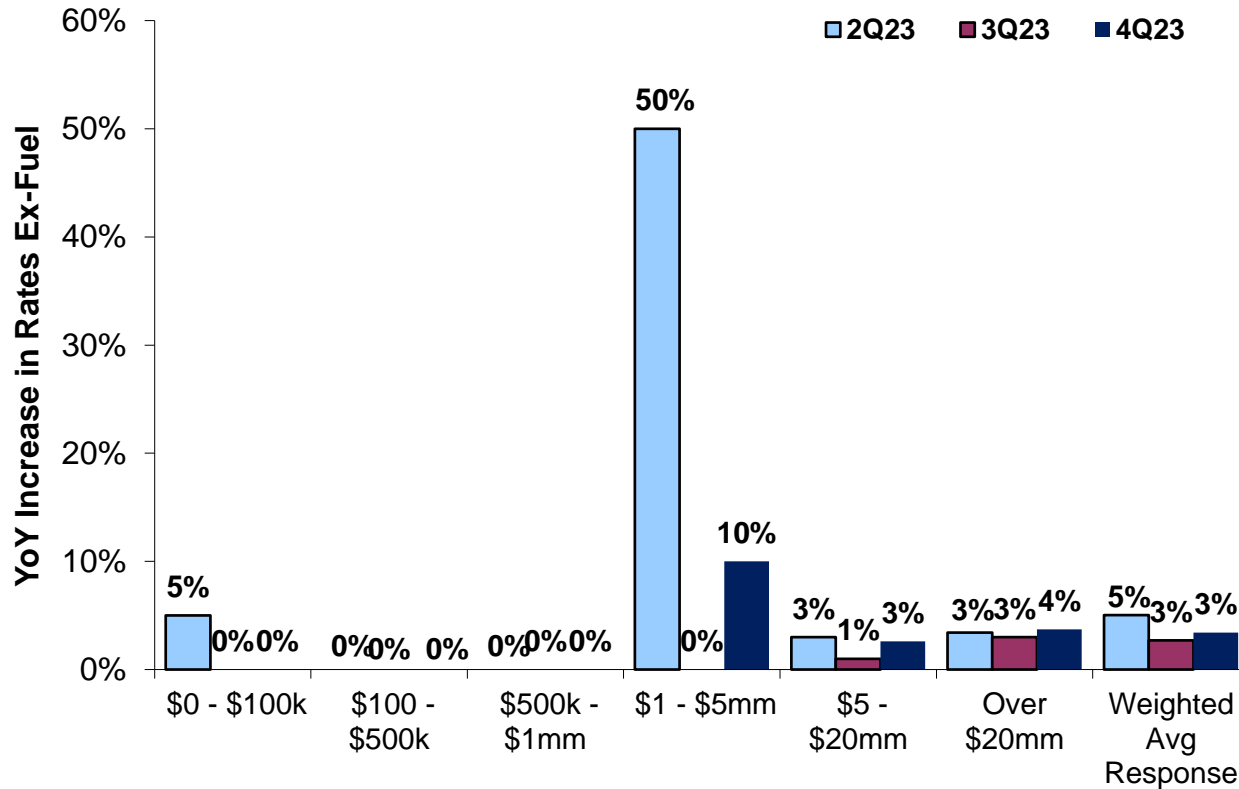


### Spend Expectations by Size



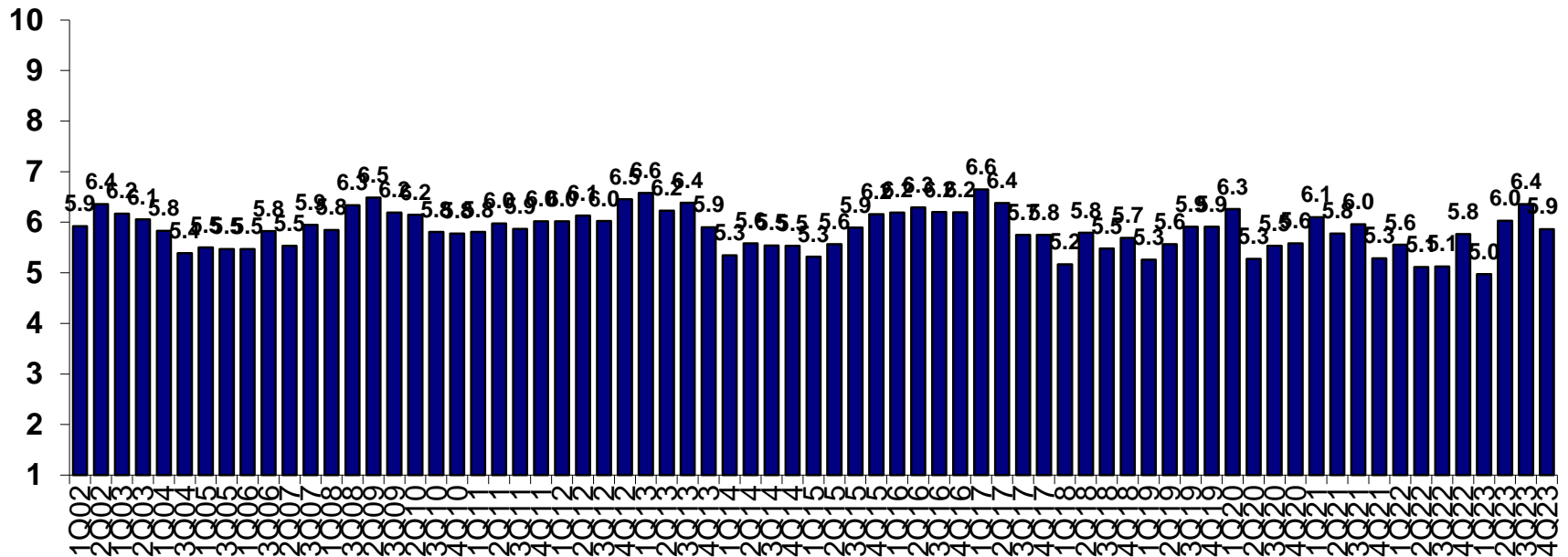
Rail Pricing Trends: Renewal Rates

Expectations for Current Year YoY Pricing Ex-Fuel by Spend



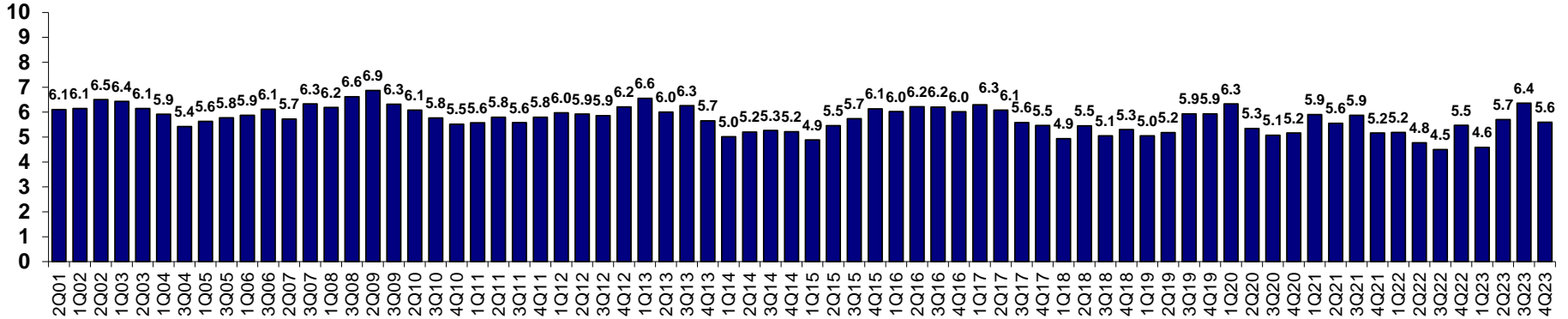
## Rail Service Trends: Average Service Levels

Average Service Levels (Scale 1 = Worst to 10 = Best)

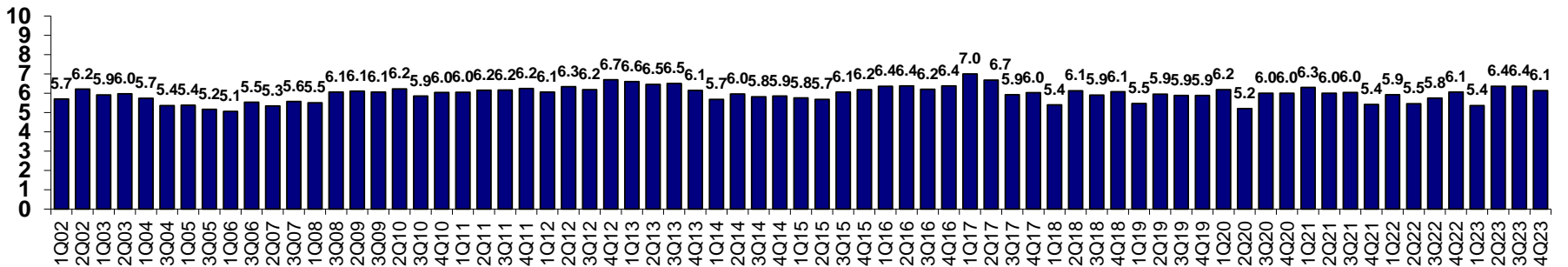


Rail Service Trends: Detail

Service Reliability (Scale 1 = Worst to 10 = Best)



Value for Dollar (Scale 1 = Worst to 10 = Best)



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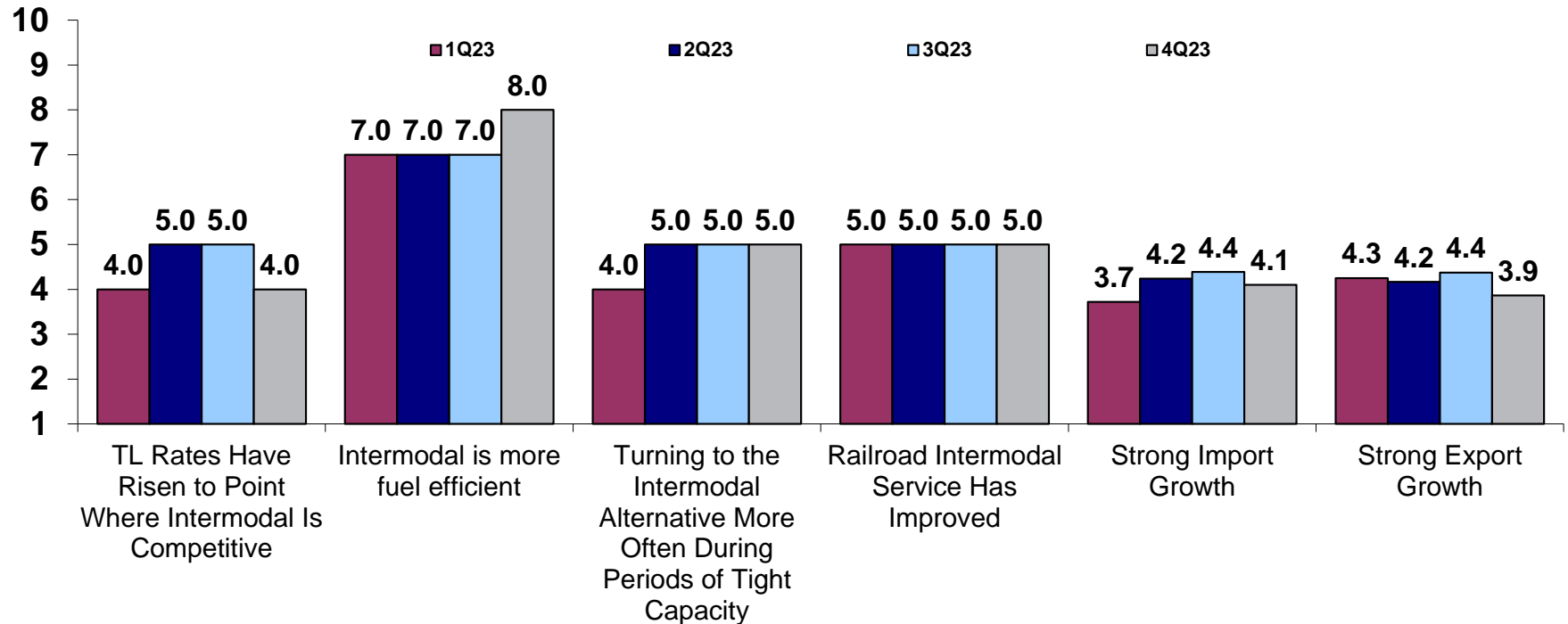
1. Volume Trends
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### **Part 2: Special Topics**

1. Intermodal
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4. Rate Negotiations
5. Rate Cases
6. Support for Legislation

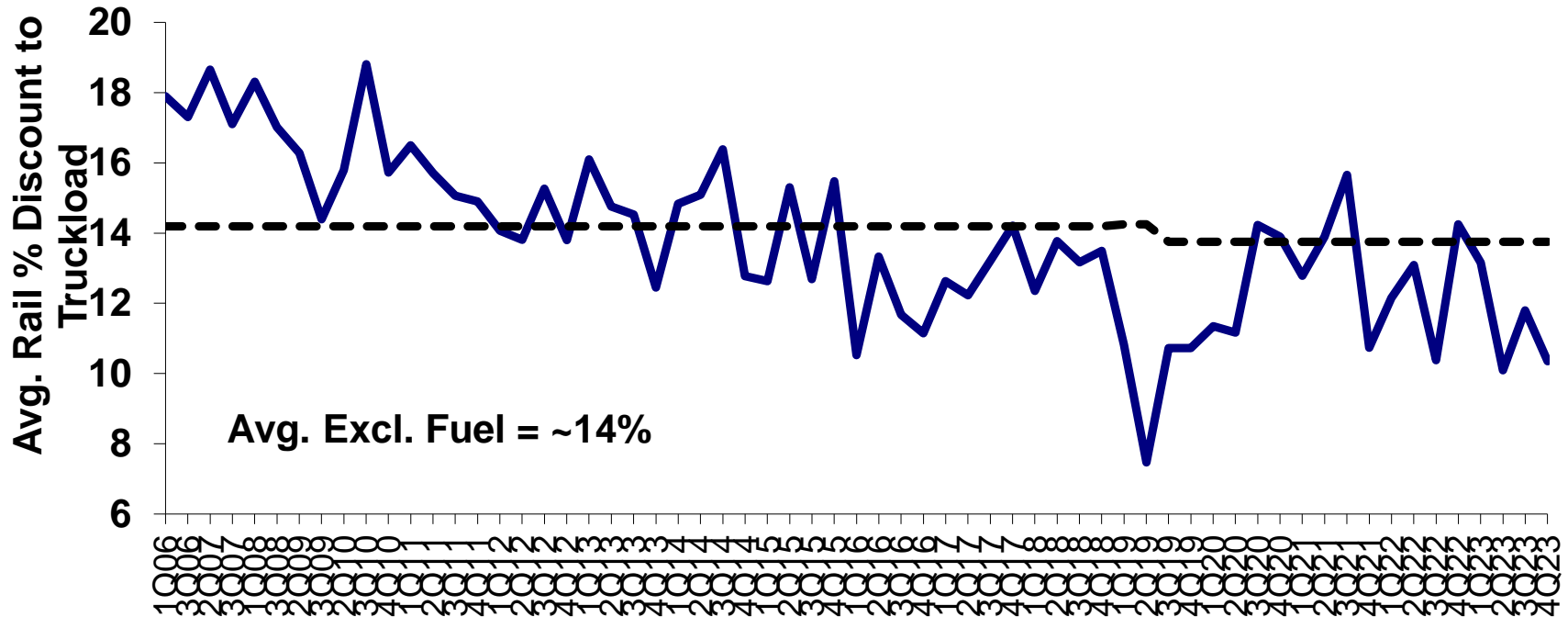
**Intermodal: What Factors Are Impacting Your Use of Intermodal Most?**

**Avg. Response on Scale of 1 (Least Impact) to 10 (Most Impact)**



**Intermodal: Average % Discount to Truckload Carriers?**

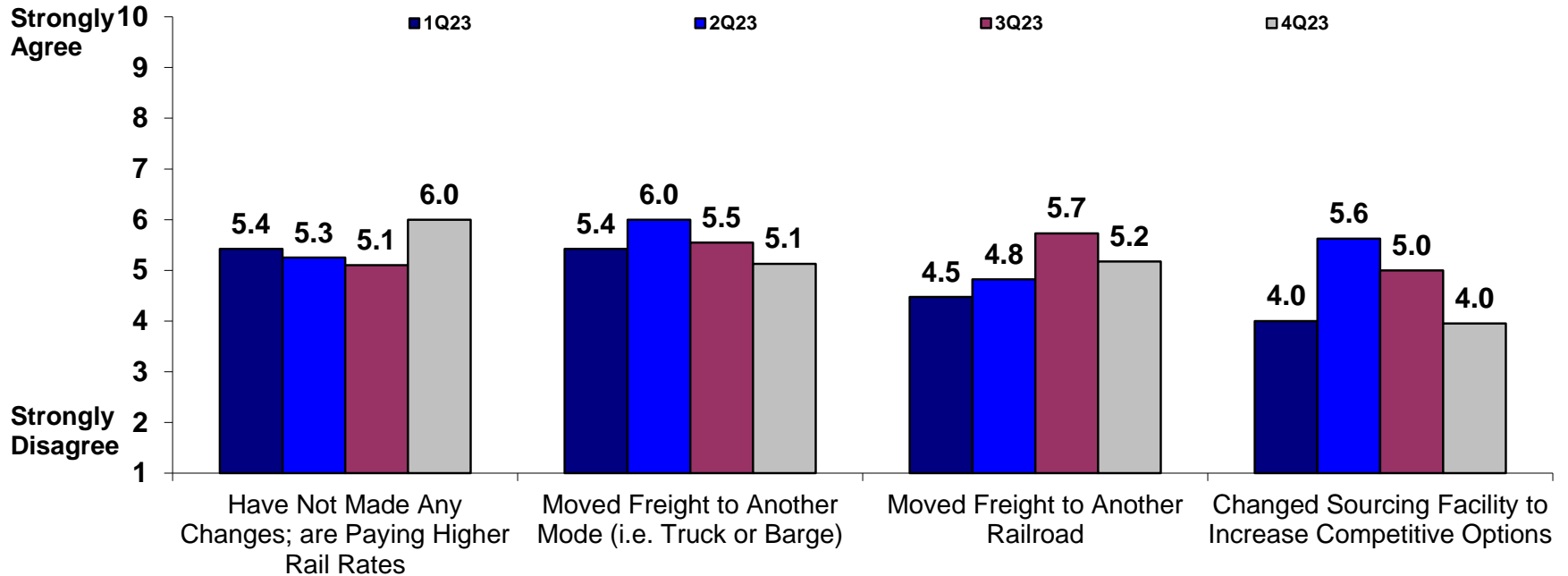
**Avg. Discount Excl. Fuel**





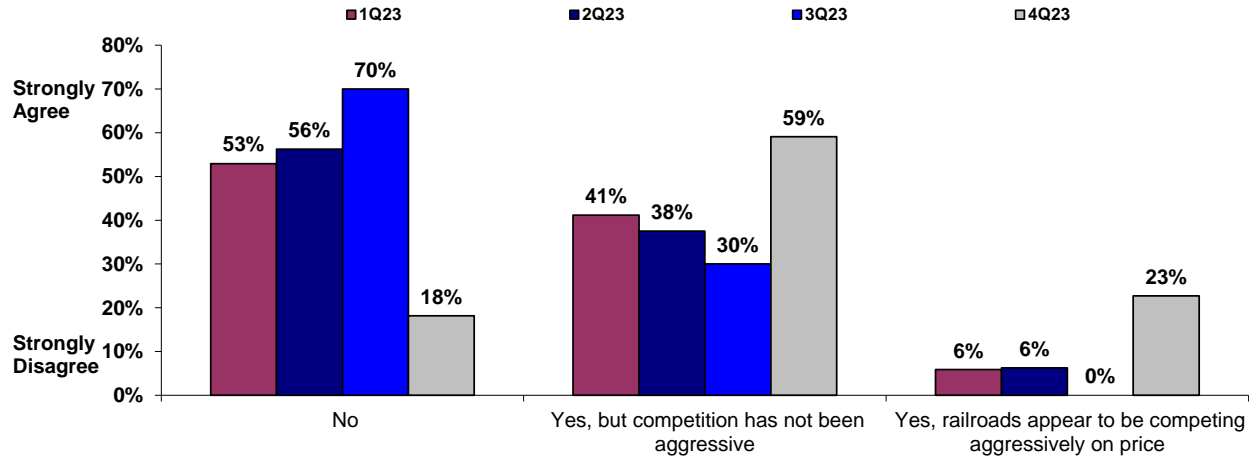
**Rate Mitigation: What Have You Done In an Effort to Reduce Railroad Spend?**

**All Shippers**

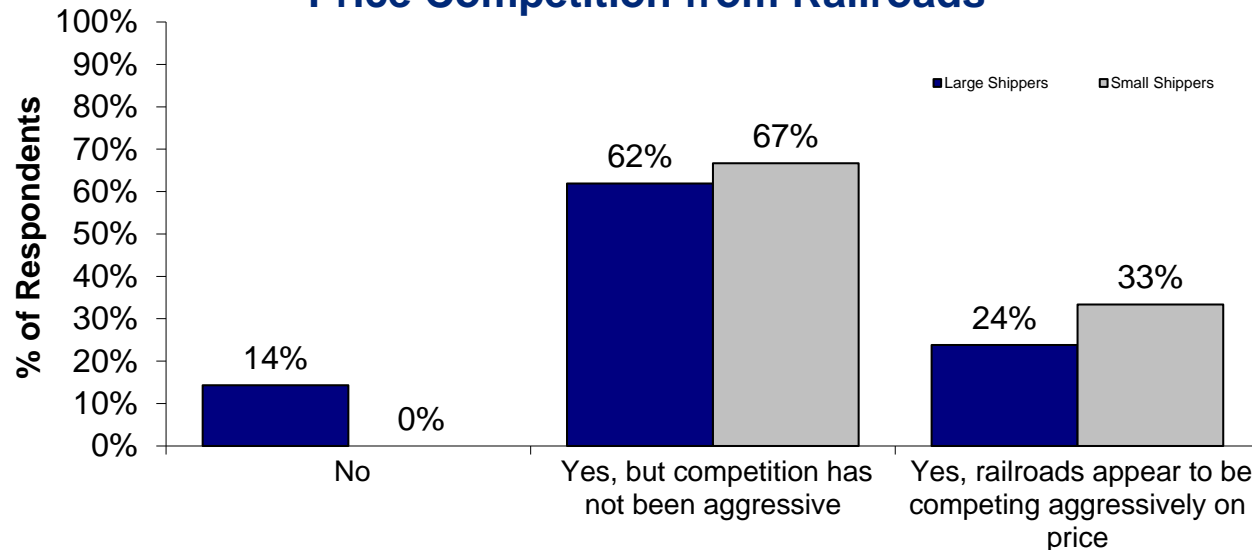


## Competition: Have You Been Solicited With Competing Bids Offering Lower Rates?

### All Shippers

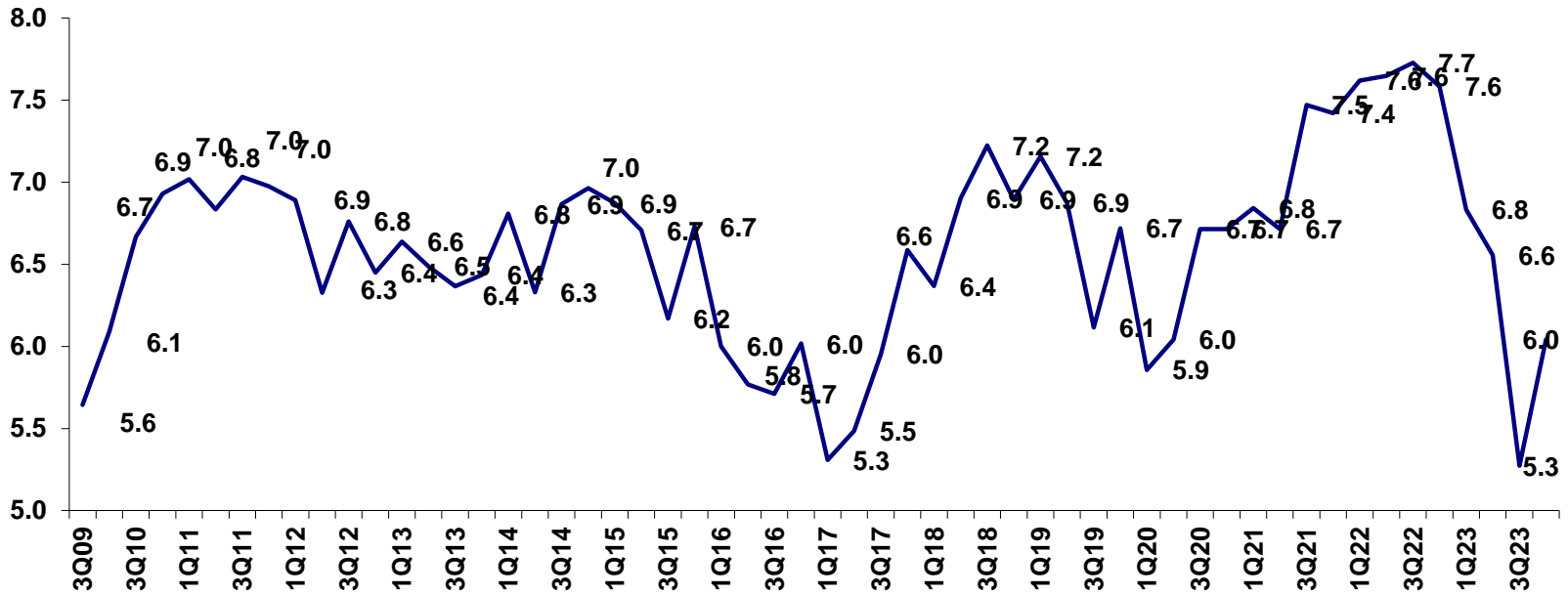


### Price Competition from Railroads



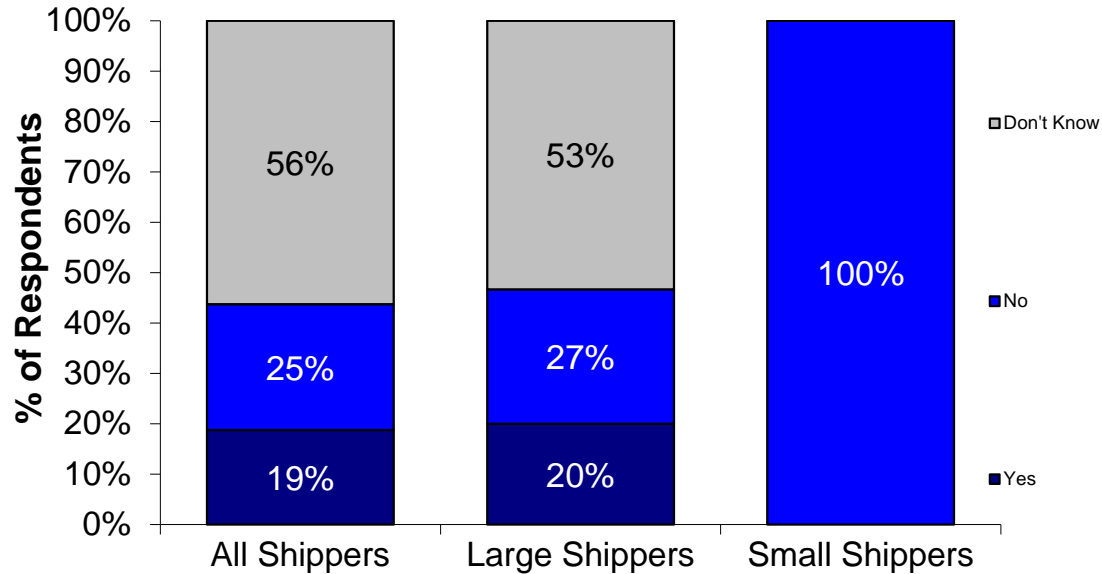
**Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations**

**Scale of 1 (Least Difficult) to 10 (Most Difficult)**

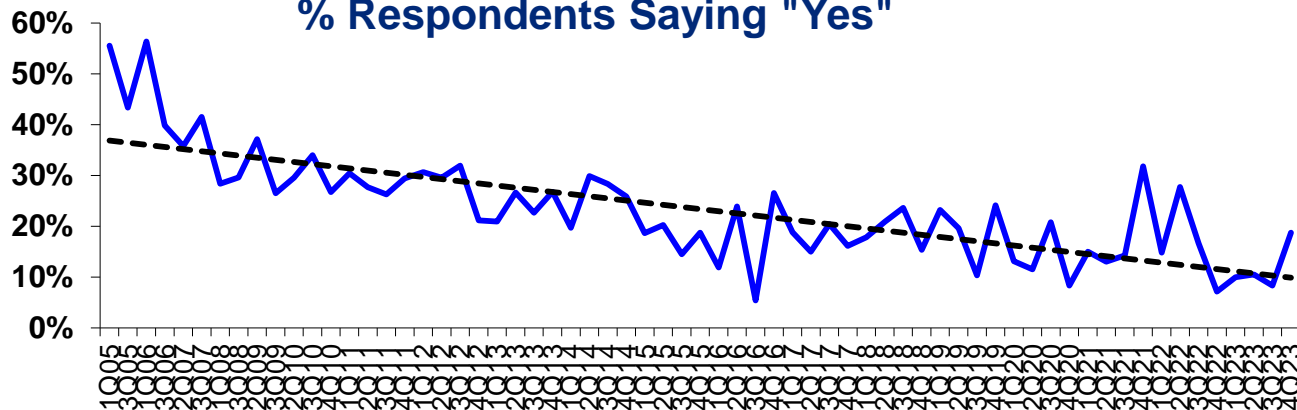


**Legislation: Do You Expect to Take a More Active Role in Legislative Rail Reform?**

**Action on Legislative Rail Reform**



**% Respondents Saying "Yes"**



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1. Truckload Freight Index
2. Fuel Surcharge Concessions
3. Limitations on Truck to Rail Conversion

Shipper Measures for Availability of Truck Capacity

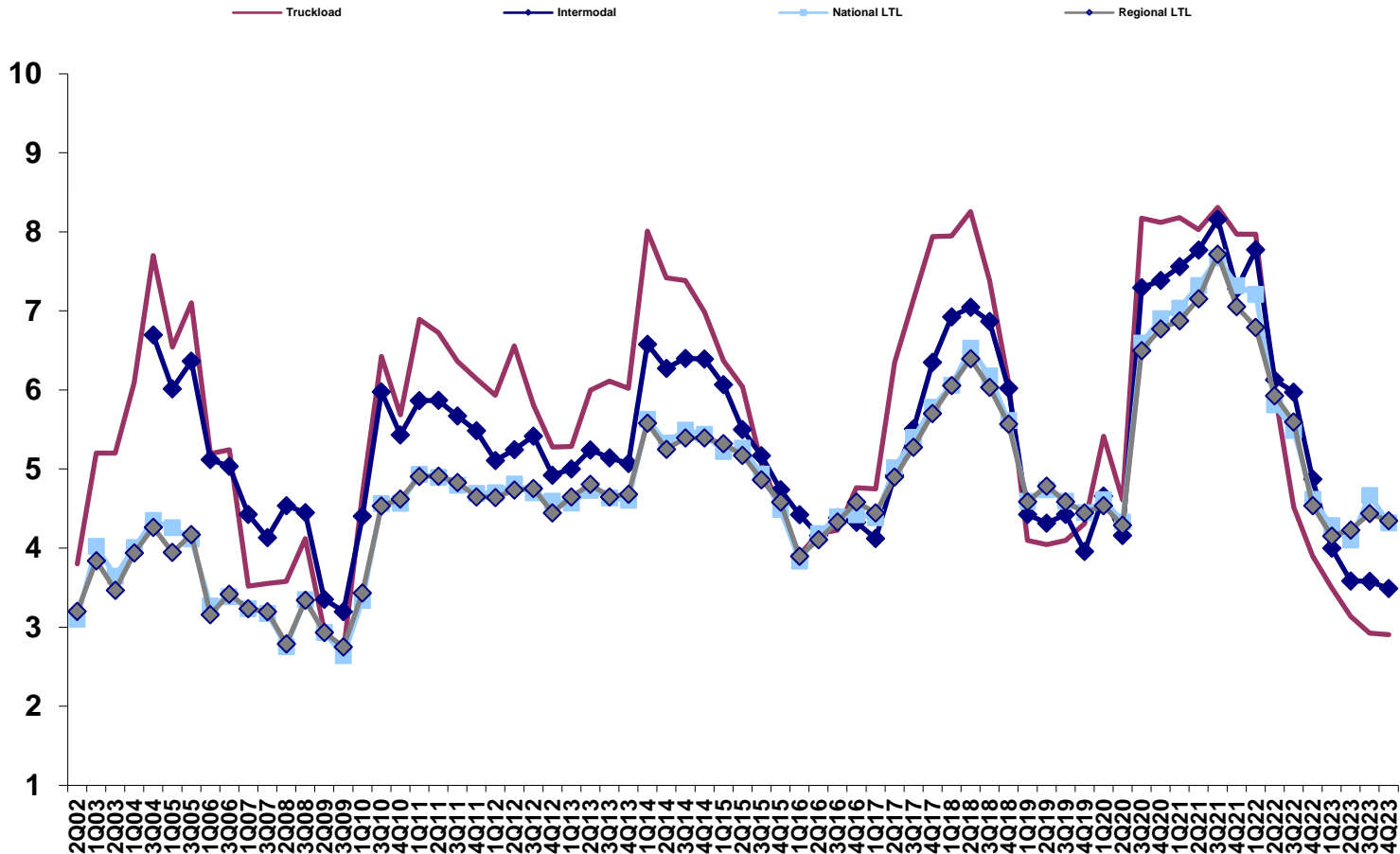
Trucking Shipper Responses to “How Would You Currently Characterize the Availability of Equipment?”

Capacity is:

Very Tight

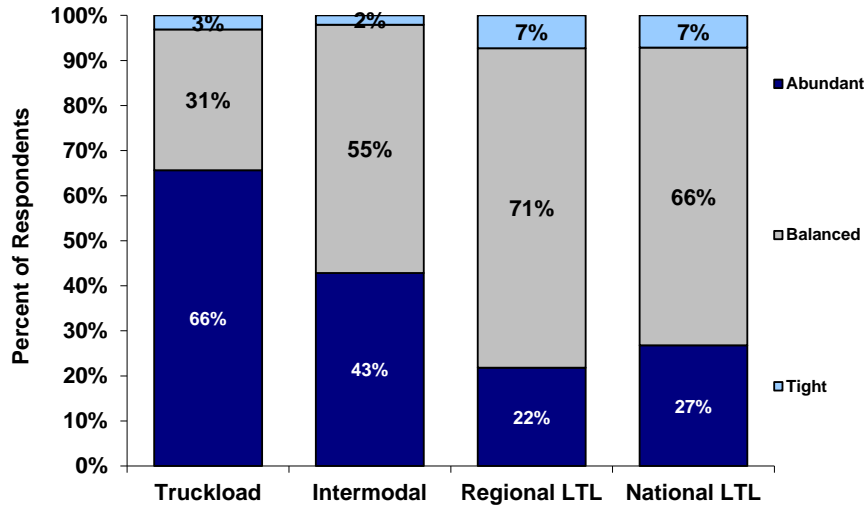
Balanced

Abundant

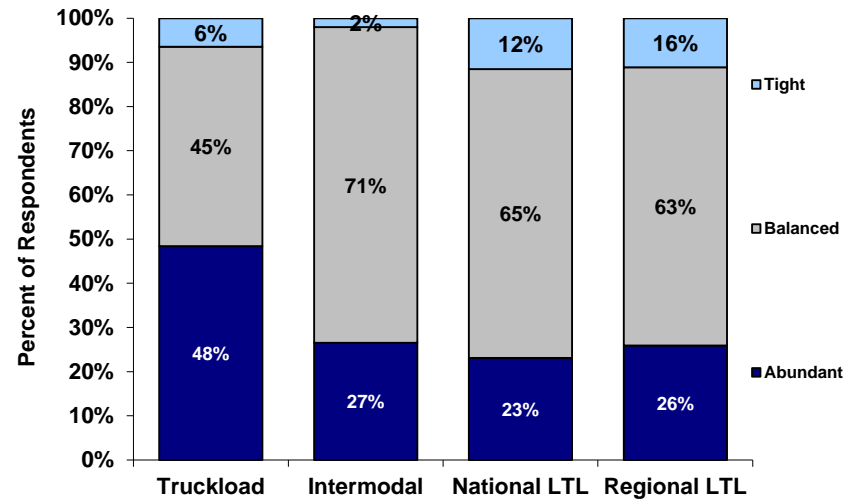


## Shipper Expectations for Availability of Truck Capacity

### Current Capacity

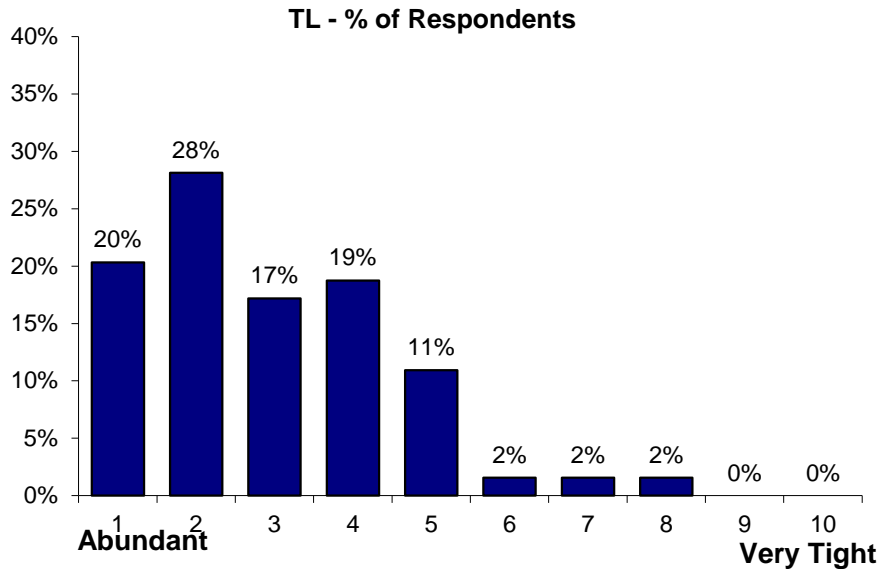


### Projected Capacity in 6 Months

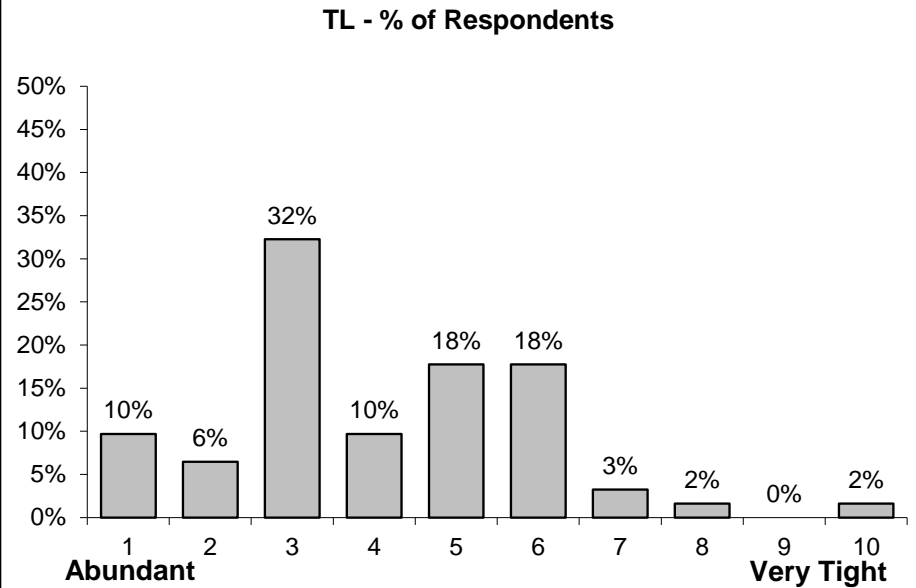


## Capacity: Distribution of Truckload Capacity Rankings

### Current Capacity



### Projected Capacity in 6 Months

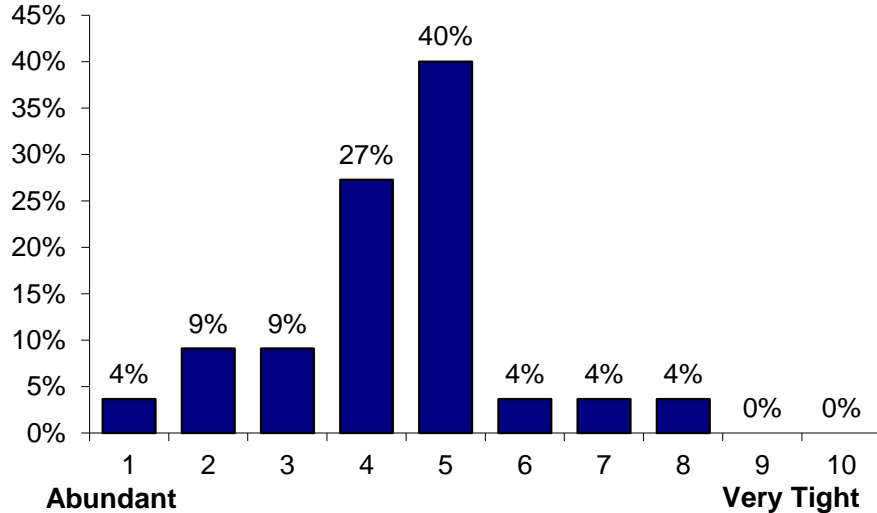




**Capacity: Distribution of Regional Less-Than-Truckload Capacity Rankings**

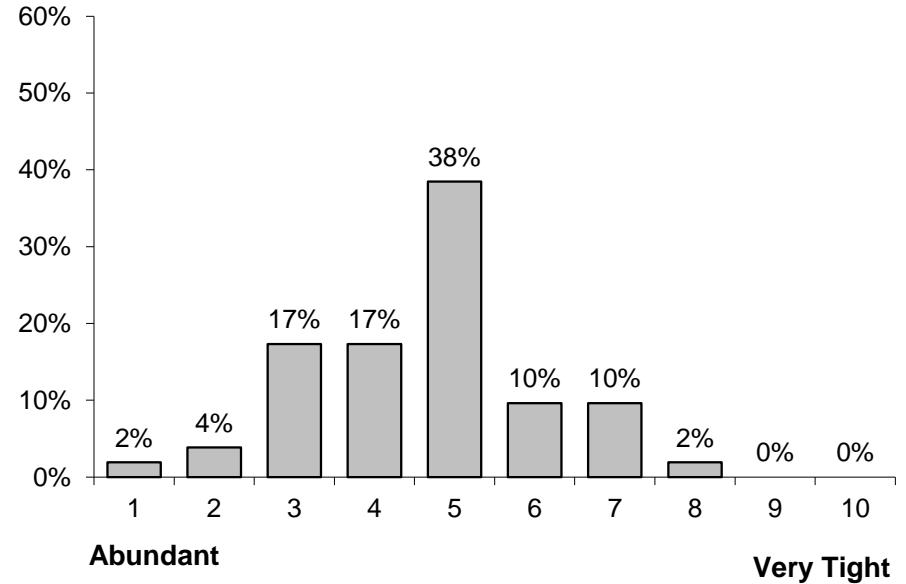
**Current Capacity**

Regional LTL - % of Respondents



**Projected Capacity in 6 Months**

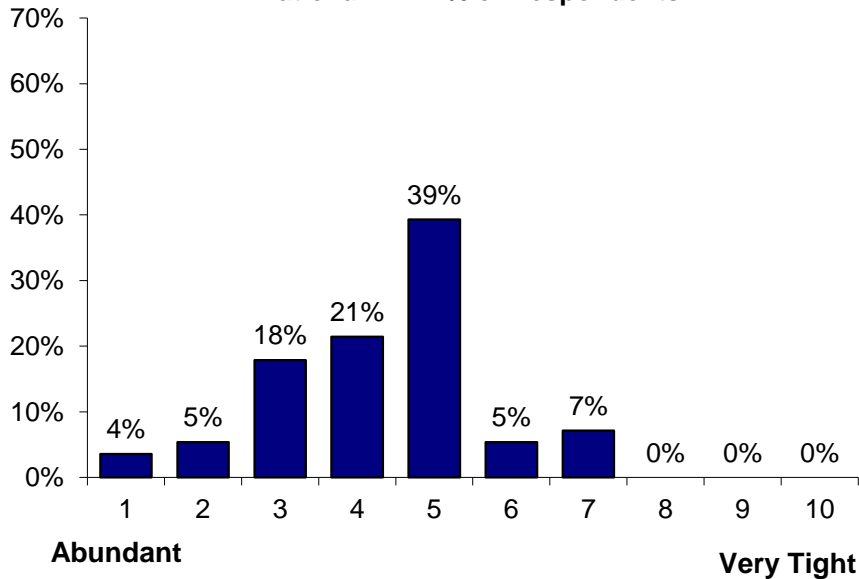
Regional LTL - % of Respondents



Capacity: Distribution of National Less-Than-Truckload Capacity Rankings

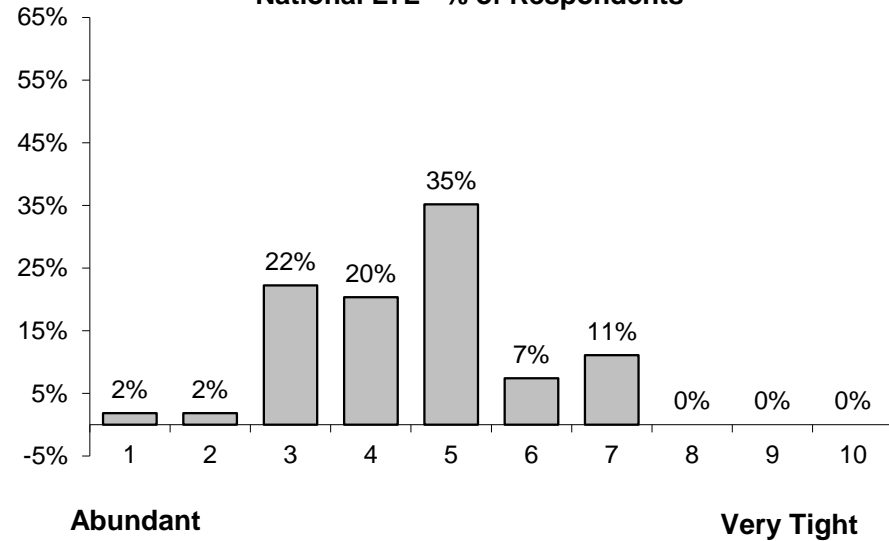
Current Capacity

National LTL - % of Respondents



Projected Capacity in 6 Months

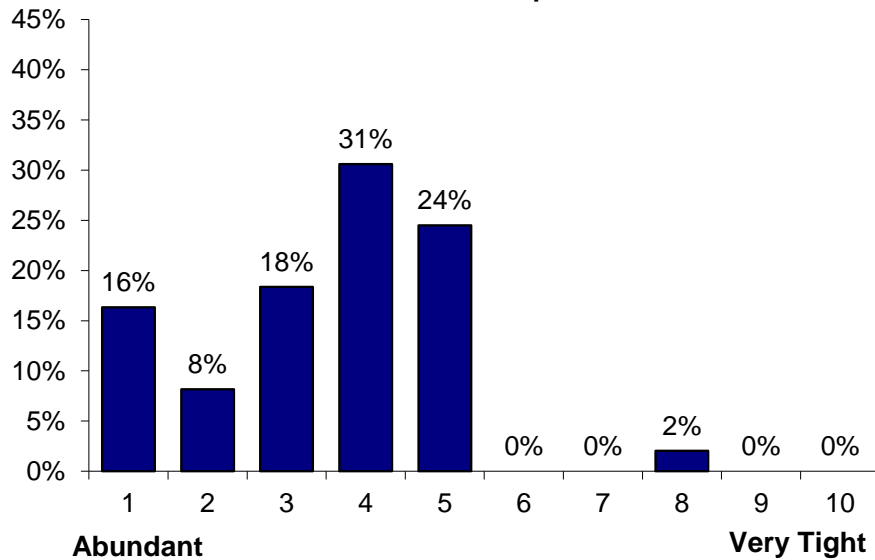
National LTL - % of Respondents



Capacity: Distribution of Intermodal Capacity Rankings

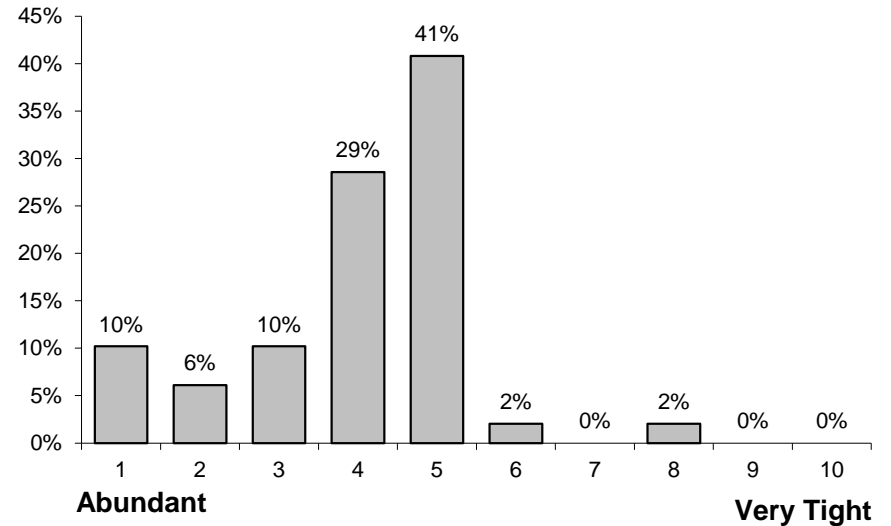
Current Capacity

Intermodal - % of Respondents



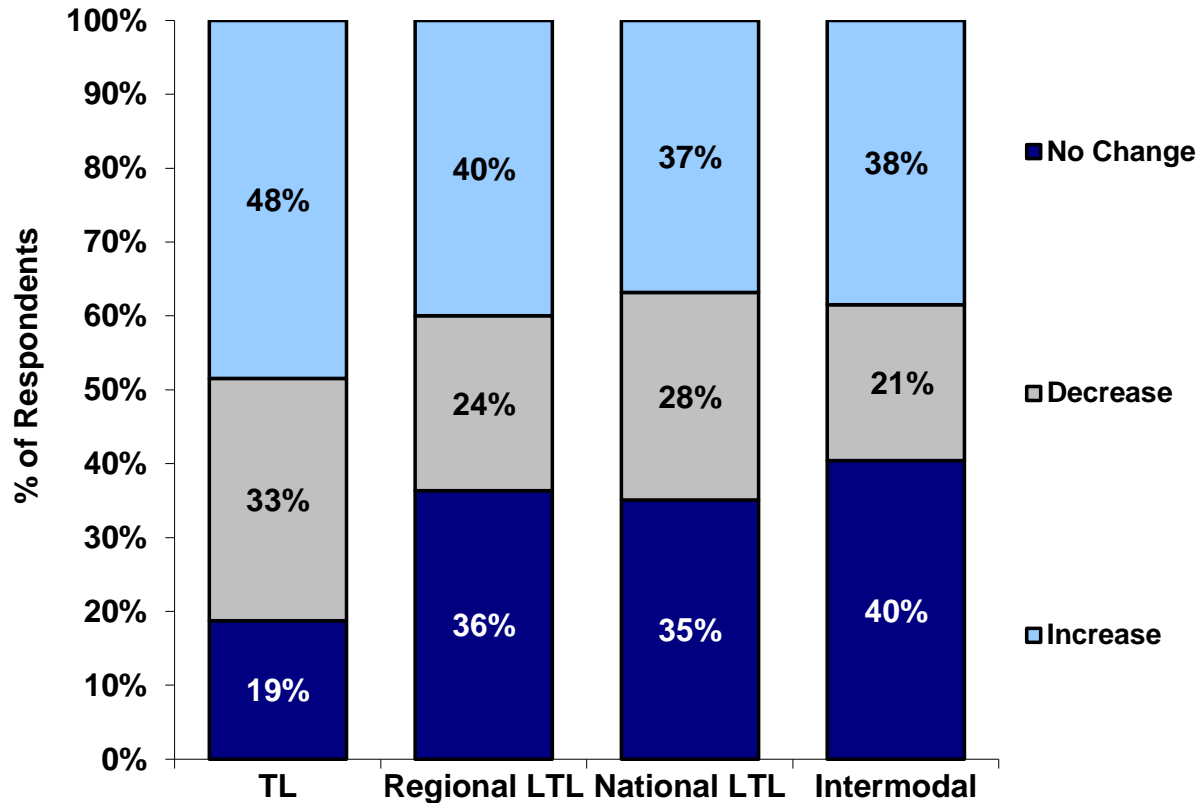
Projected Capacity in 6 Months

Intermodal - % of Respondents



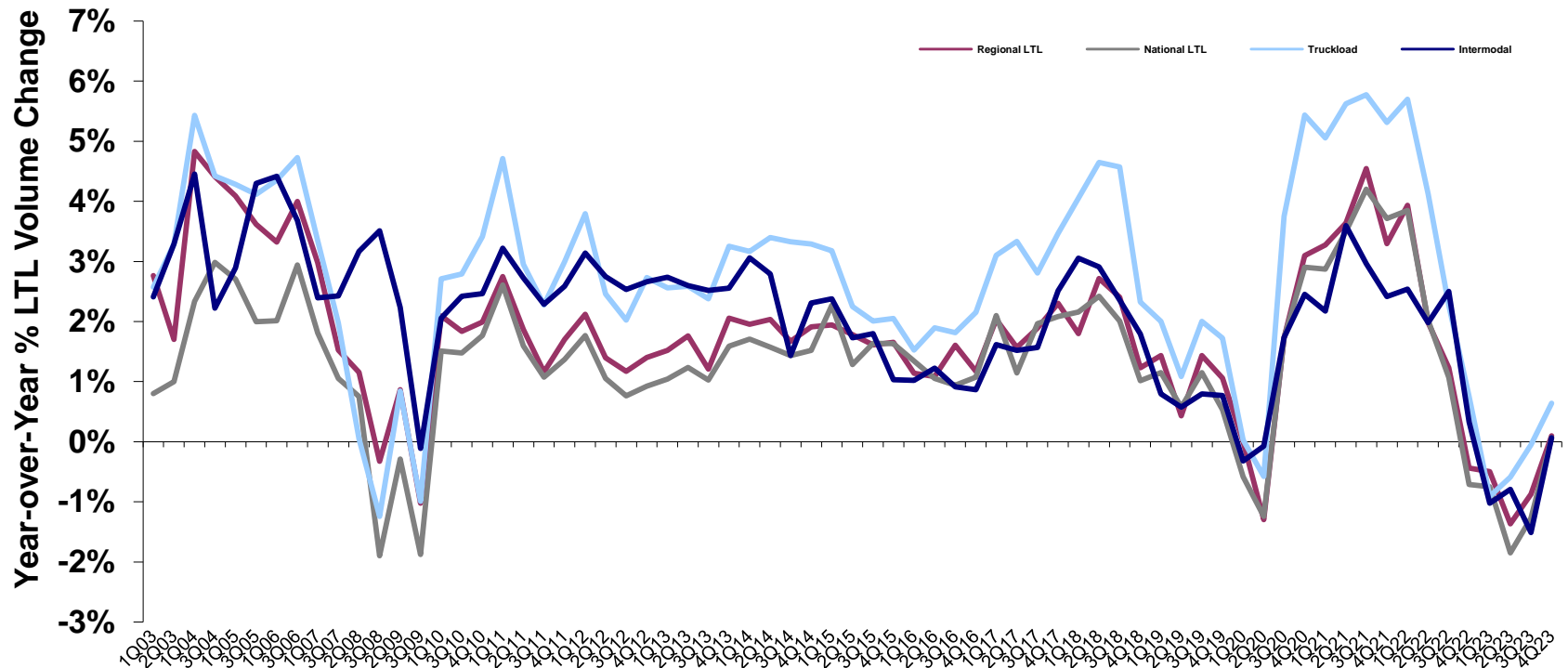
Truck Volume Outlook Over The Next 6 Months

Shipper Growth Expectations by Mode



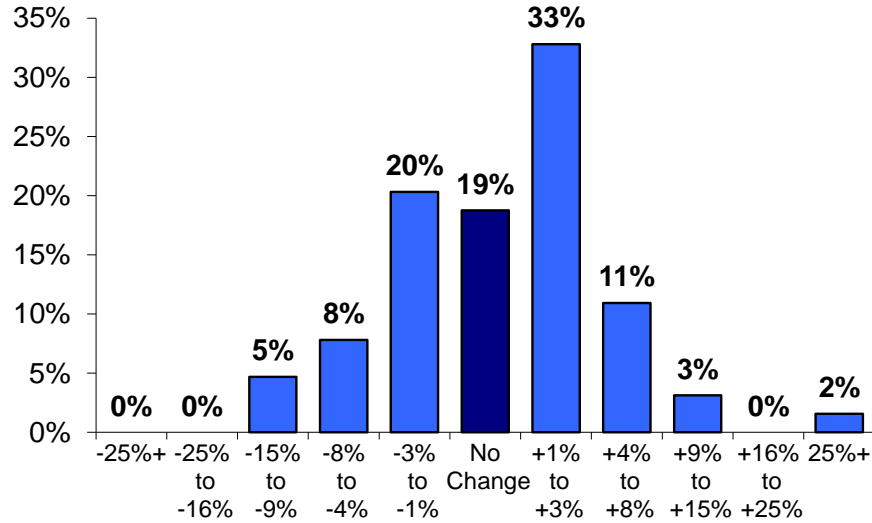
Volume Response History

Trends in Trucking Shippers' Expectations Over the Next 6 Months vs. the Same Period in the Prior Year"

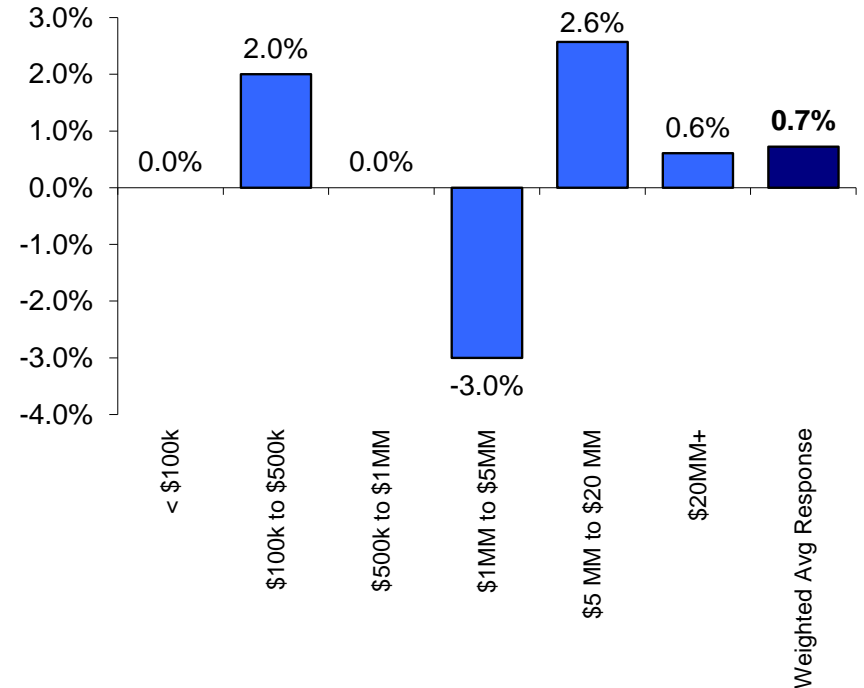


## Truckload Volume Detail by Spend, Industry, and Response Skew

### Truckload - Y/Y Volume Expectation by Range

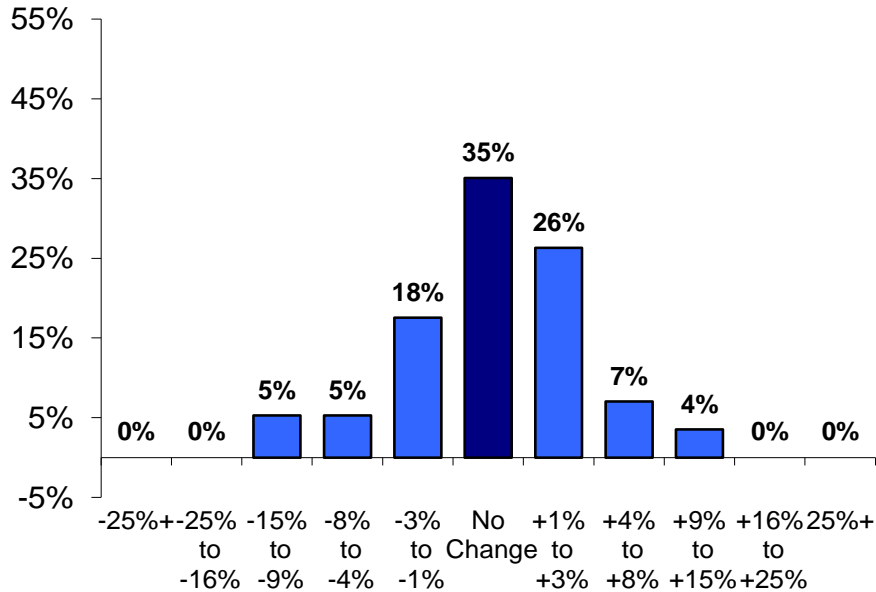


### Truckload - Avg Volume Change by Spend

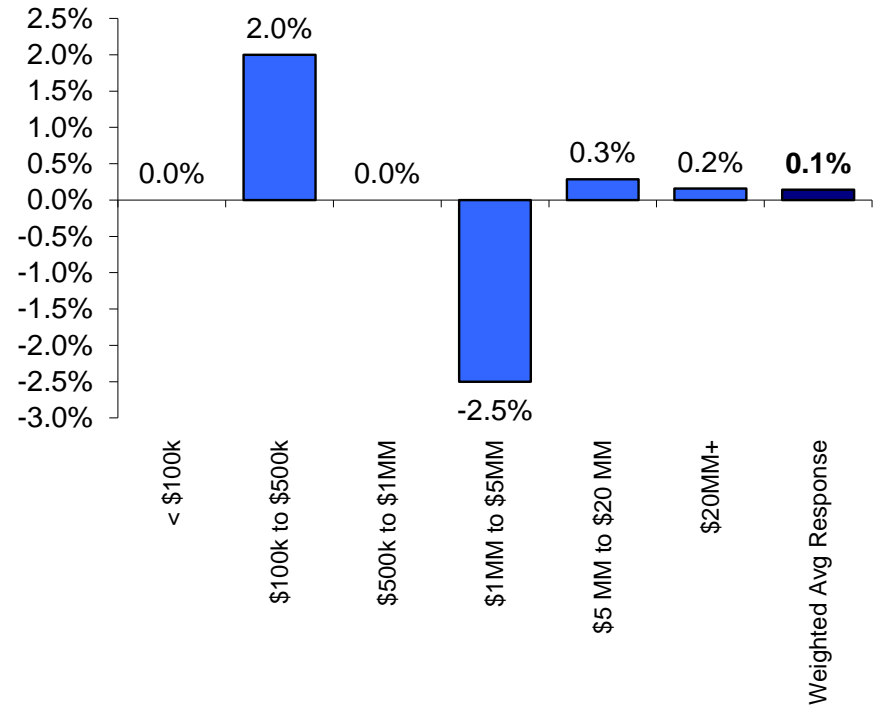


## National LTL Volume Detail by Spend, Industry, and Response Skew

### National LTL - Y/Y Volume Expectation by Range

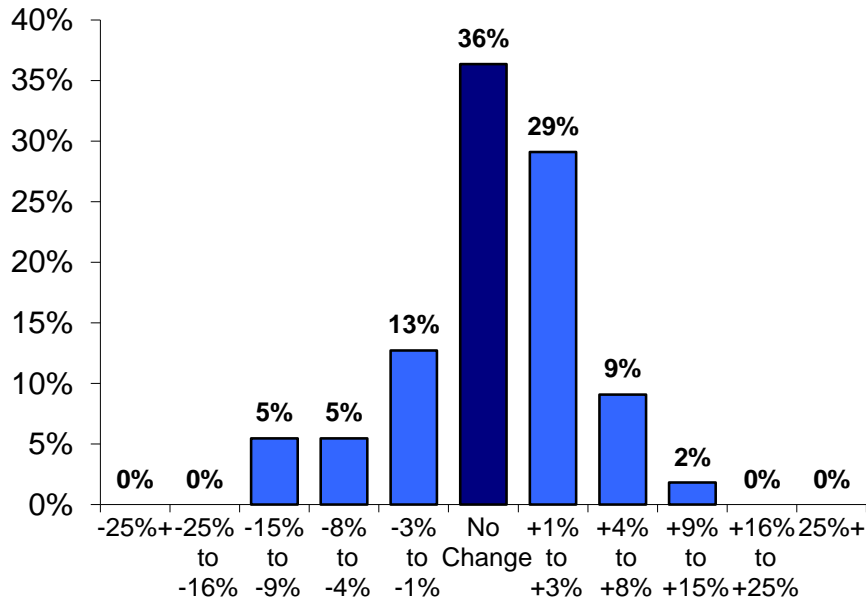


### National LTL - Avg Volume Change by Spend

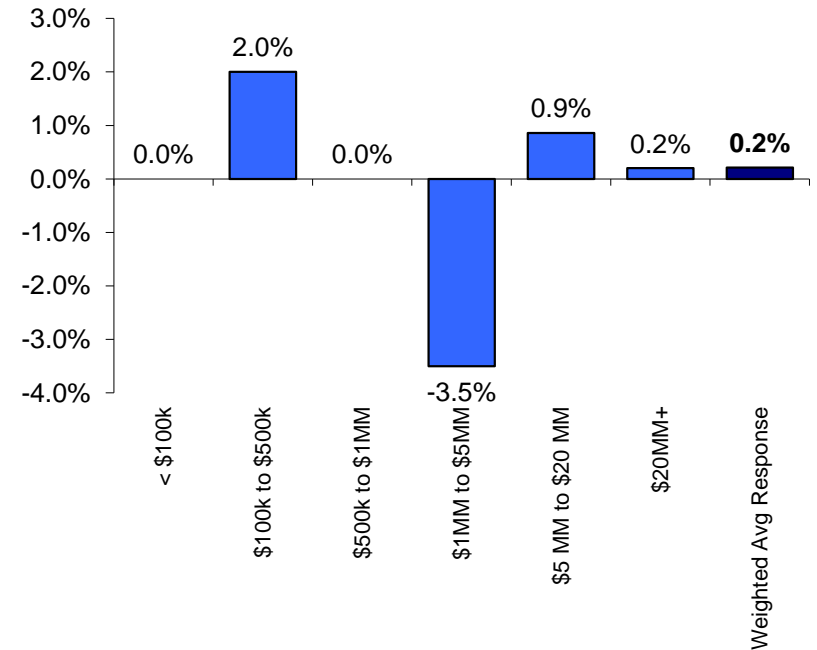


Regional LTL Volume Detail by Spend, Industry, and Response Skew

Regional LTL - Y/Y Volume Expectation by Range



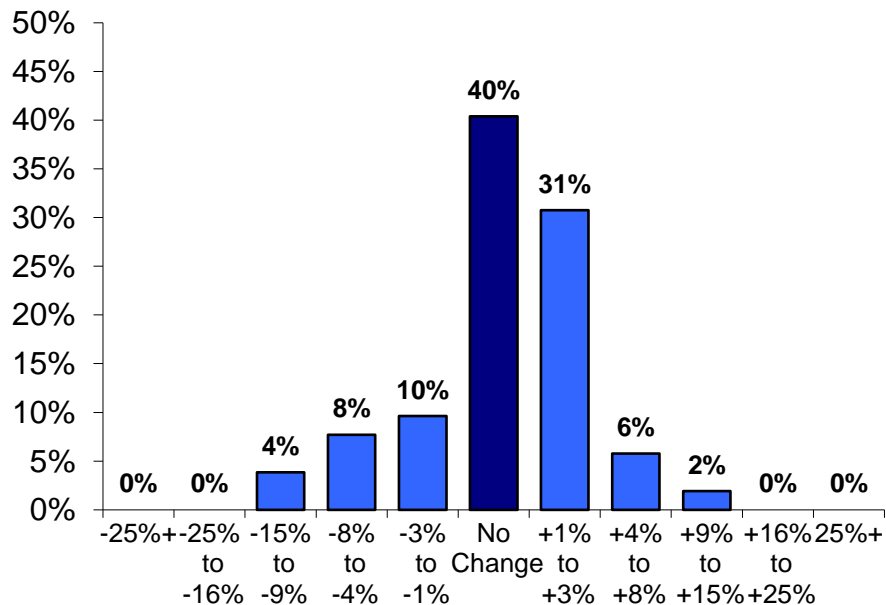
Regional LTL - Avg Volume Change by Spend



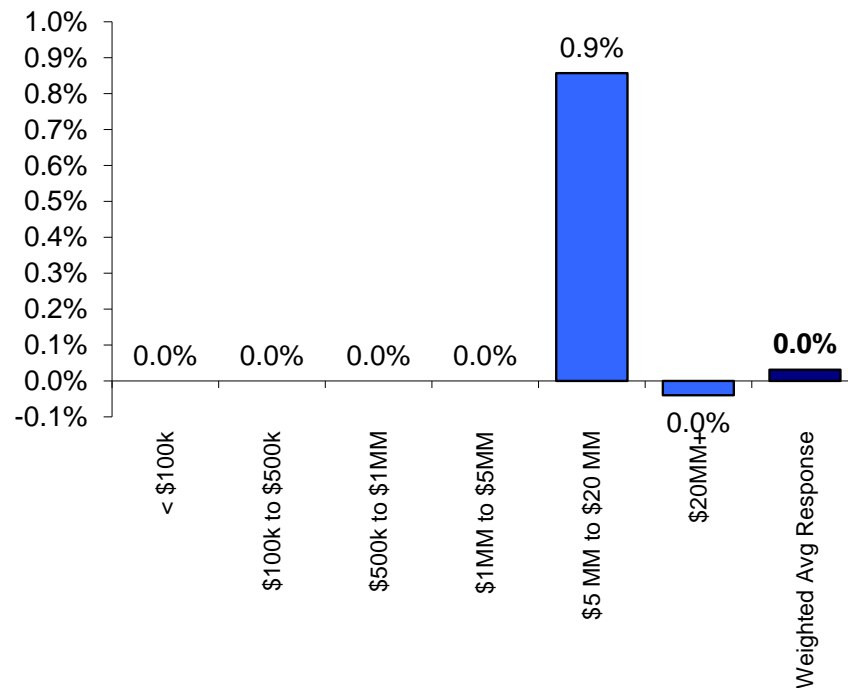


## Intermodal Volume Detail by Spend, Industry, and Response Skew

### Intermodal - Y/Y Volume Expectation by Range

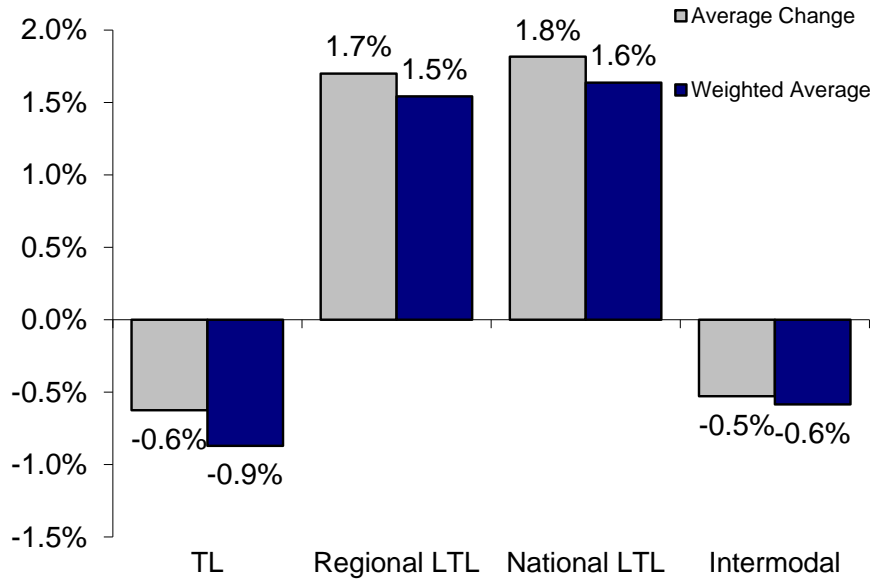


### Intermodal - Avg Volume Change by Spend

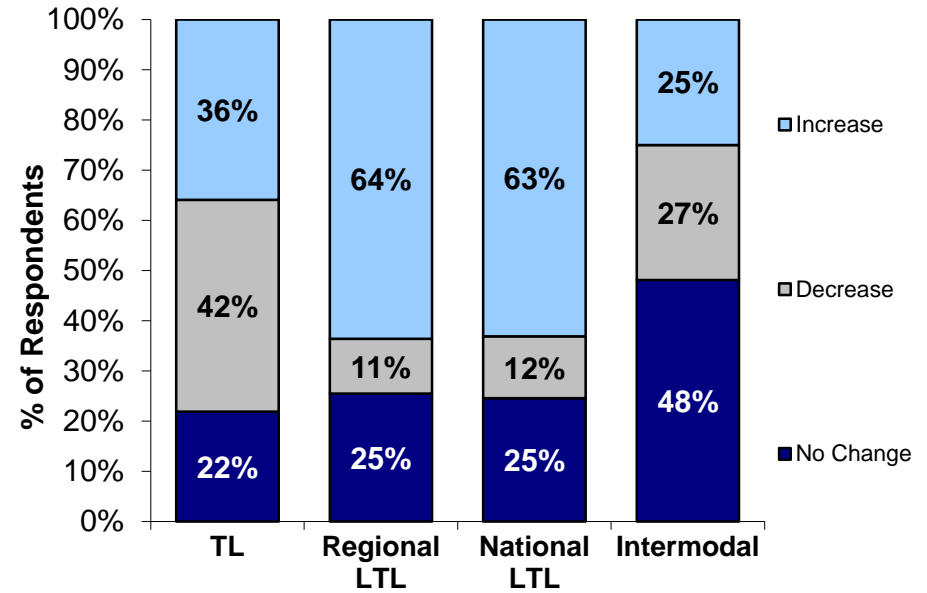


## Truck Base Rates Outlook Over The Next 6 Months

### Base Rates: Average vs. Weighted Average

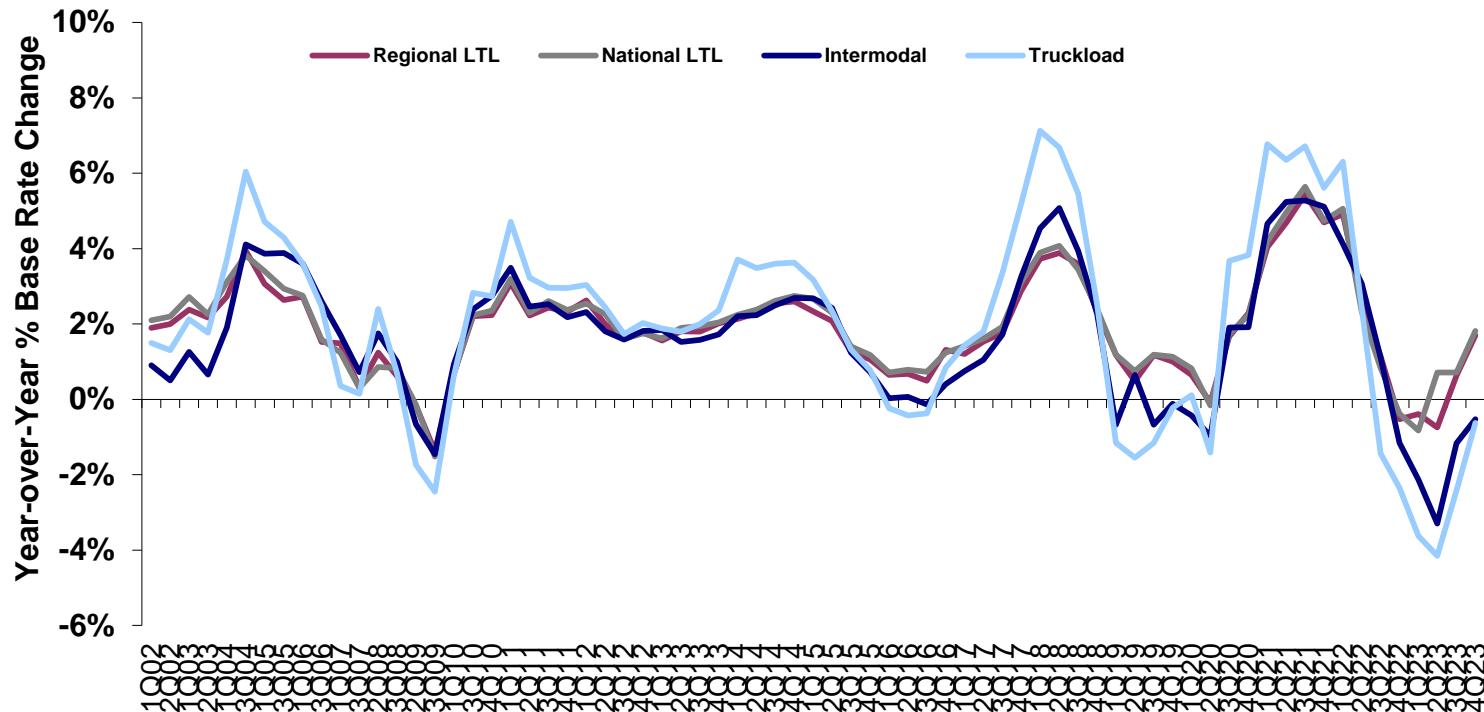


### Shipper Rate Expectations by Mode



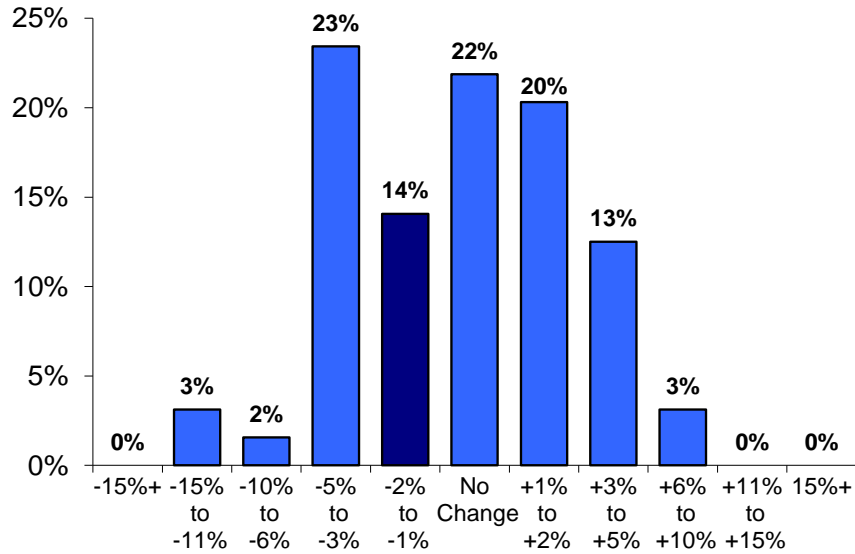
Base Rate Response History

Trends in Trucking Shippers' Expectations Over the Next 6 Months vs. the Same Period in the Prior Year"

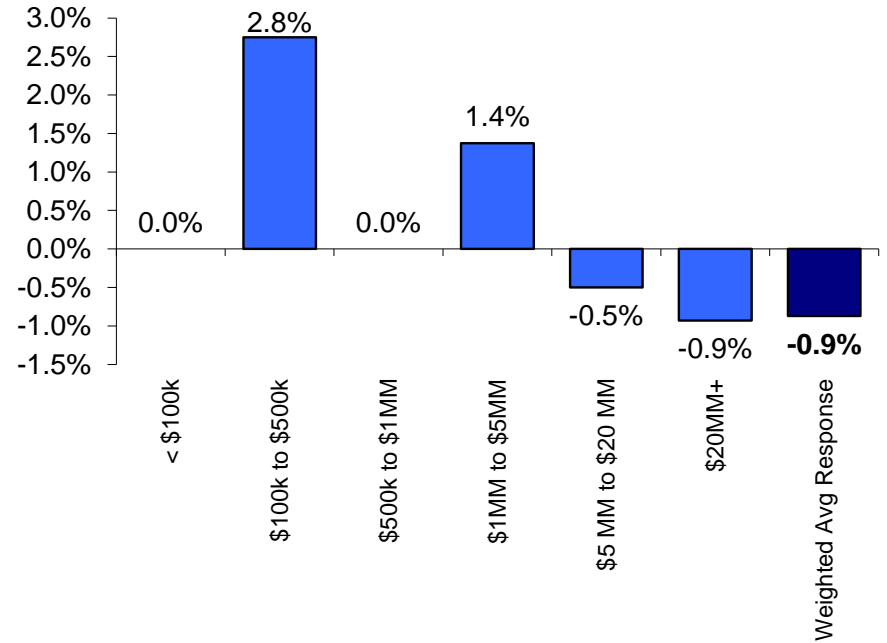


## TL Base Rate Detail by Spend, Industry, and Response Skew

### Truckload - Y/Y Base Rate Expectation by Range

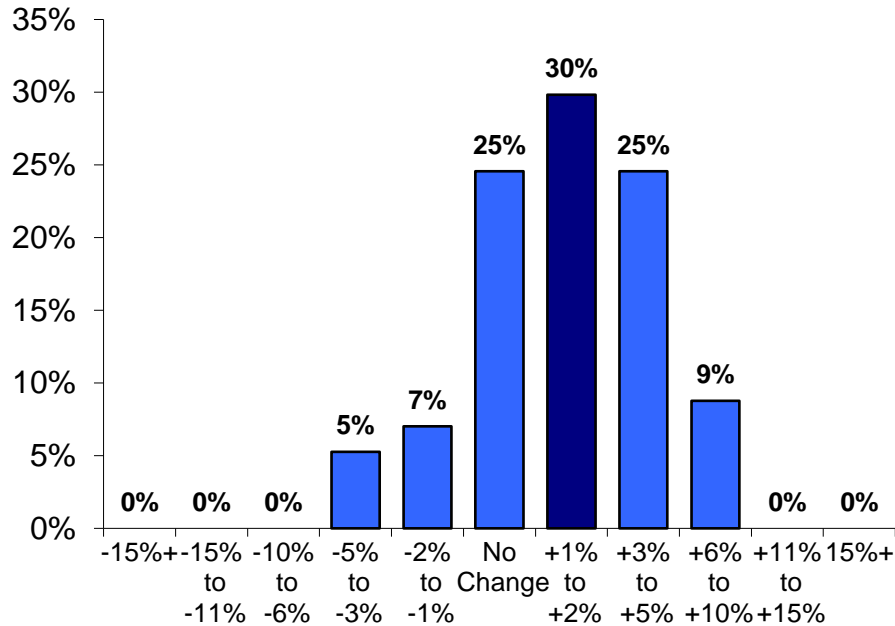


### TL - Avg Change by Spend

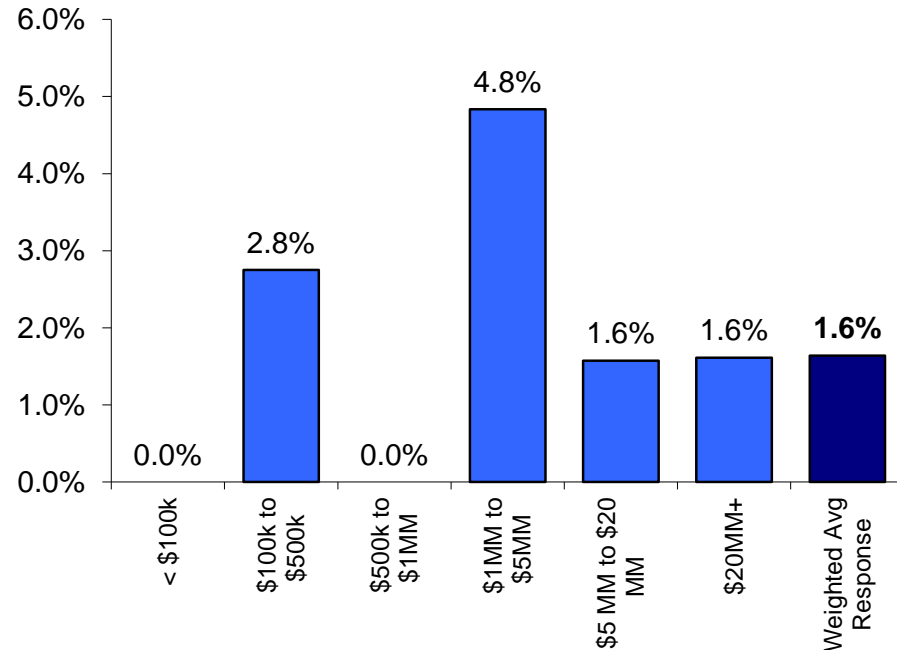


## National LTL Base Rate Detail by Spend, Industry, and Response Skew

### National LTL - Y/Y Base Rate Expectation by Range

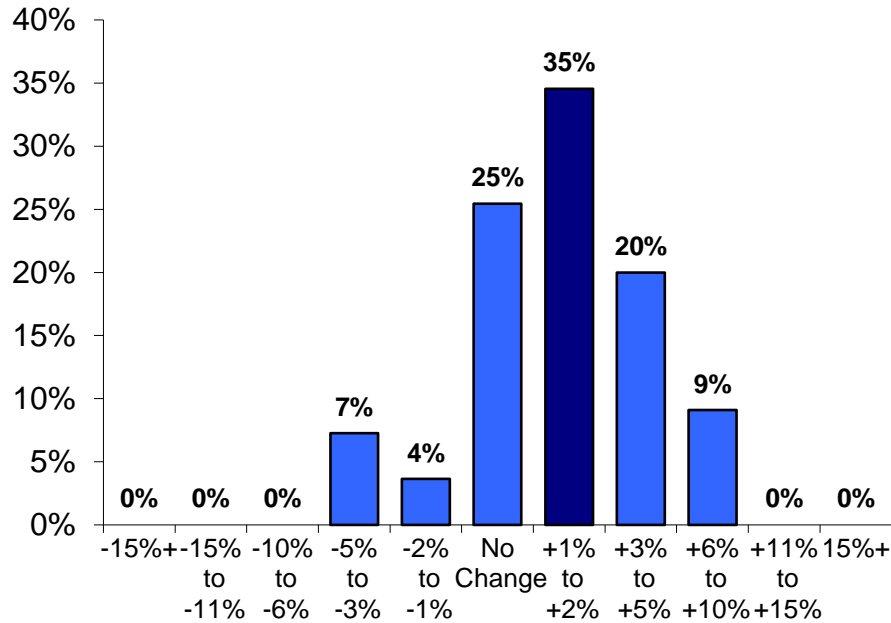


### National LTL - Avg Change by Spend

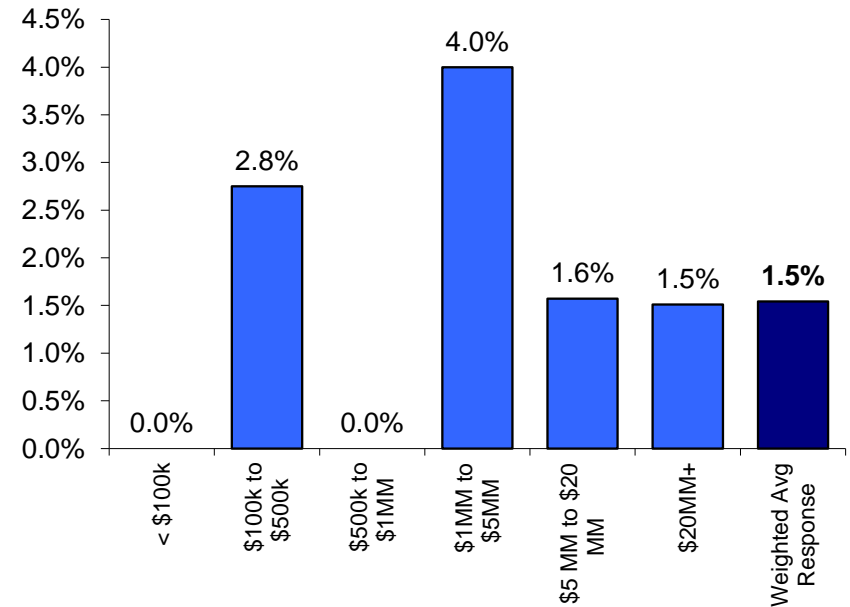


Regional LTL Base Rate Detail by Spend, Industry, and Response Skew

Regional LTL - Y/Y Base Rate Expectation by Range

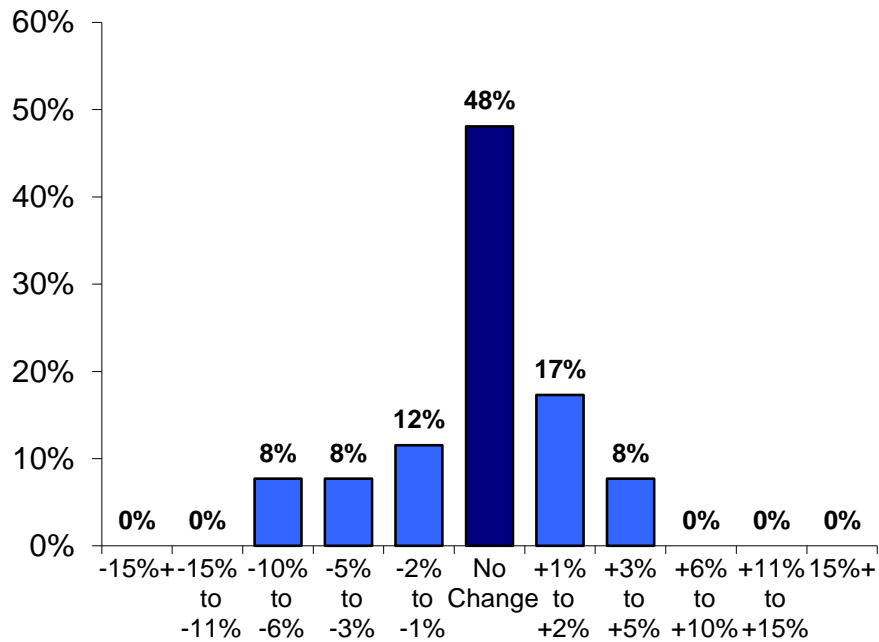


Regional LTL - Avg Change by Spend

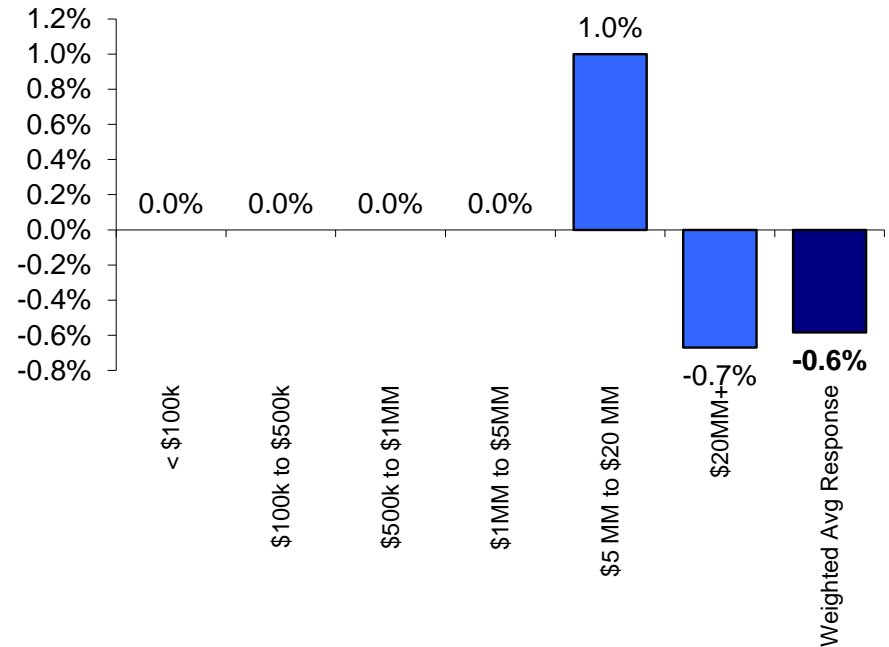


## Intermodal Base Rate Detail by Spend, Industry, and Response Skew

### Intermodal - Y/Y Base Rate Expectation by Range

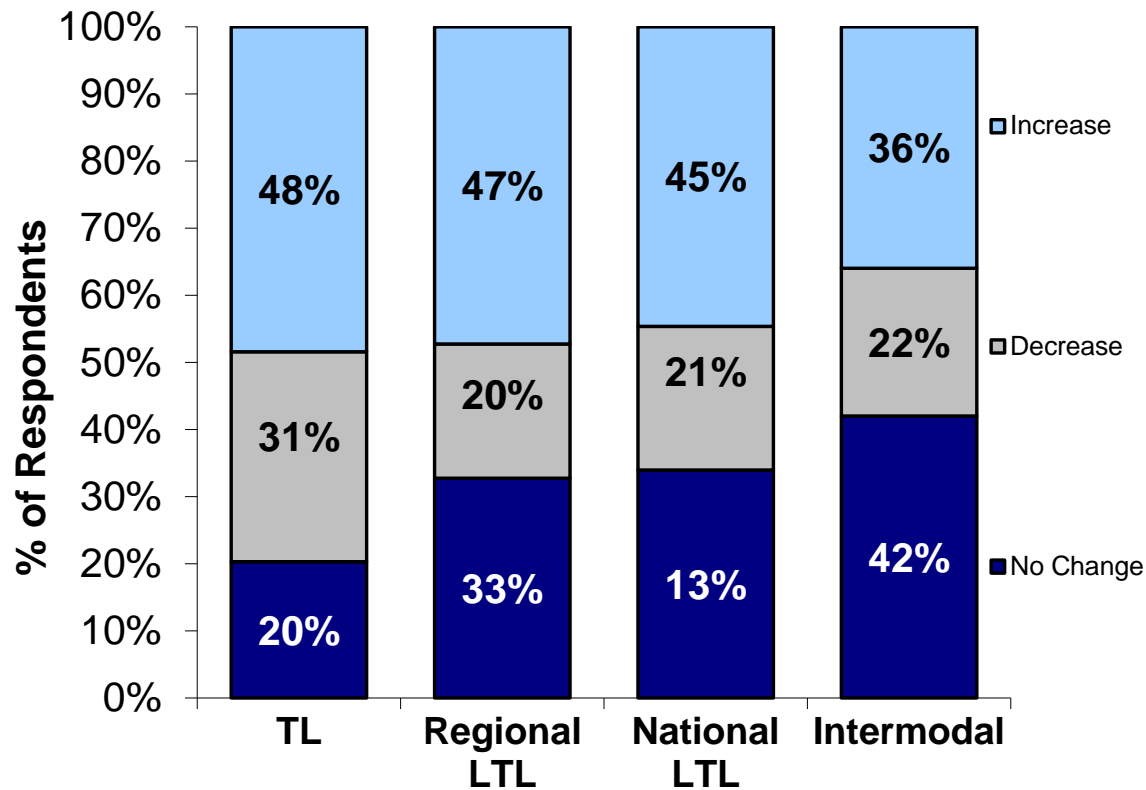


### Intermodal - Avg Change by Spend



Truck Spend Outlook Over The Next 6 Months

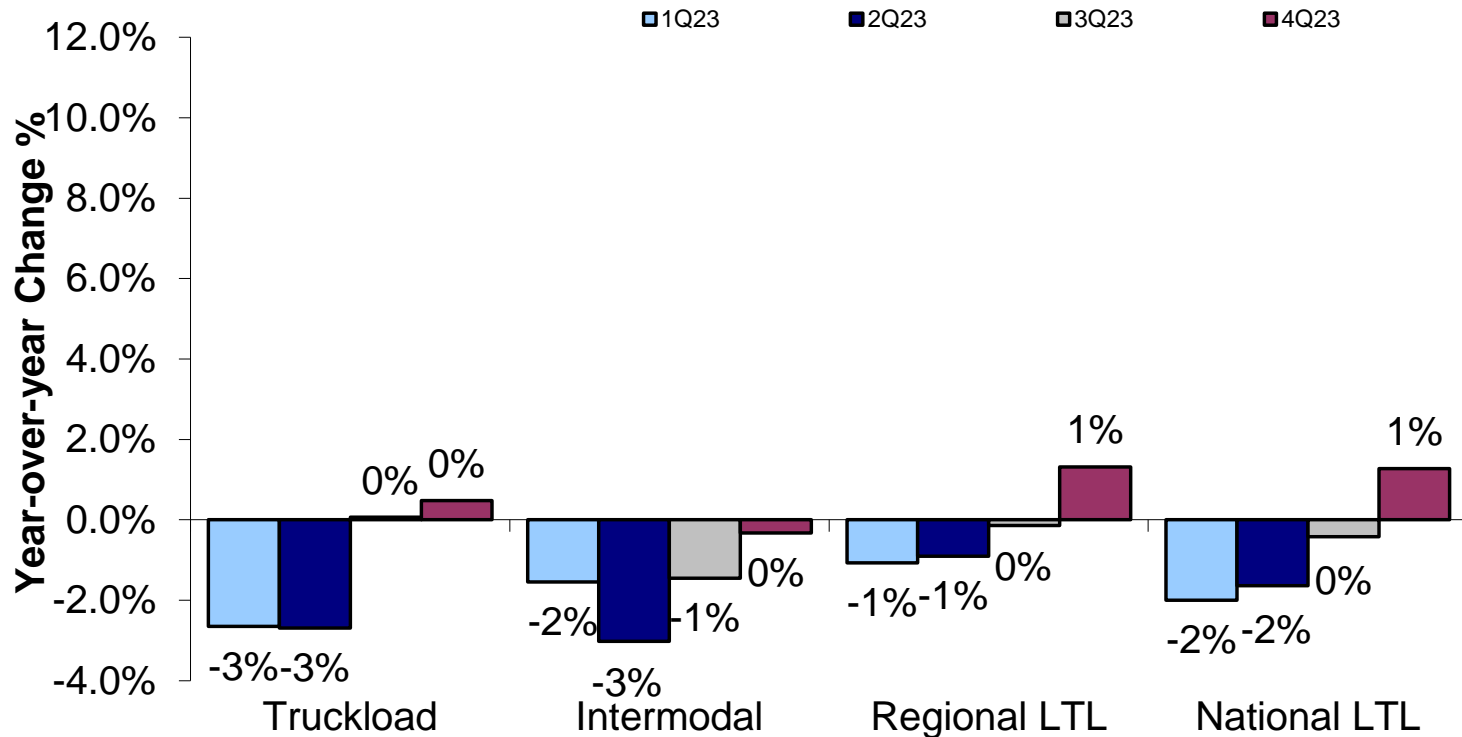
Shipper Spend Expectations by Mode





Truck Spend: Change vs. Prior Survey

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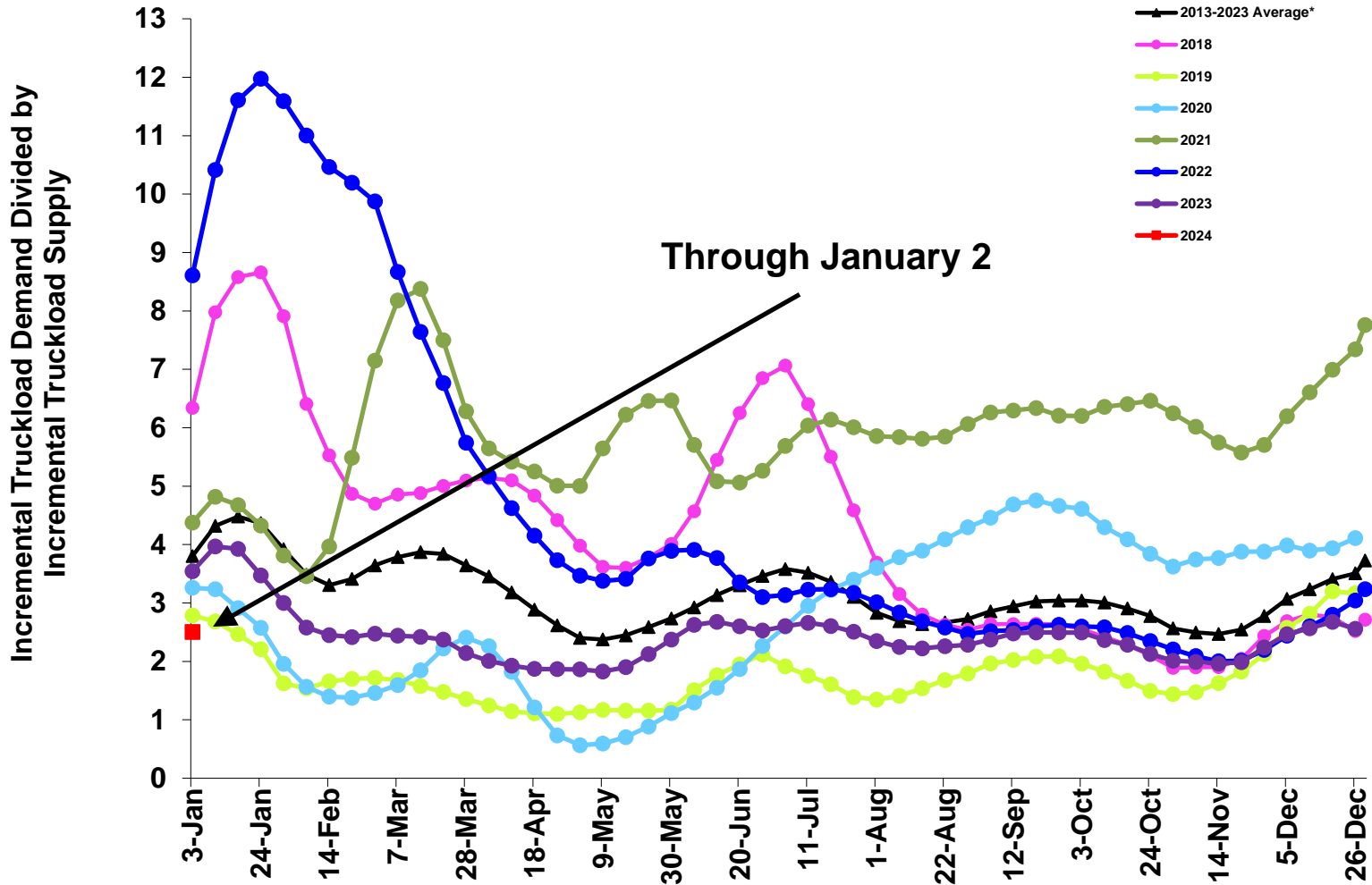
### **Part 1: Key Truck Trends**

1. Capacity Trends
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4. Overall Spend Trends

### **Part 2: Special Topics**

1. Truckload Freight Index
2. Fuel Surcharge Concessions
3. Limitations on Truck to Rail Conversion

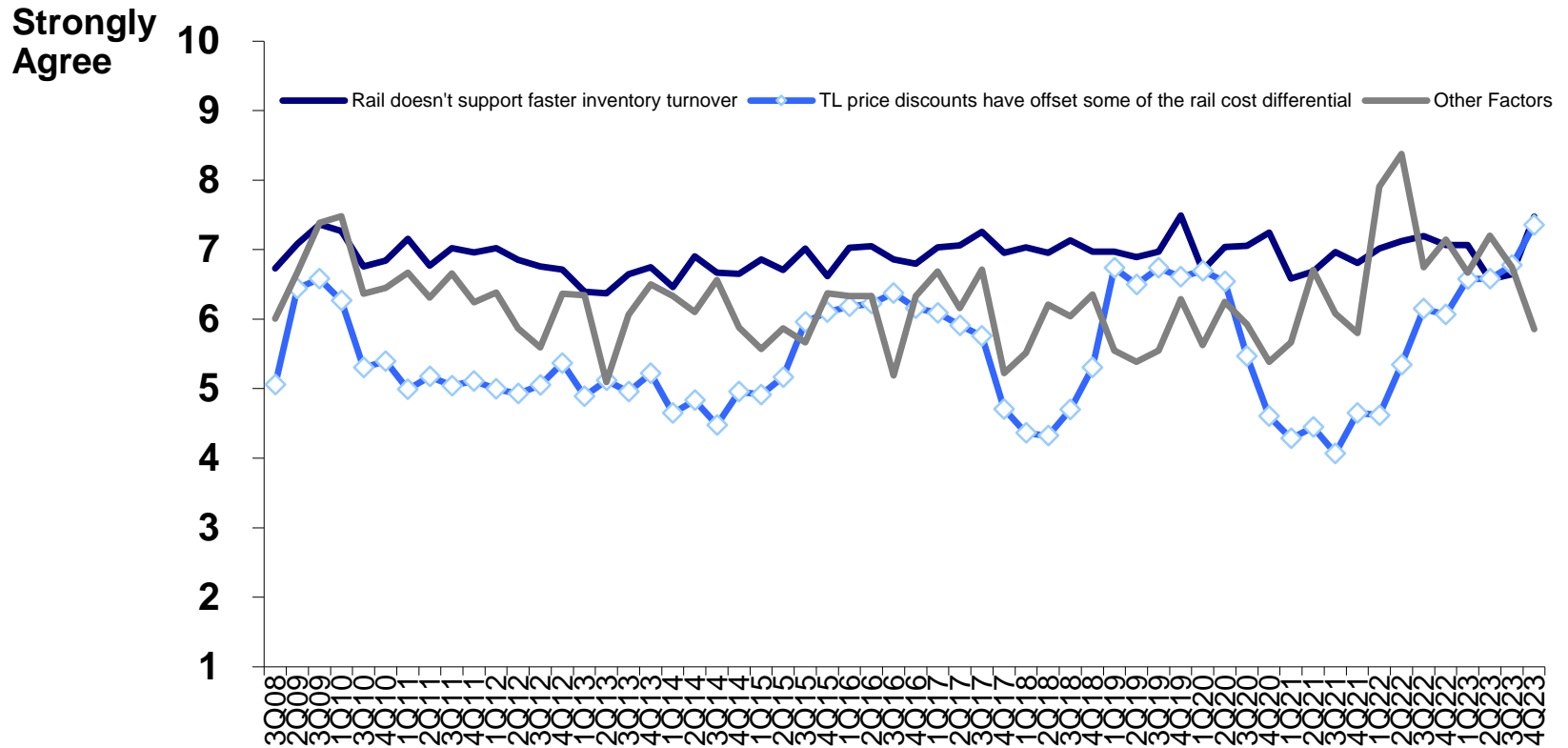
Morgan Stanley Truckload Freight Index With Straight-Line Forecast



The index measures the demand for Dry-Van Truckload services compared to the number of Dry-Van trucks on the road. The index begins in April 1994. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity; \*2007-2019 average trend line excludes financial crisis years of 2008 and 2009; Source: Morgan Stanley Research

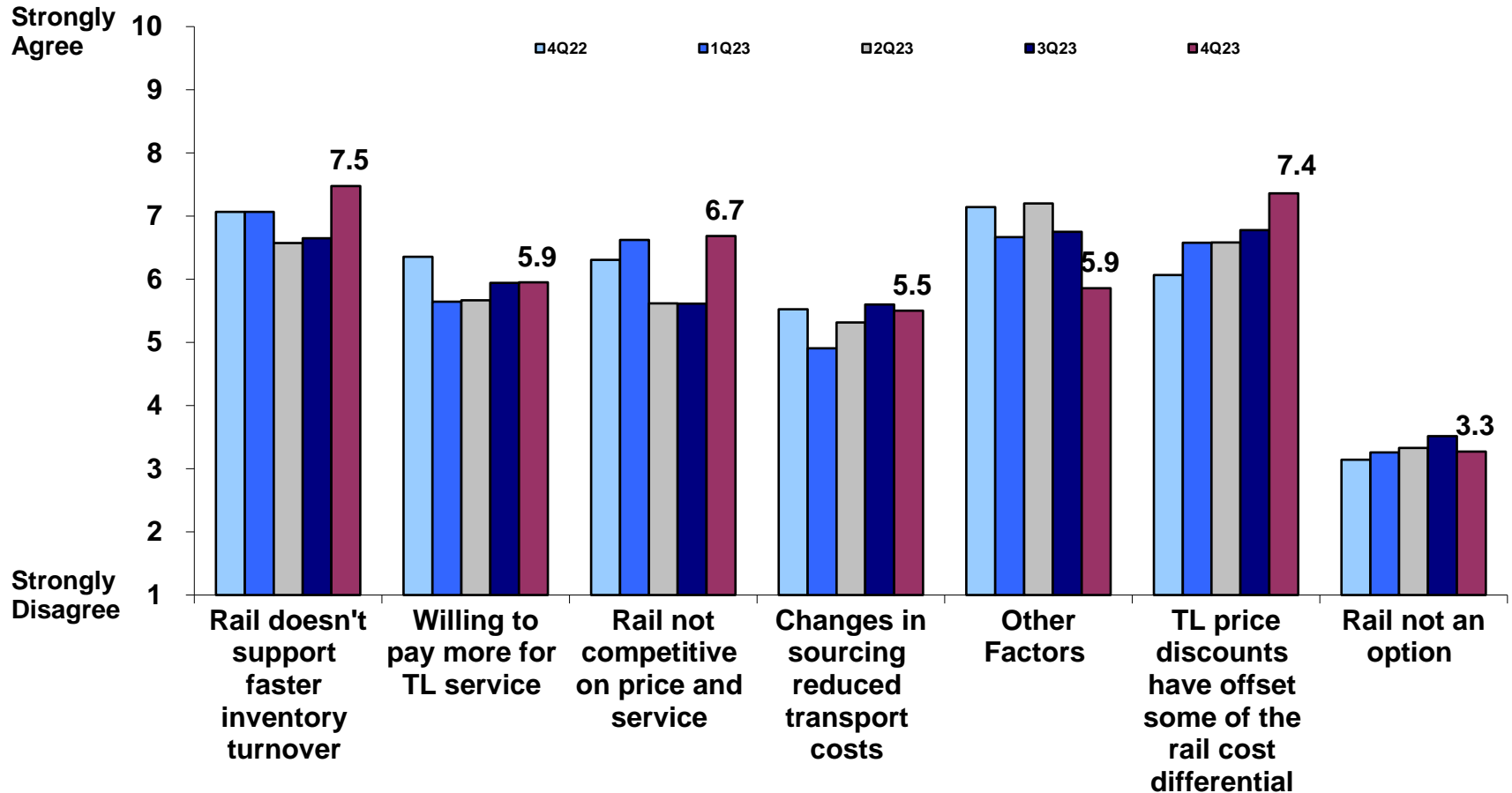
## Truckload Fuel Surcharge Concession History

### What Factors are Limiting your Organization from Shipping More Volume on the Railroads?



Truck to Rail Conversion: Key Obstacles to Overcome

What Factors are Impacting Your Decision to Keep More Volume with Truckload Carriers?



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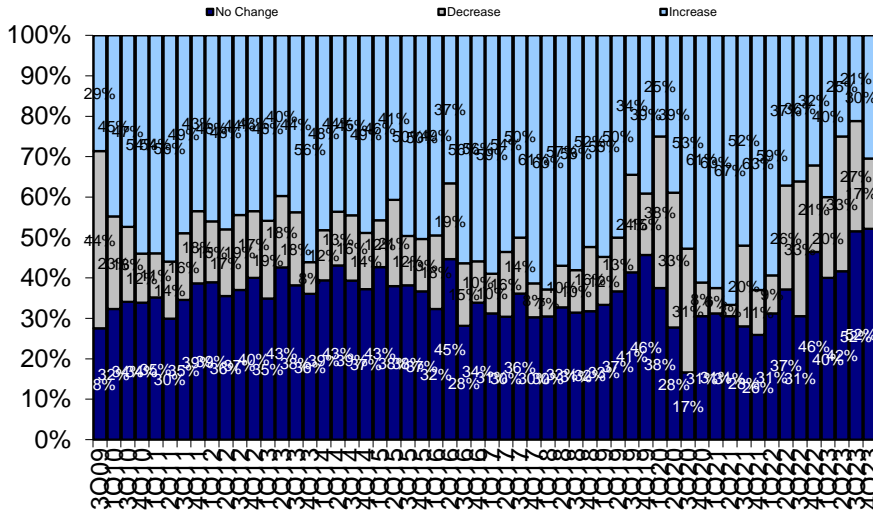
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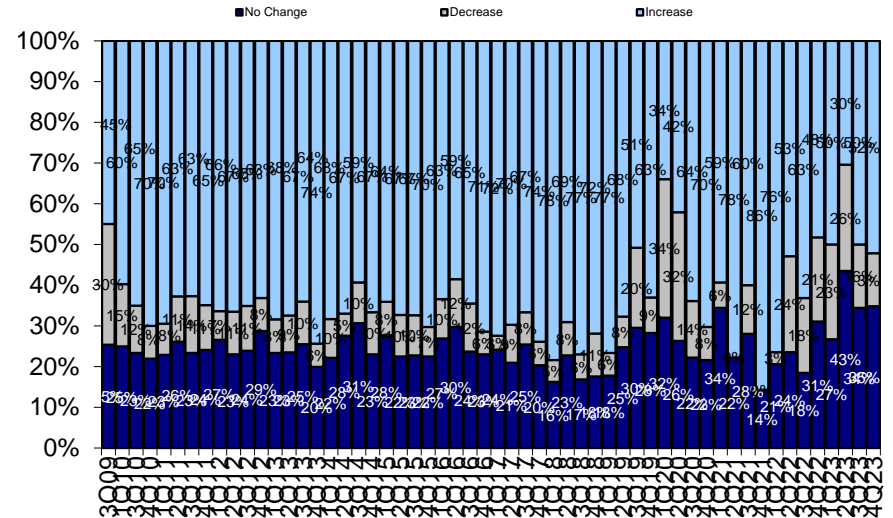
1. Service Reliability Rankings
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# Parcel Volume Outlook Over the Next 6 Months

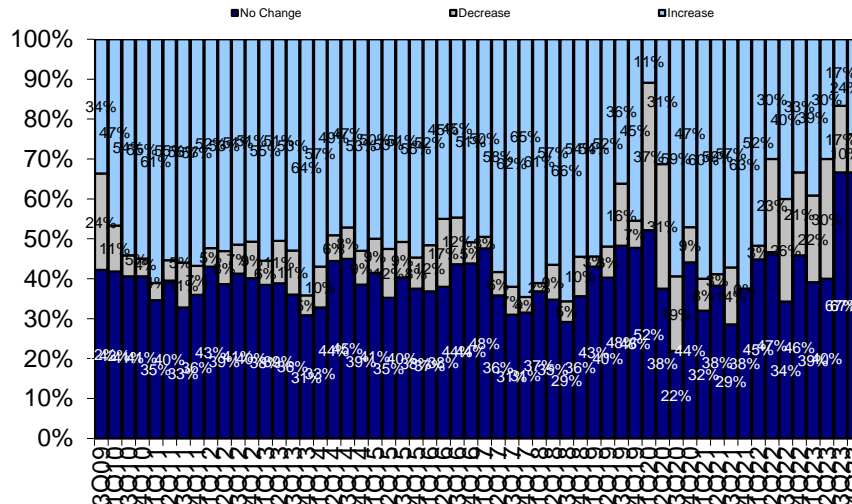
## % of Shippers Expecting Air to:



## % of Shippers Expecting Ground to:

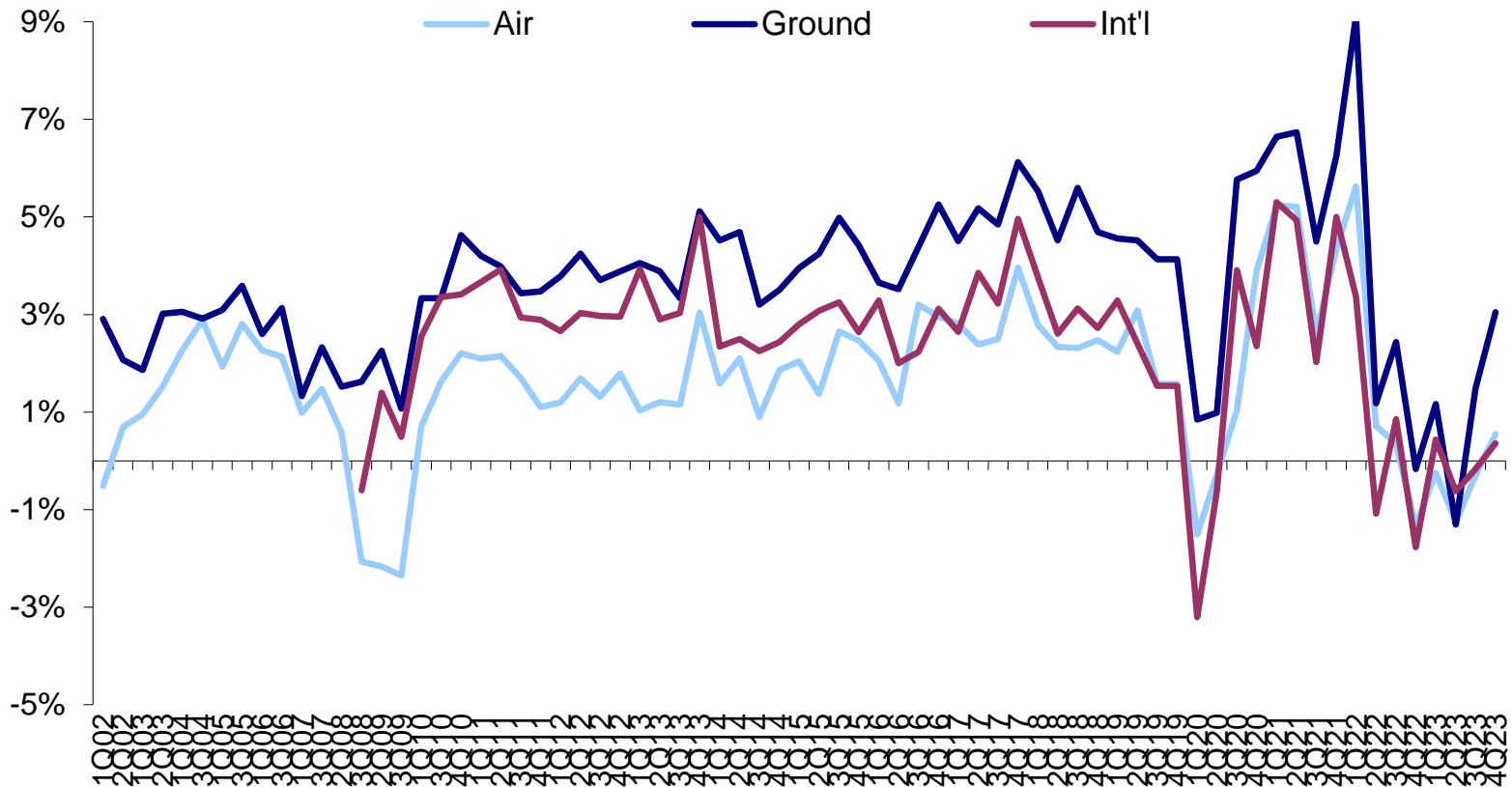


## % of Shippers Expecting International to:



Volume Trends by Product

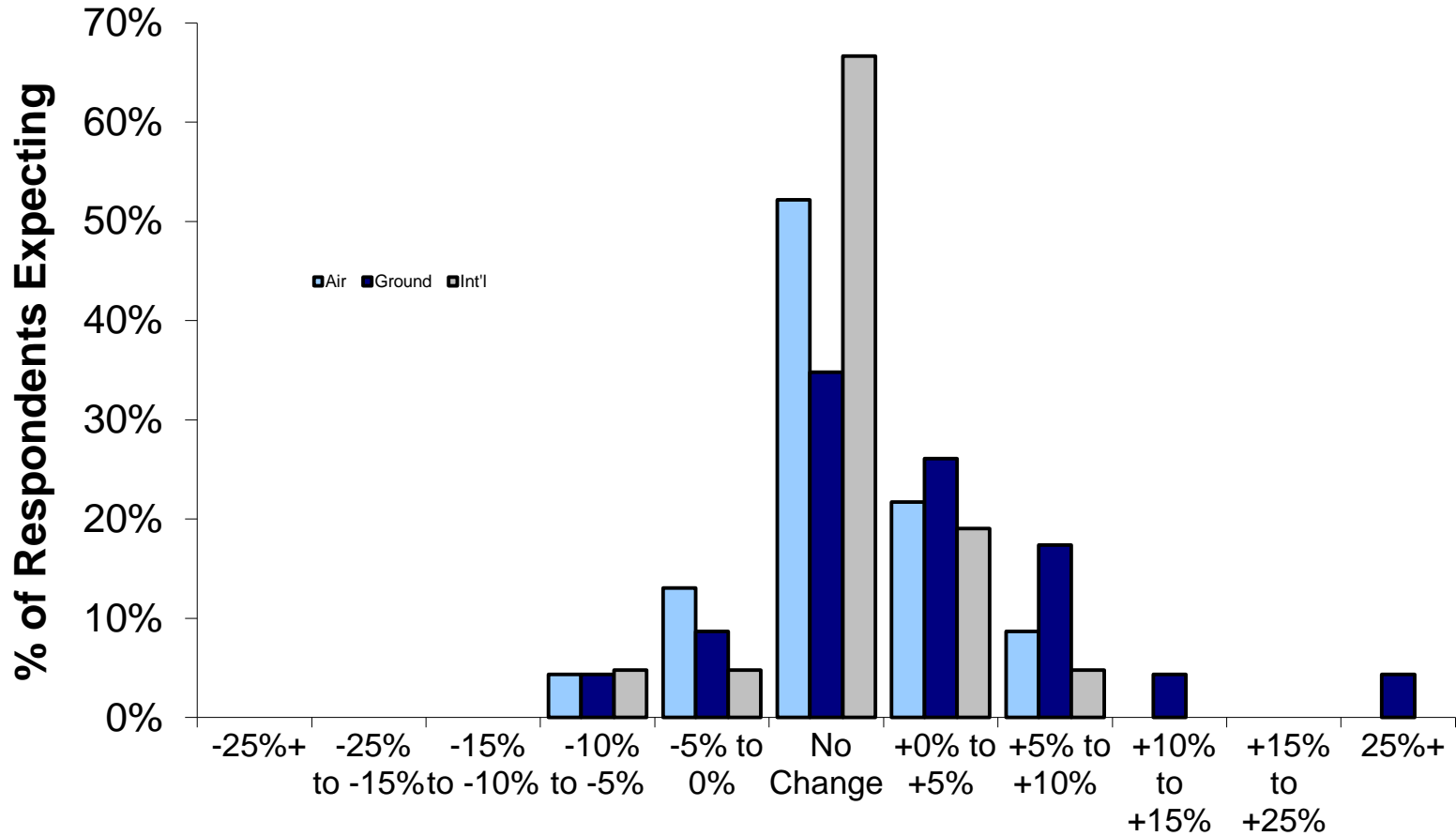
Volume Growth Expectations “Over the Next 6 Months” vs. Last Year





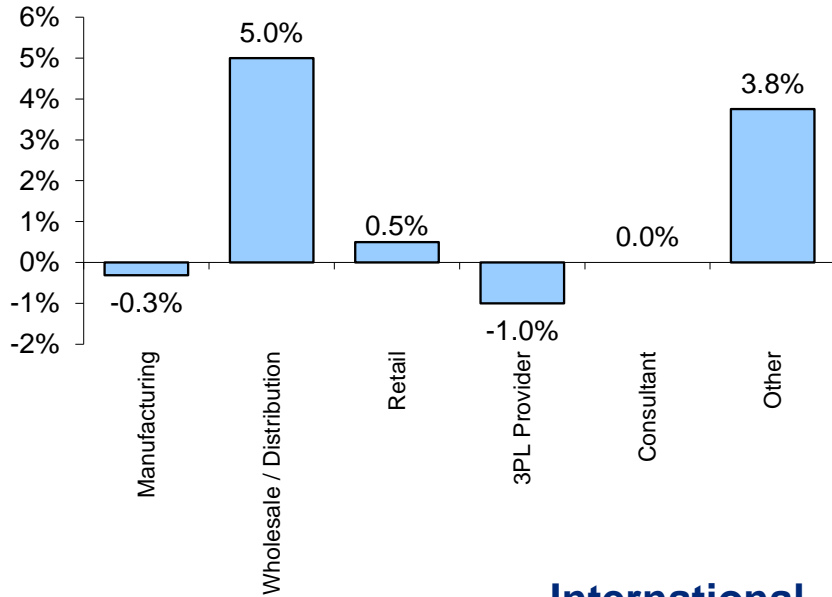
Volume Response Skew – All Shippers

Volume Growth Expectations “Over the Next 6 Months” vs. Same Period Last Year

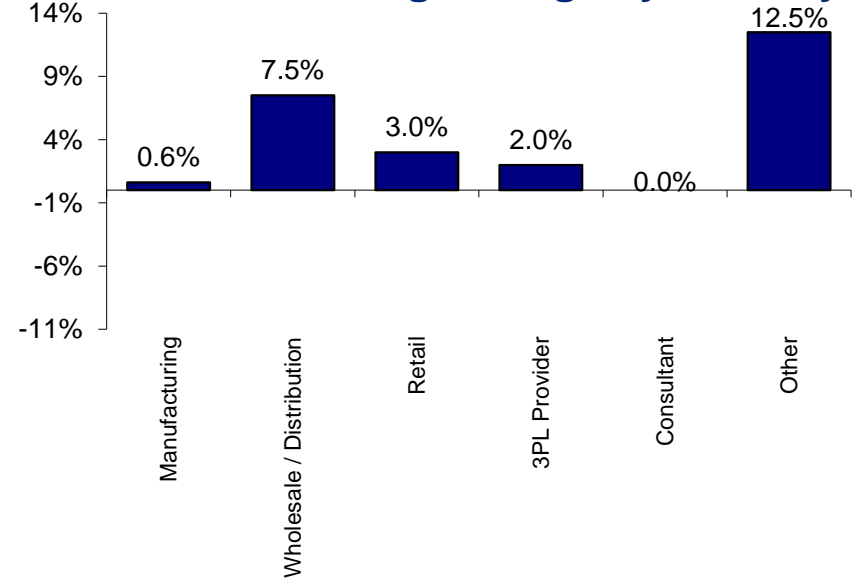


Volume Growth Outlook by Industry

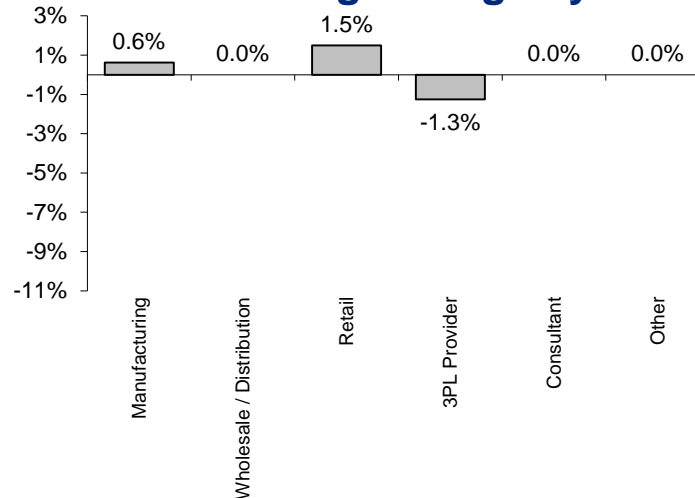
Air - Avg Change by Industry



Ground - Avg Change by Industry

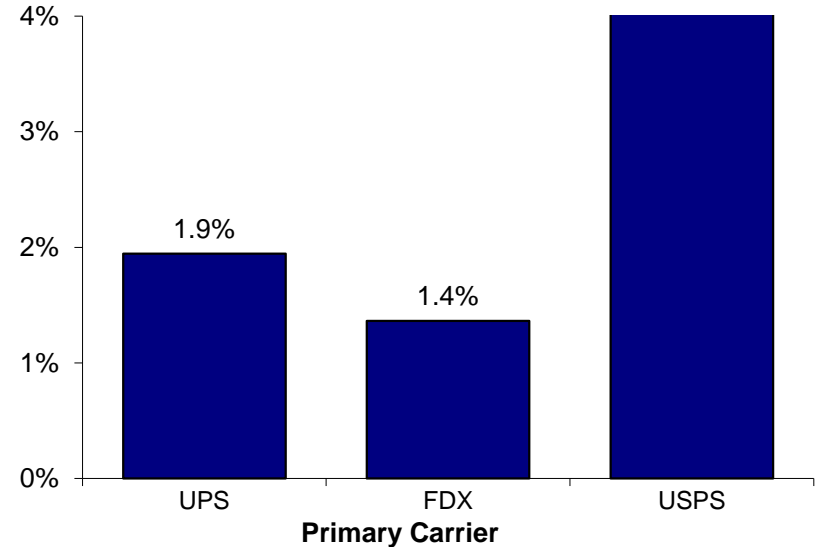
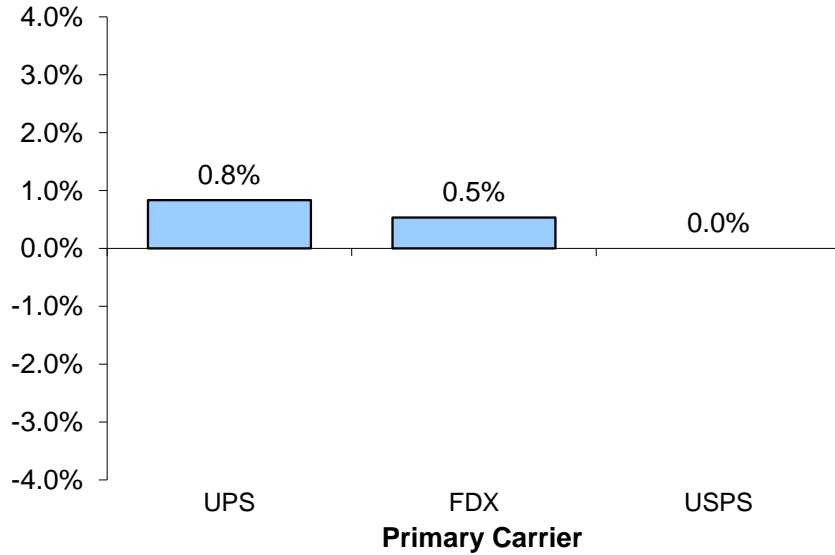


International - Avg Change by Industry

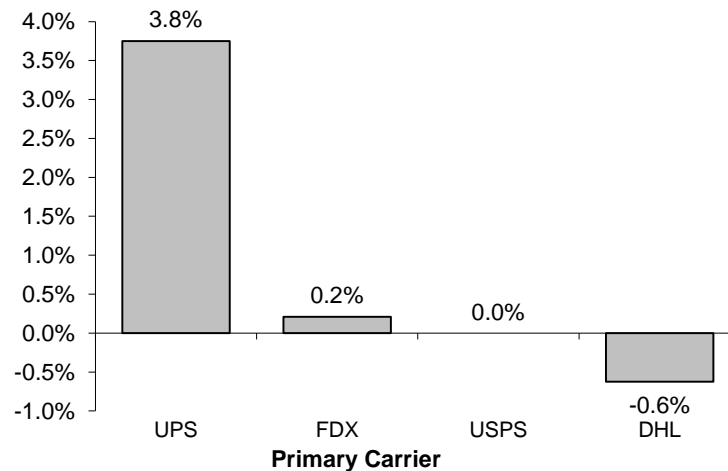


Volume Growth Outlook by Listed Primary Carrier

Air - Avg Volume Change by Primary Carrier    Ground - Avg Volume Change by Primary Carrier

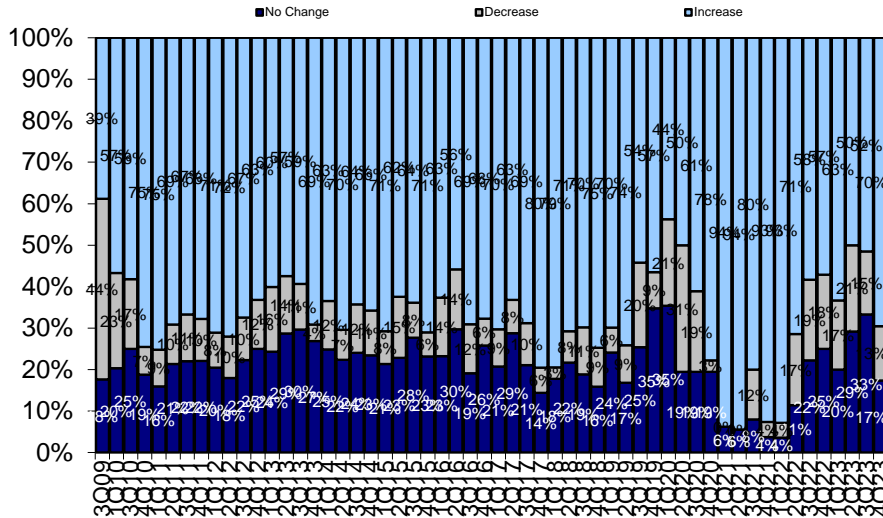


International - Avg Volume Change by Primary Carrier

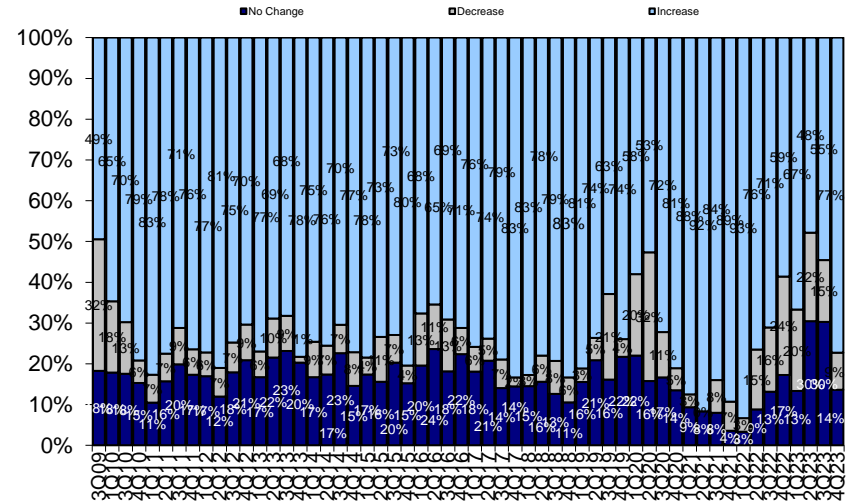


# Parcel Spend Outlook Over the Next 6 Months

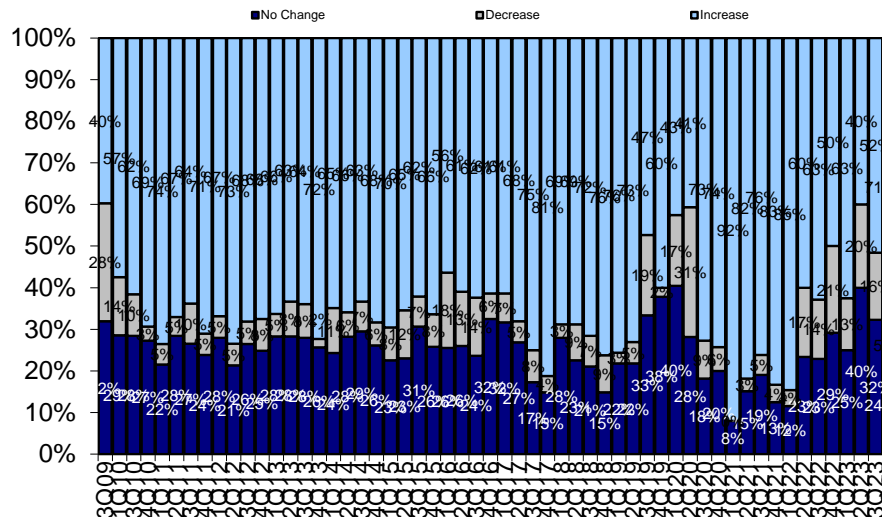
## % of Shippers Expecting Air to:



## % of Shippers Expecting Ground to:

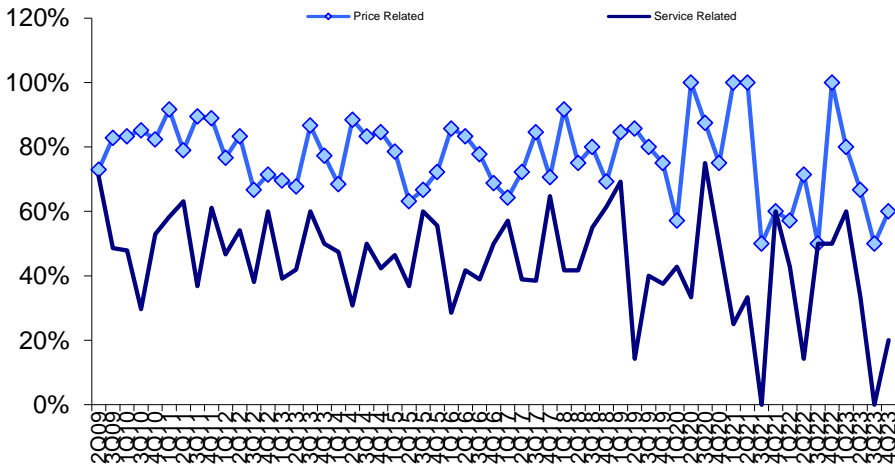


## % of Shippers Expecting International to:

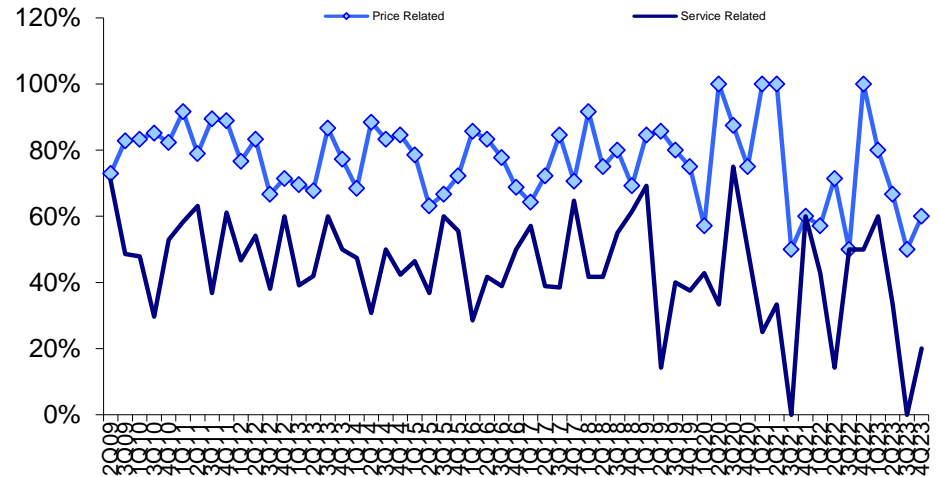


Reason for Switching Primary Parcel Carriers

Ground: Reason for Switching Primary Carriers

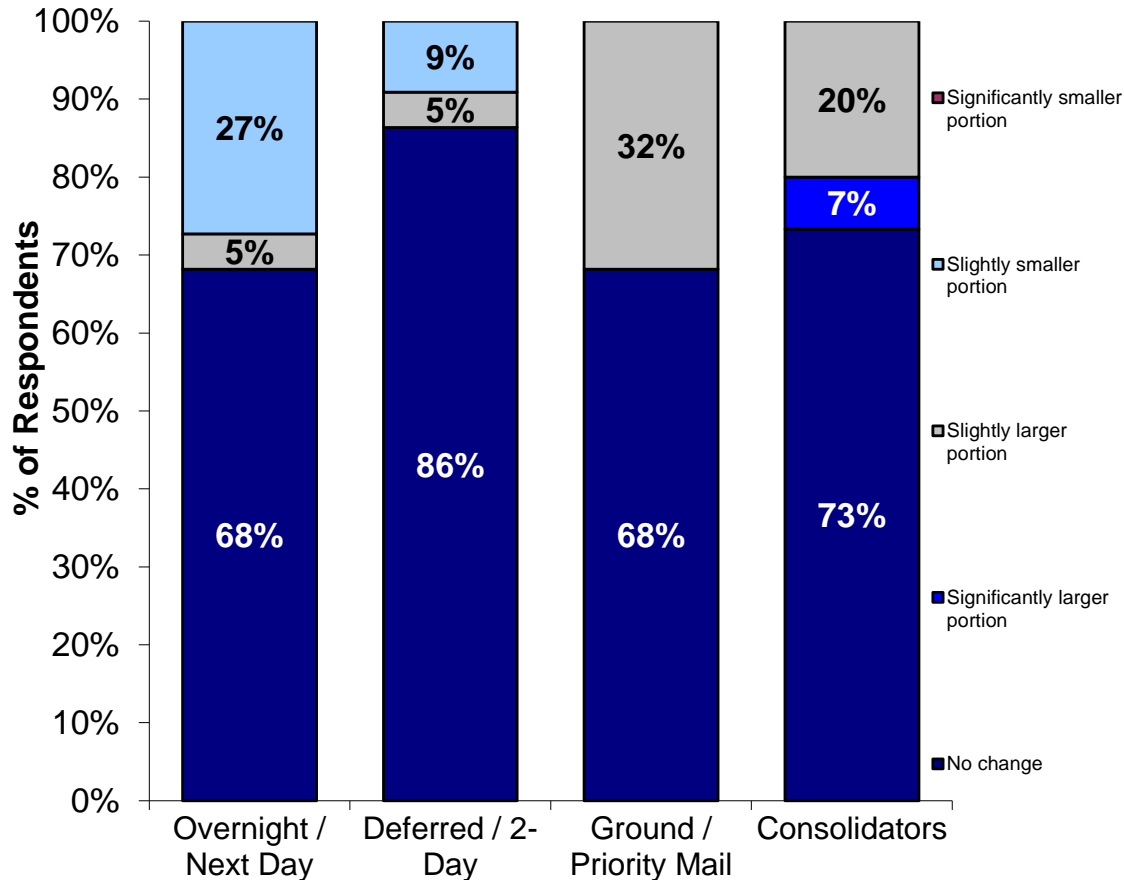


Air: Reason for Switching Primary Carriers



**Expected Shift in Product Usage: All Shippers**

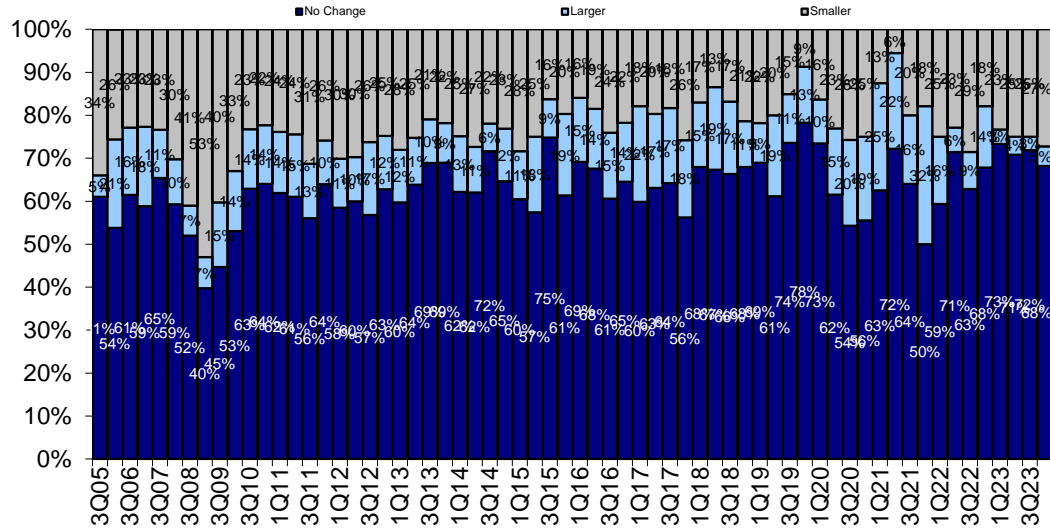
**How Will Your Usage of the Following Products Change as a Proportion of your Total Parcel Shipment Budget (on a Year-over-Year Basis) Over the Next 6 Months?**



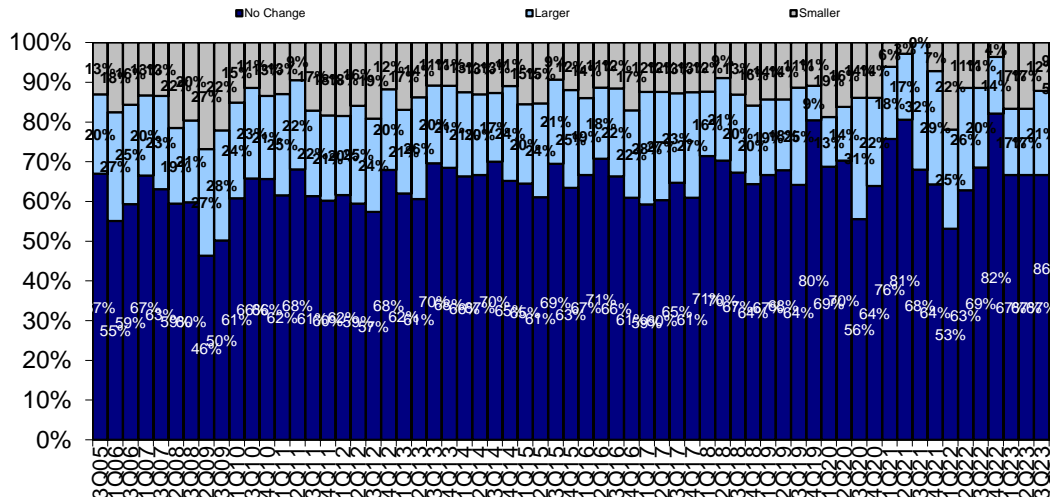
Historical Expected Change in Use of Air Products

How Will Your Usage of the Following Products Change as a Proportion of your Total Parcel Shipment Budget (on a Year-over-Year Basis) Over the Next 6 Months?

Overnight / Next Day



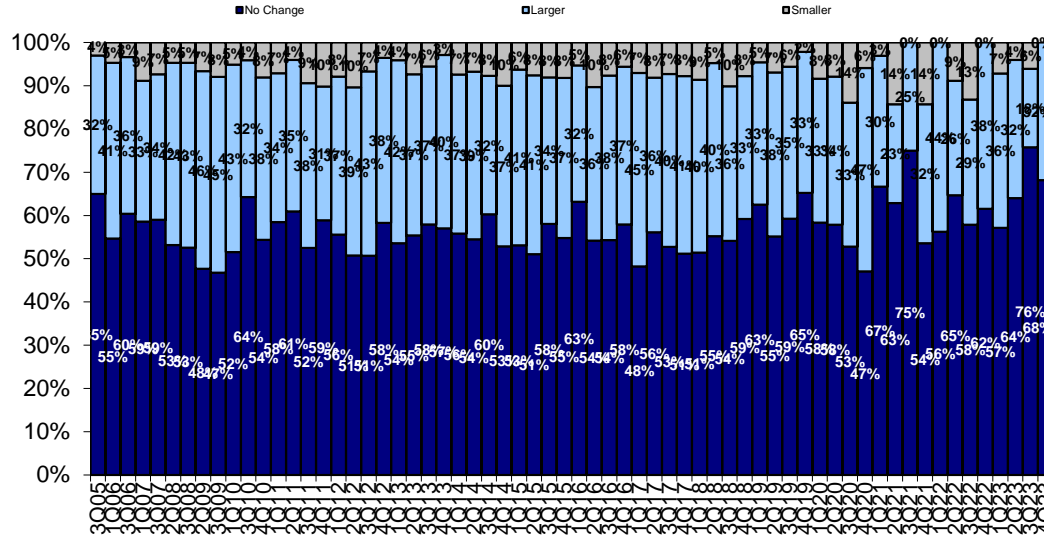
Deferred / 2-Day



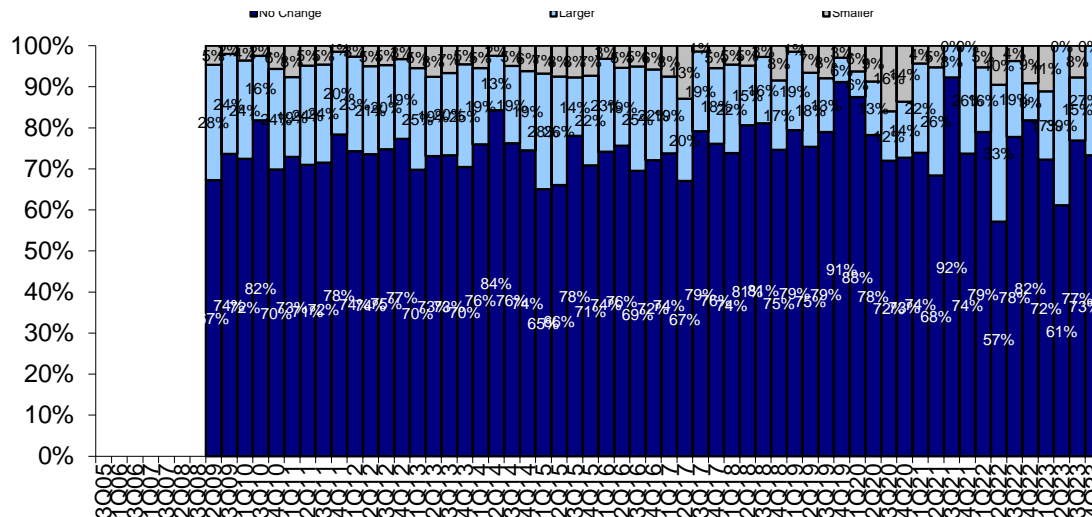
## Historical Expected Change in Use of Ground and Consolidators

### How Will Your Usage of the Following Products Change as a Proportion of your Total Parcel Shipment Budget (on a Year-over-Year Basis) Over the Next 6 Months?

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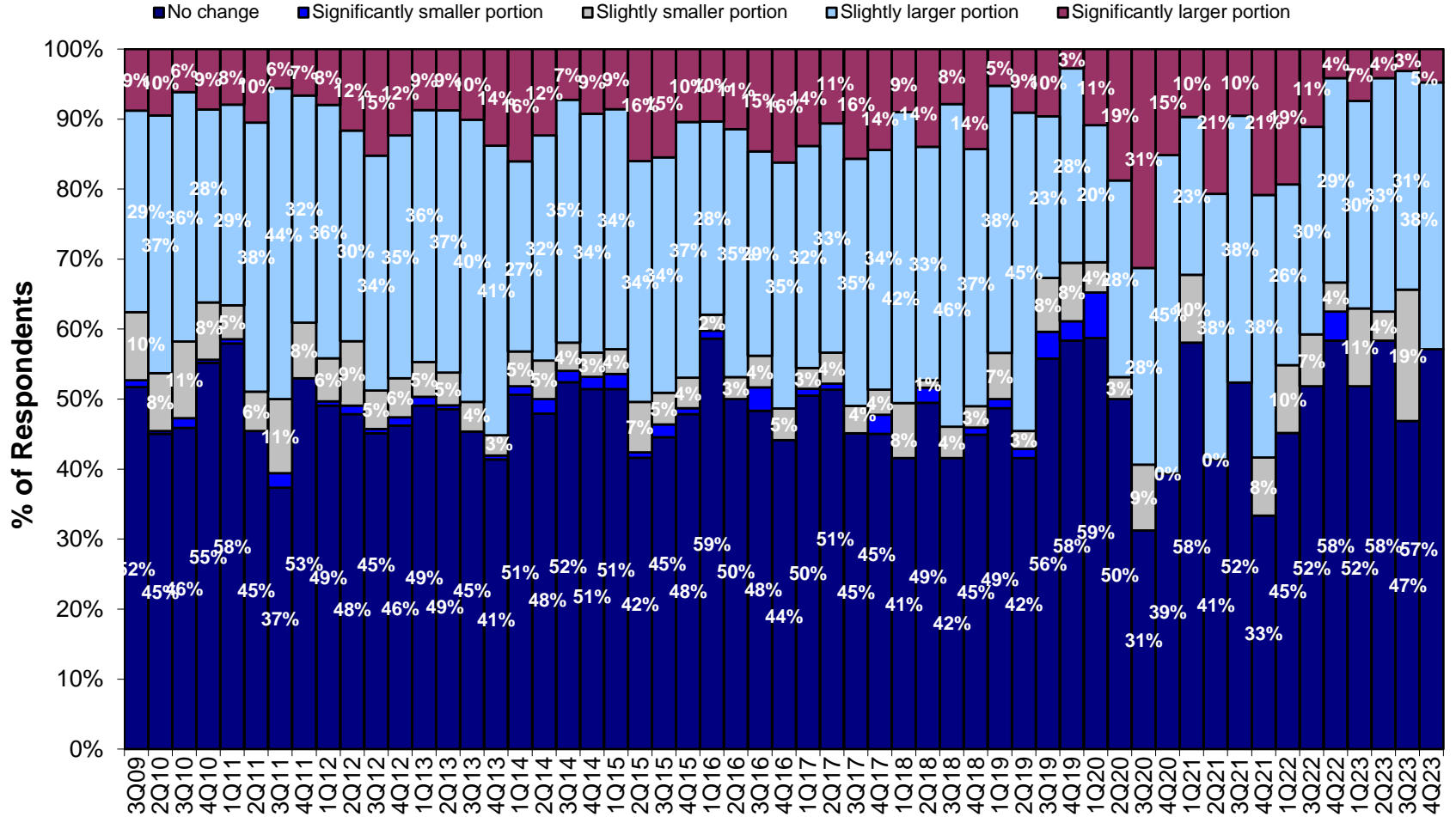
Consolidators





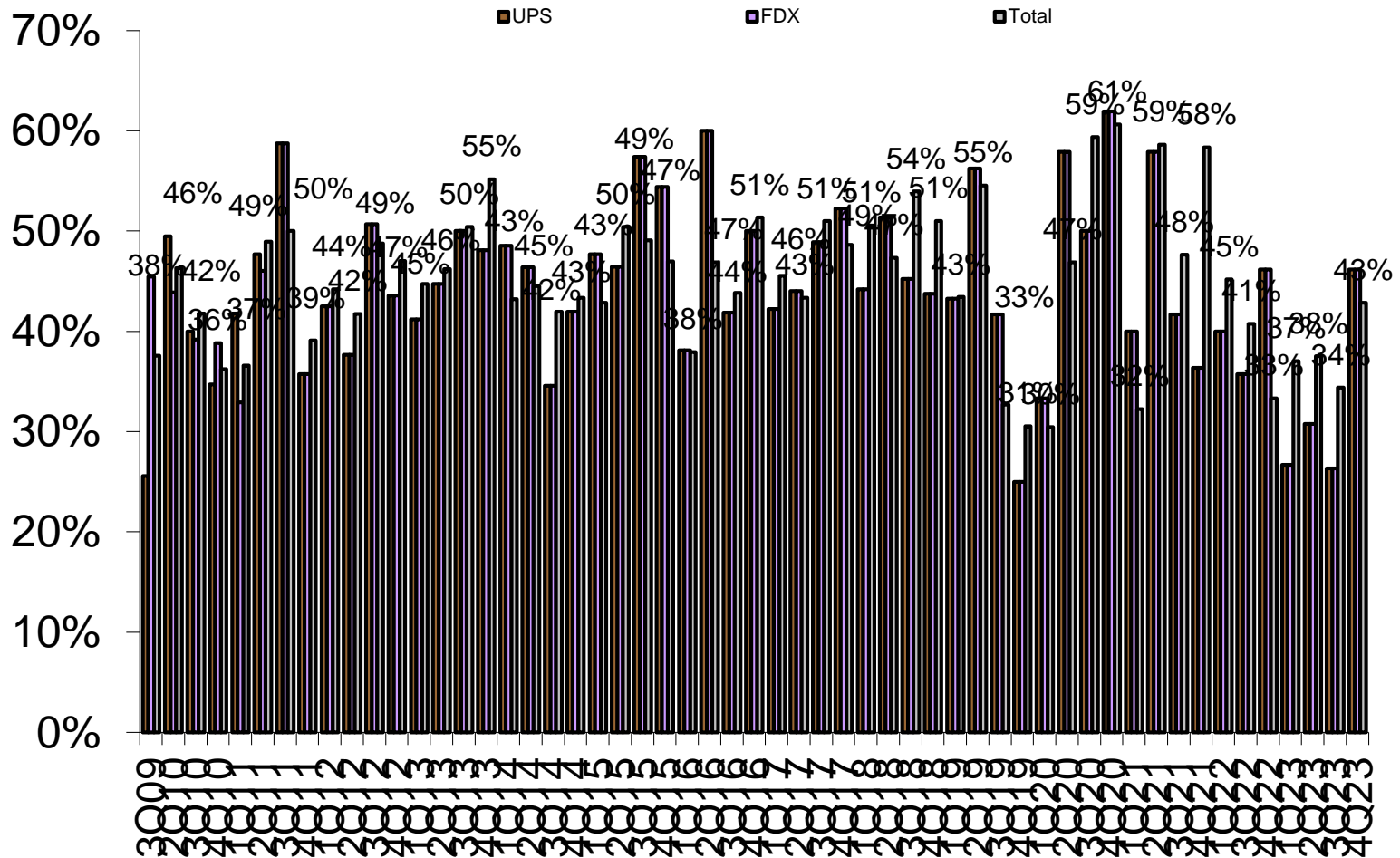
Expected Trends in B2C

B2C as % of Total



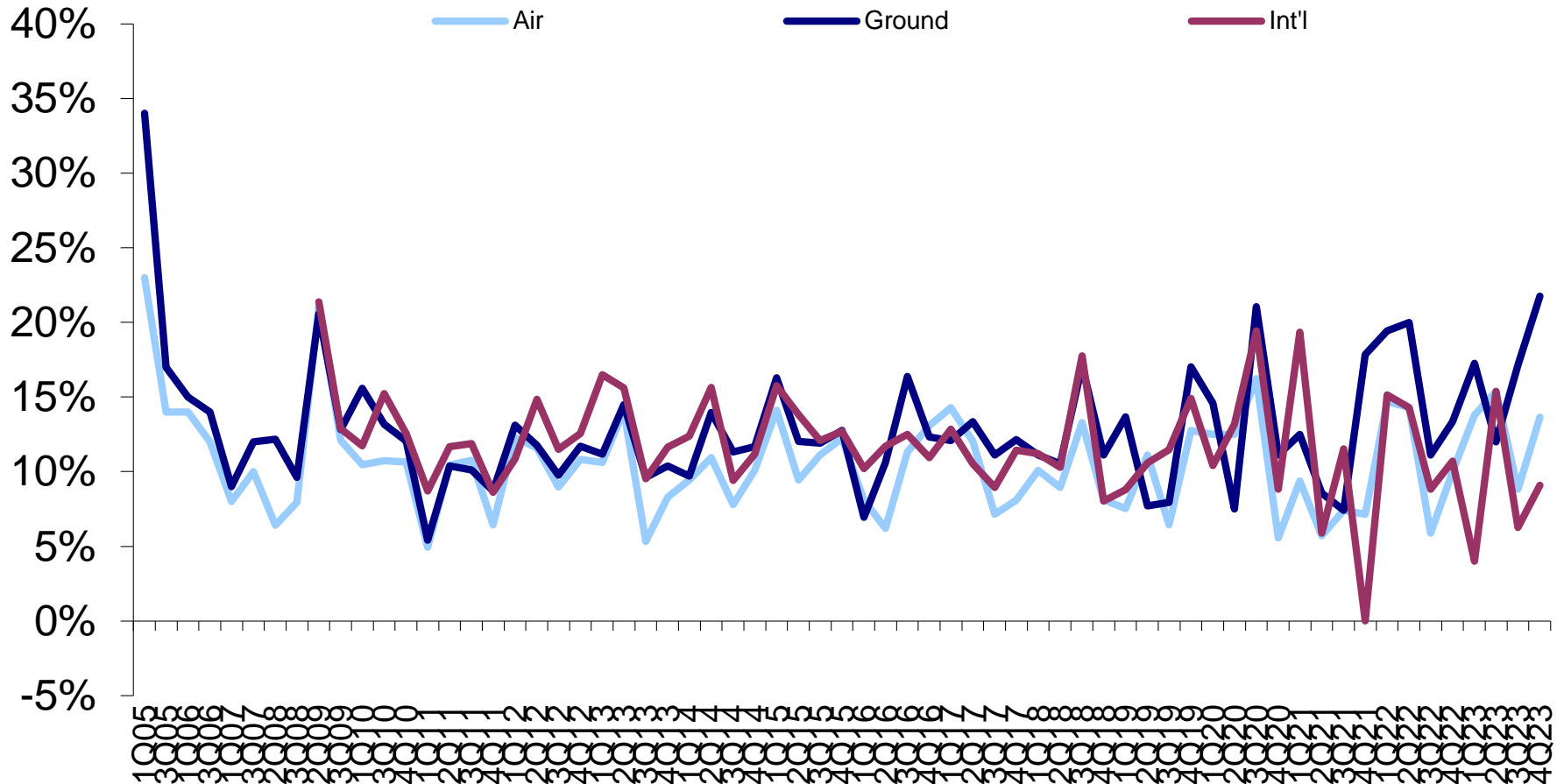
Expected Trends in B2C

% of Respondents Indicating Increase in B2C Shipping as % of Total



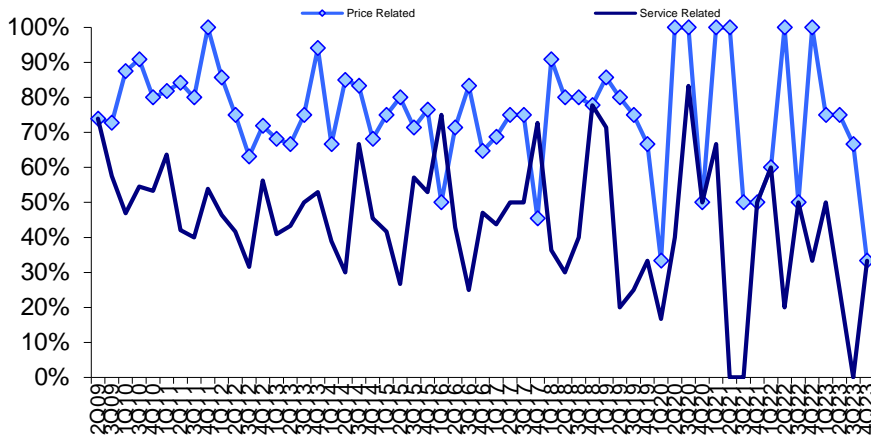
## % of Respondents Switching Primary Carriers Over Time

### % of Shippers Switching Primary Carriers Over the Past 6 Months

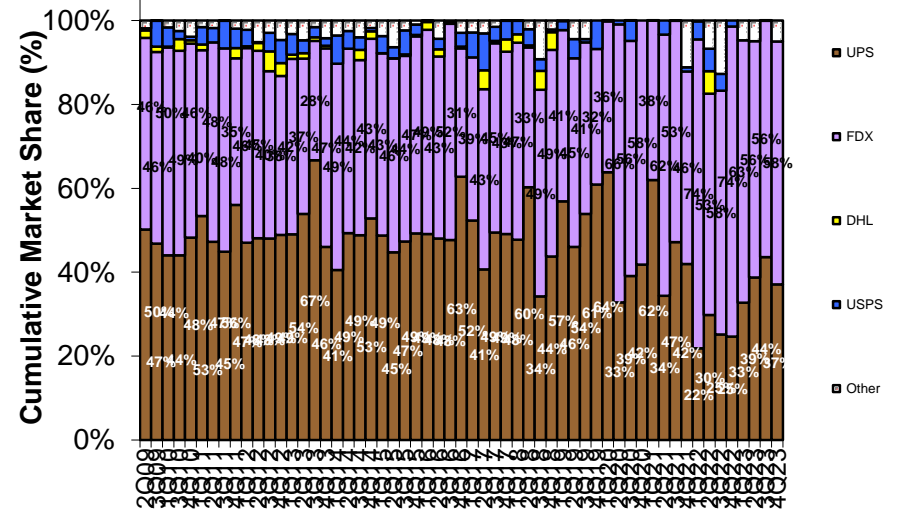


## Air Switching: Reasons for Switch and Primary Carrier

### Air: Reason for Switching Primary Carriers

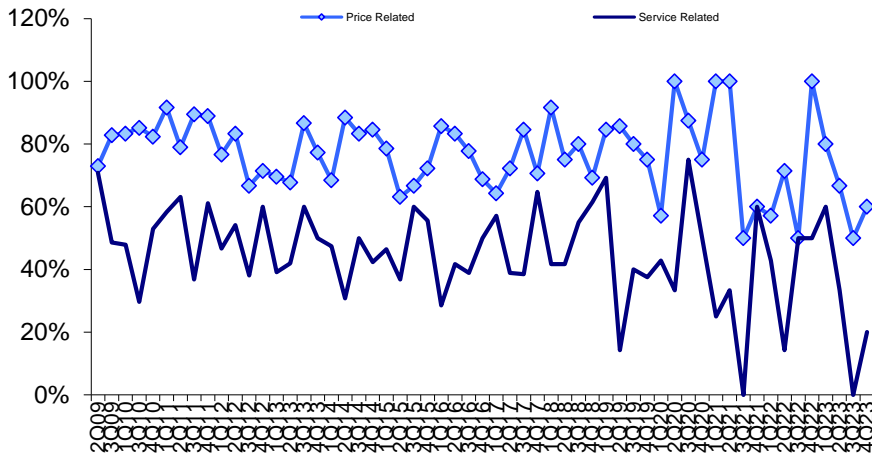


### Air: Dollar-weighted Market Share

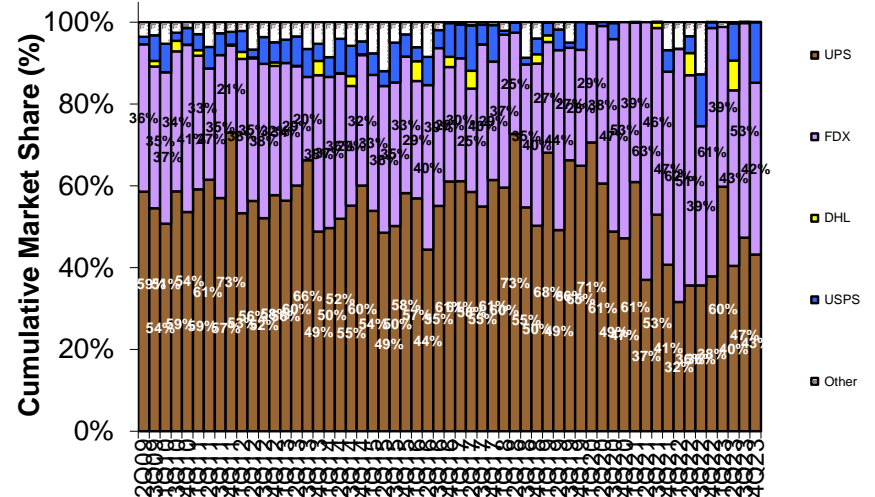


Ground Switching: Reasons for Switch and Primary Carrier

Ground: Reason for Switching Primary Carriers

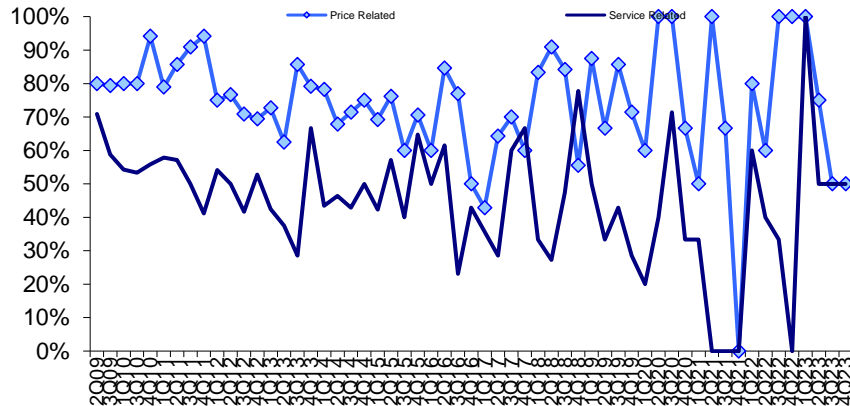


Ground: Dollar-weighted Market Share

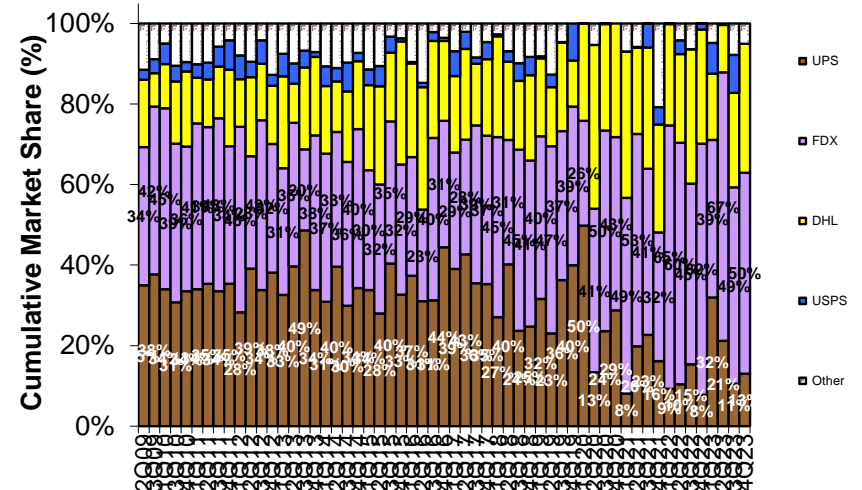


**International Switching: Reasons for Switch and Primary Carrier**

**International: Reason for Switching Primary Carriers**



**International: Dollar-weighted Market Share**



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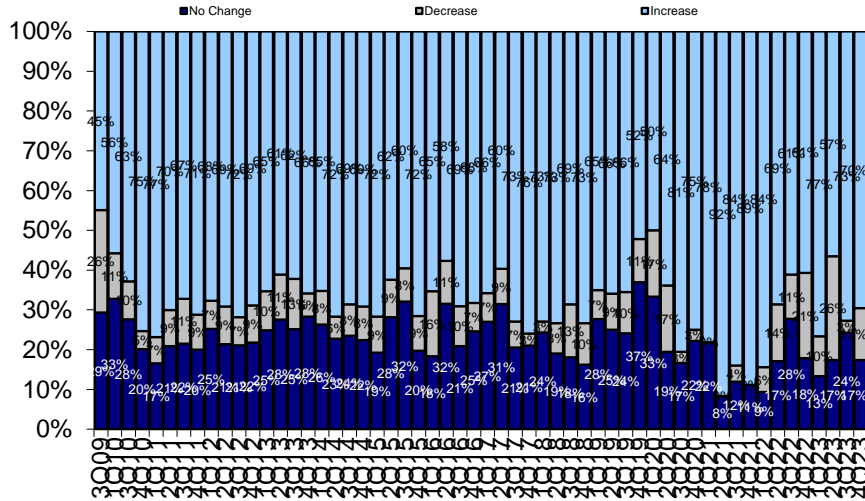
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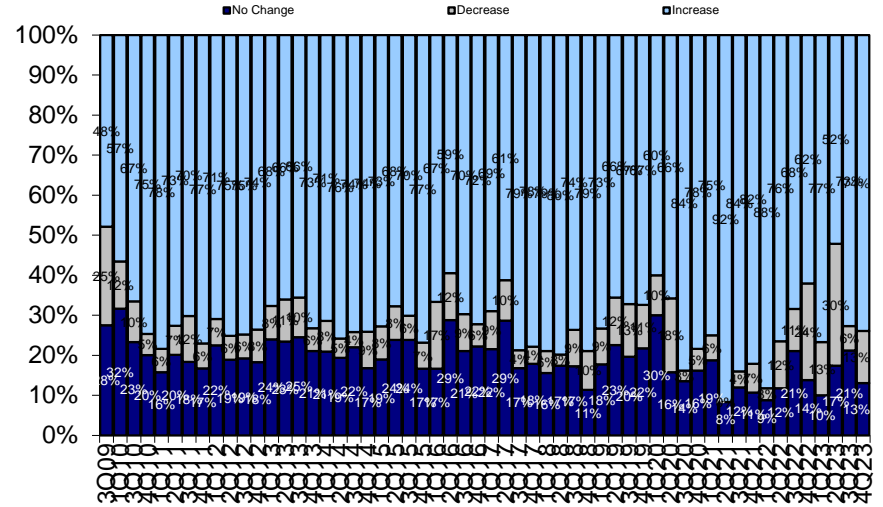
1. Service Reliability Rankings
2. Value of Service Rankings

# Parcel Pricing Outlook Over the Next 6 Months

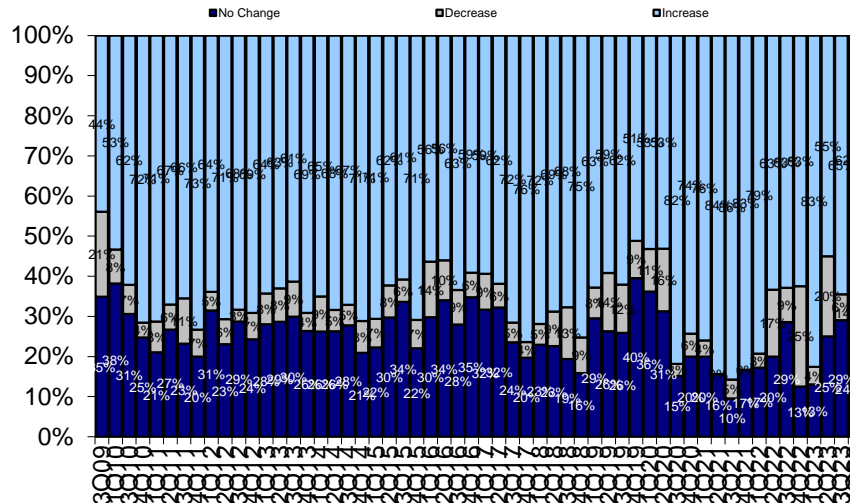
## % of Shippers Expecting Air to:



## % of Shippers Expecting Ground to:



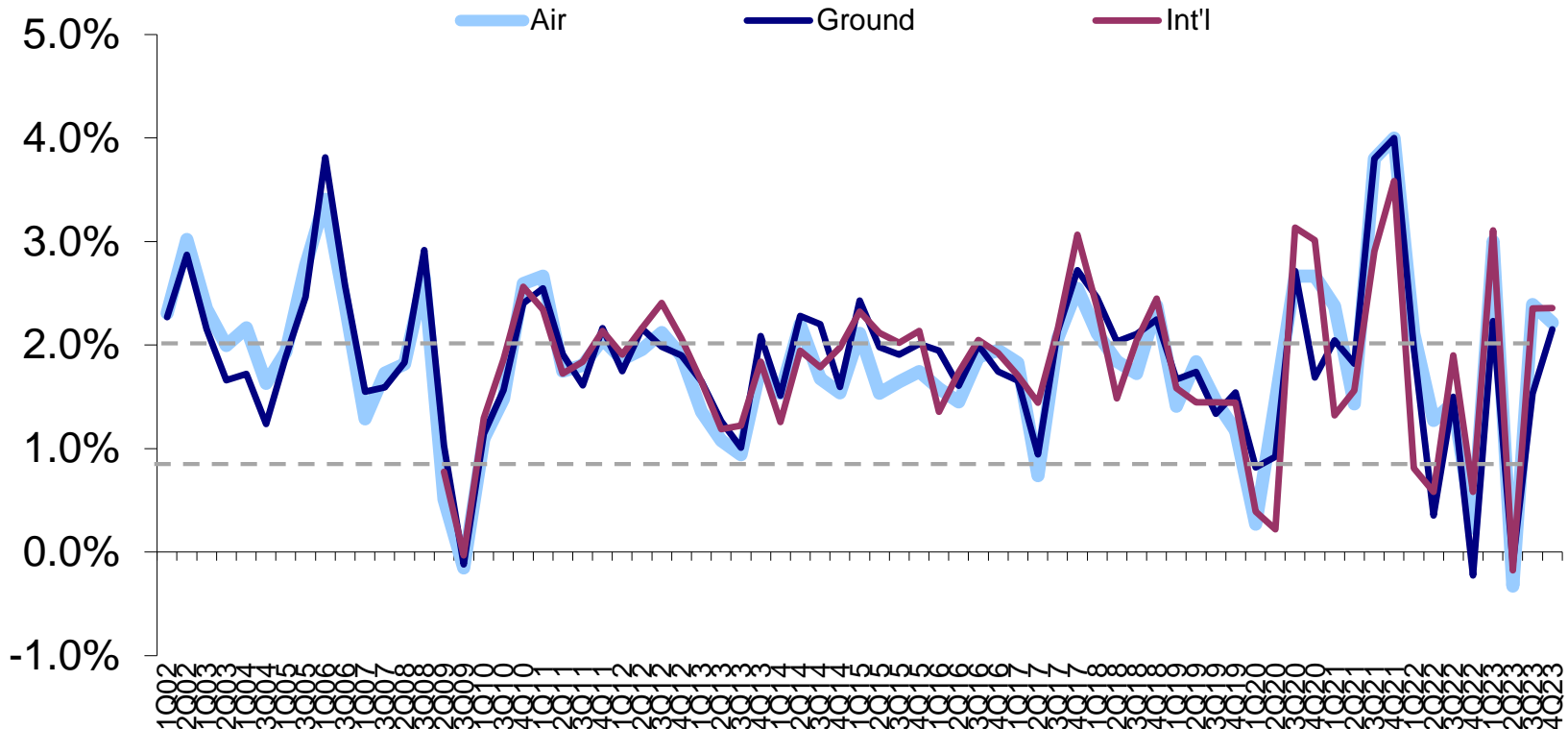
## % of Shippers Expecting International to:





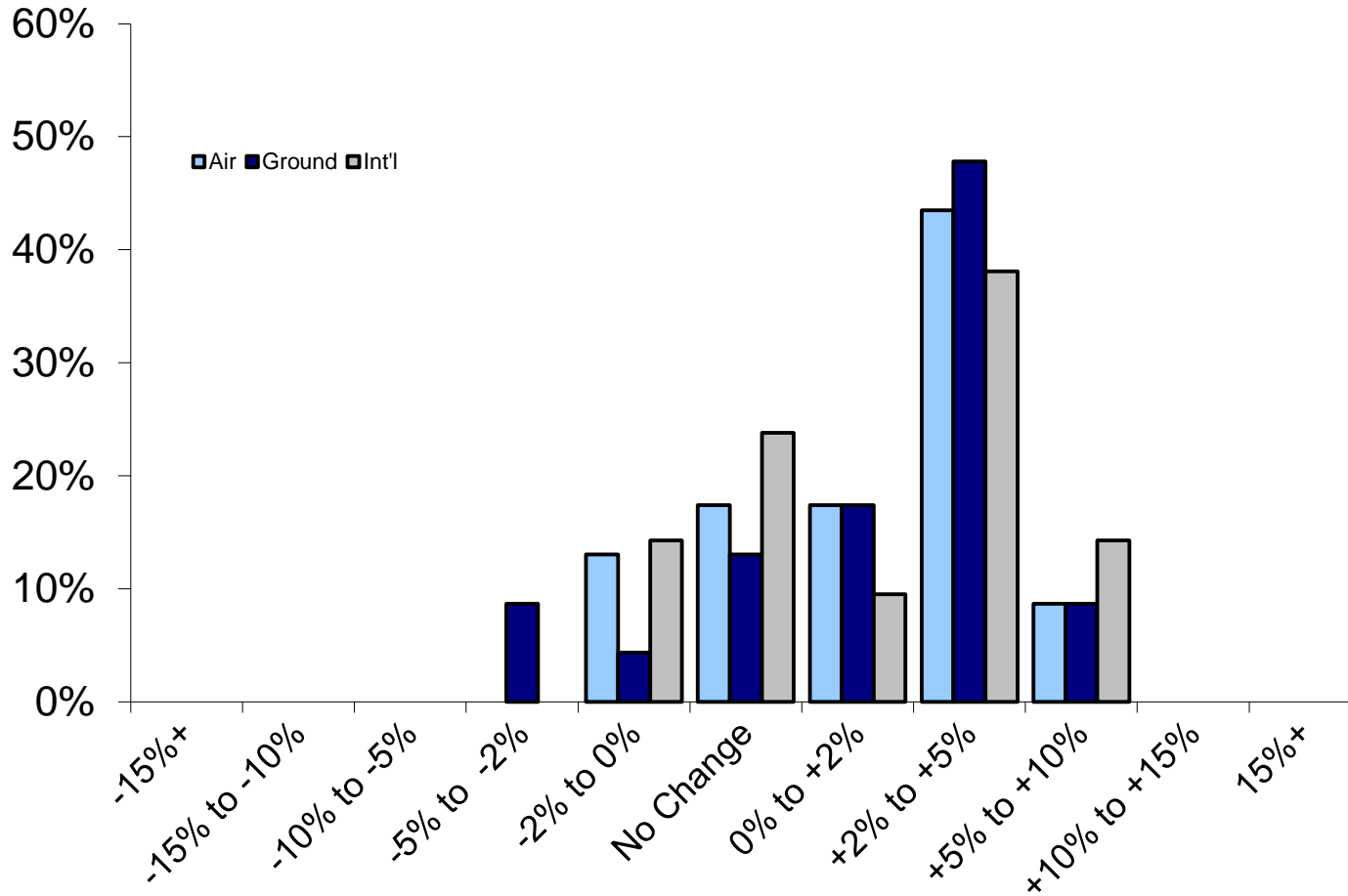
Pricing Trends by Product: Large vs. Small Shipper

Average Base Rate Expectations "Over the Next 6 Months" vs. Last Year



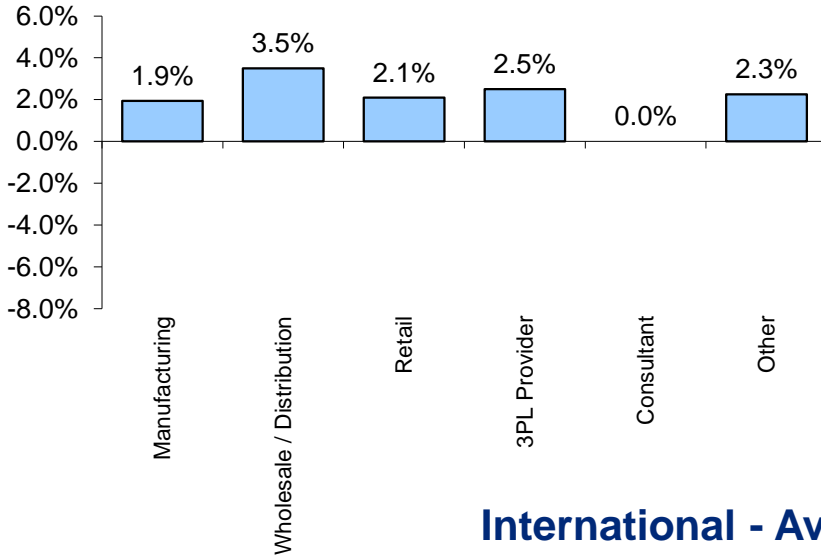
Base Rate Response Skew – All Shippers

Base Rate Growth Expectations “Over the Next 6 Months” vs. Same Period Last Year

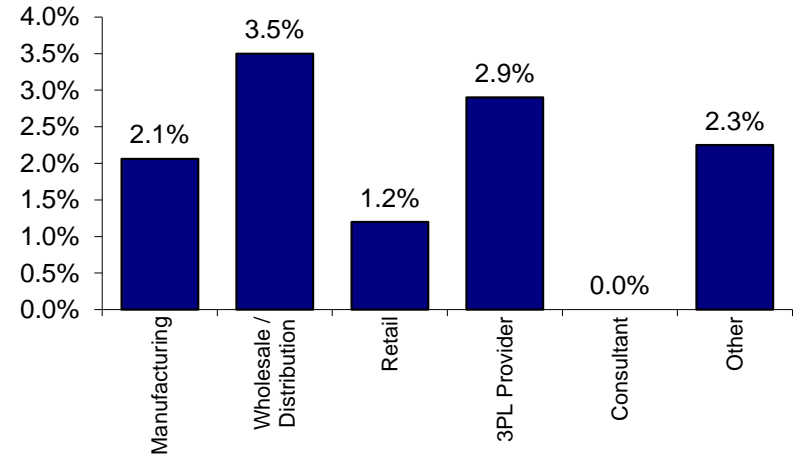


Pricing Outlook by Industry

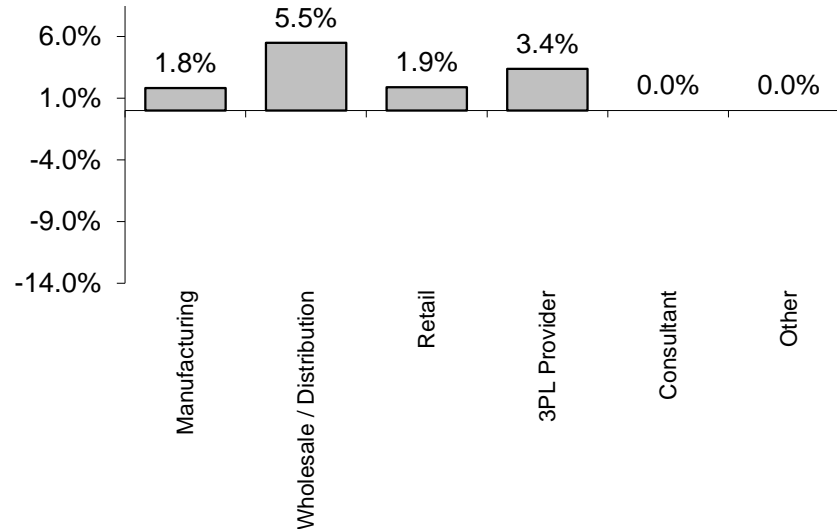
Air - Avg Change by Industry



Ground - Avg Change by Industry

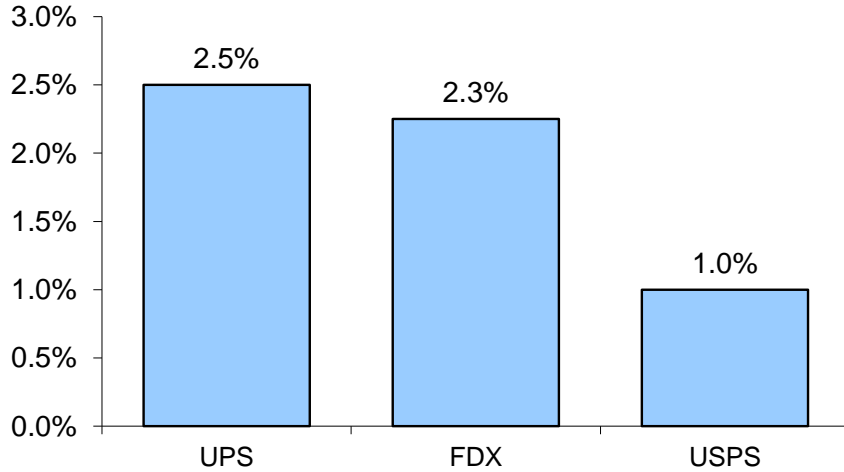


International - Avg Change by Industry

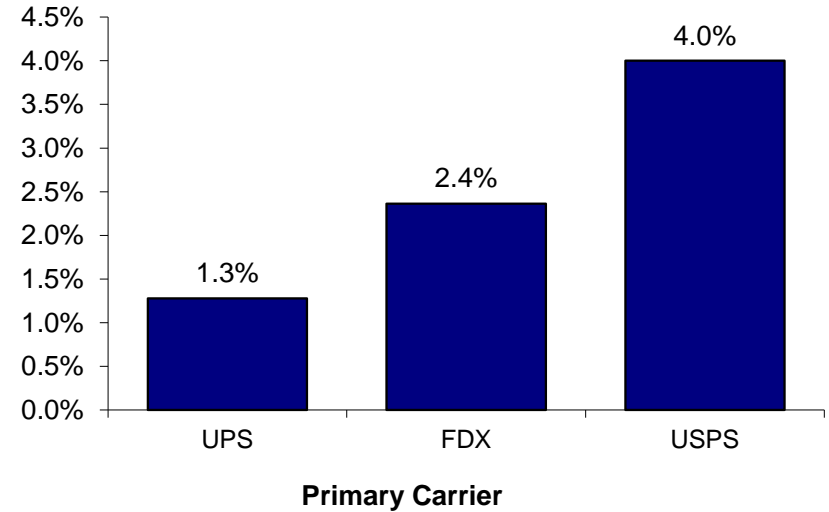


Pricing Outlook by Listed Primary Carrier

Air - Avg Change by Carrier

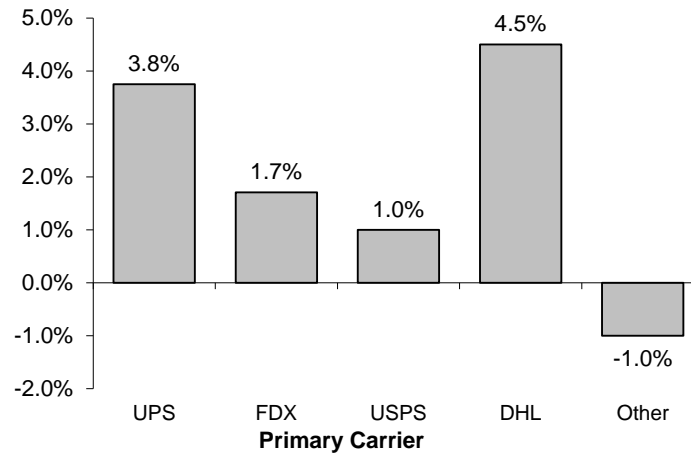


Ground - Avg Change by Carrier



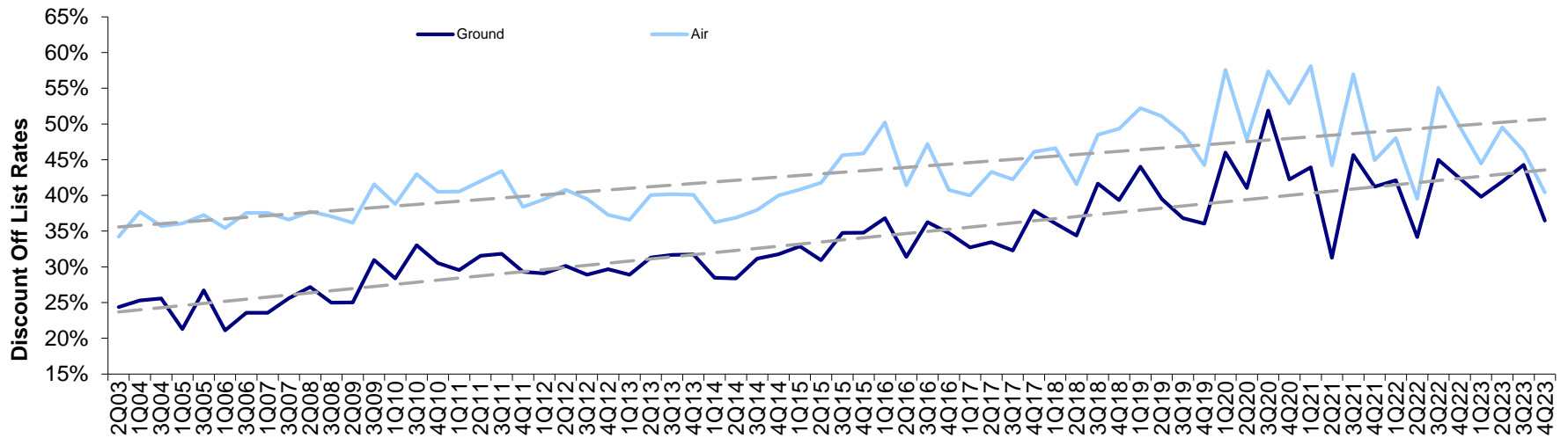
Primary Carrier

International - Avg Change by Carrier



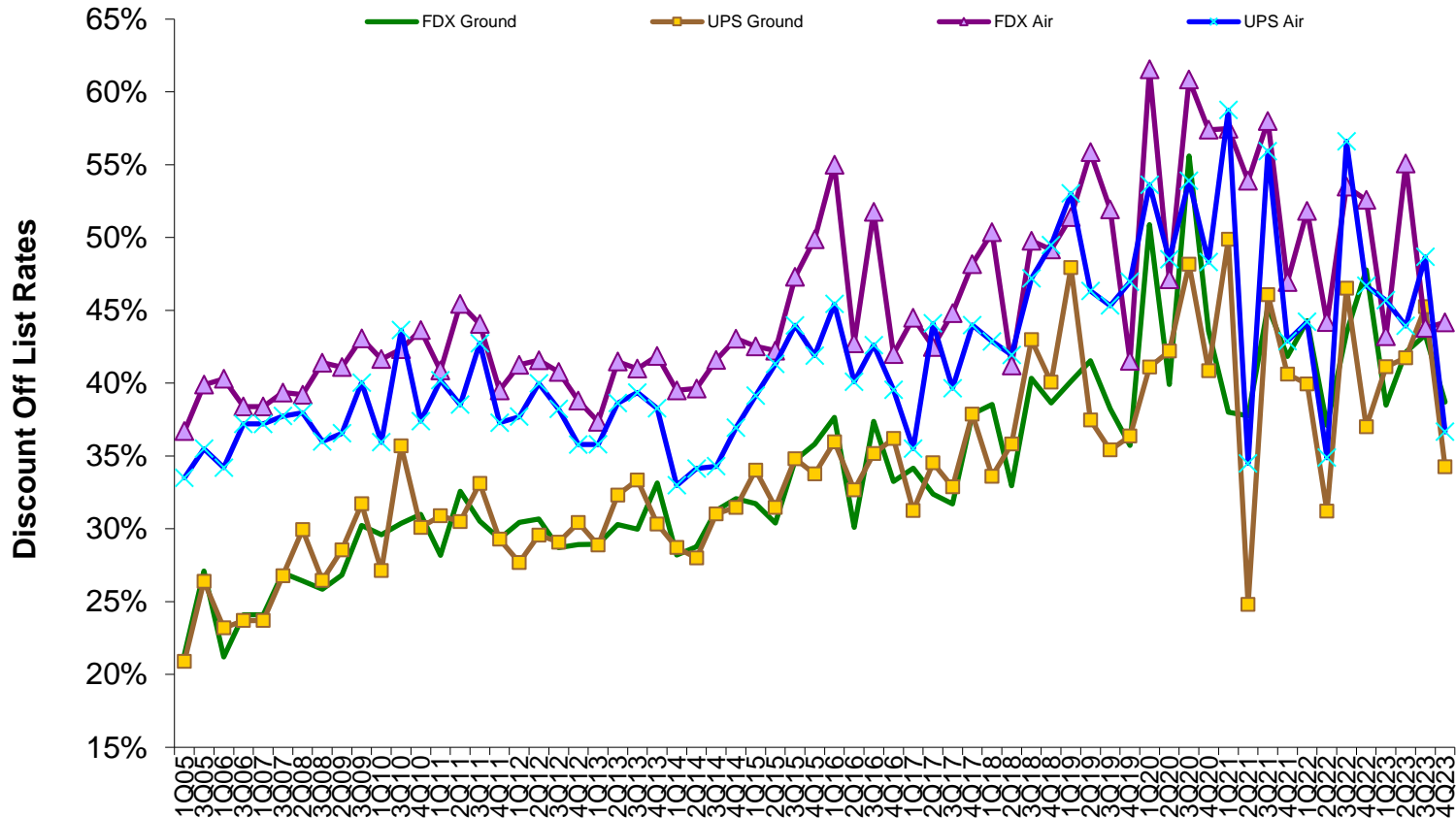
Percentage Discount Off of List Rates

Average List Rate Discount



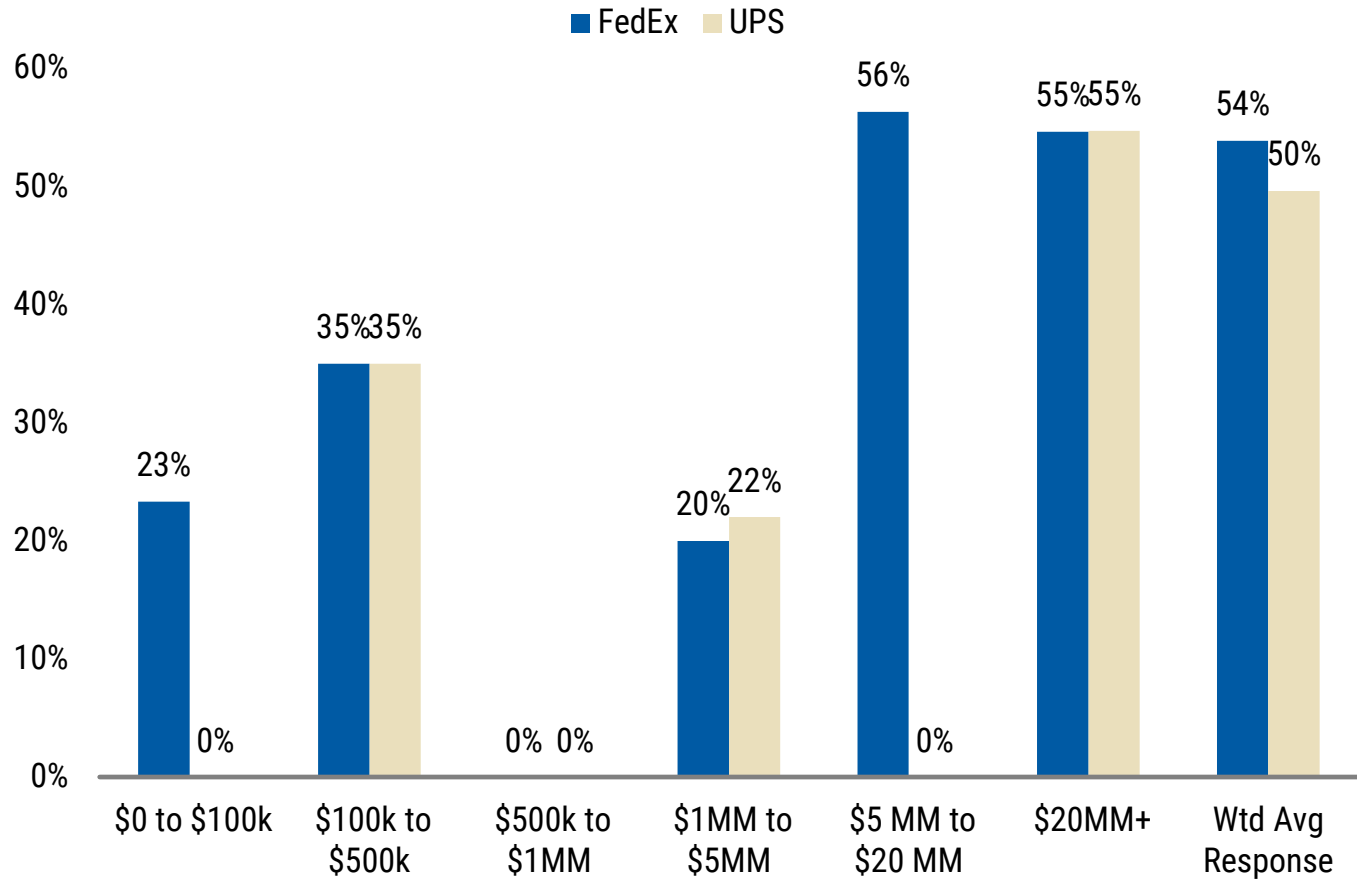
Percentage Discount Off of List Rates

Average Discount by Carrier and Product



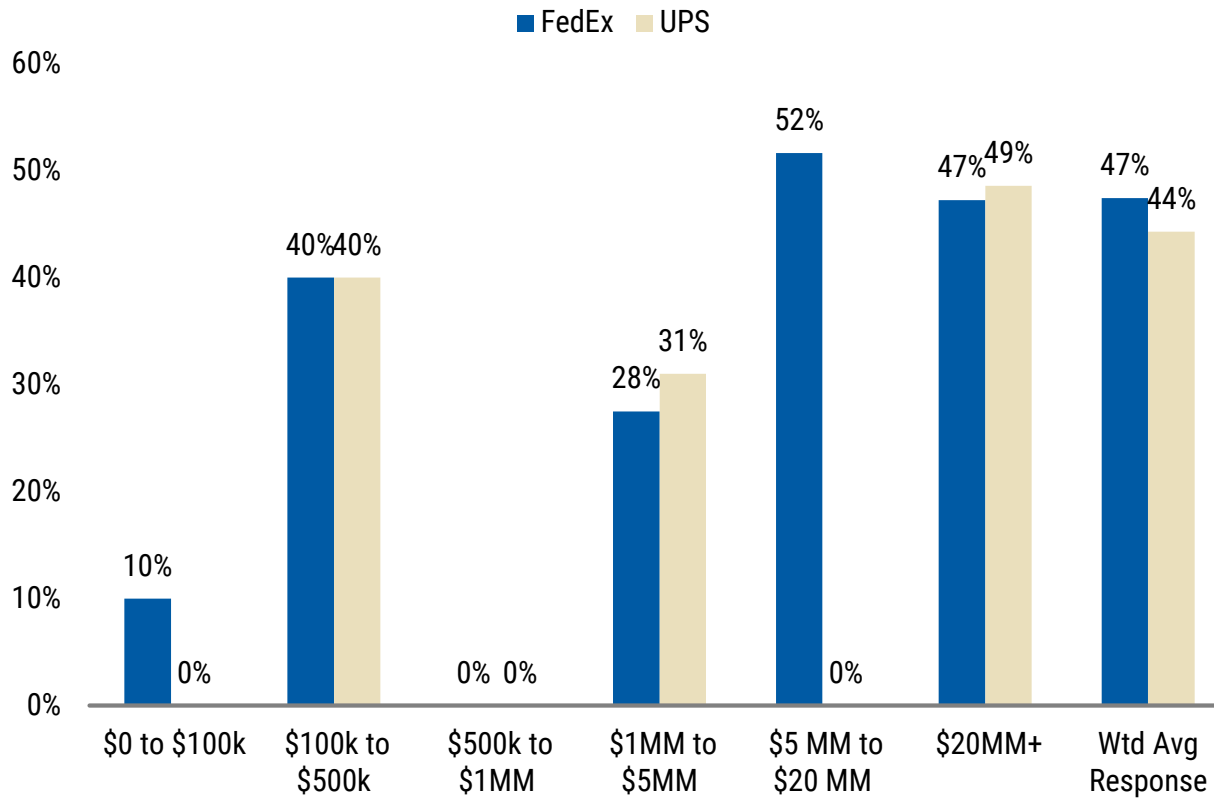
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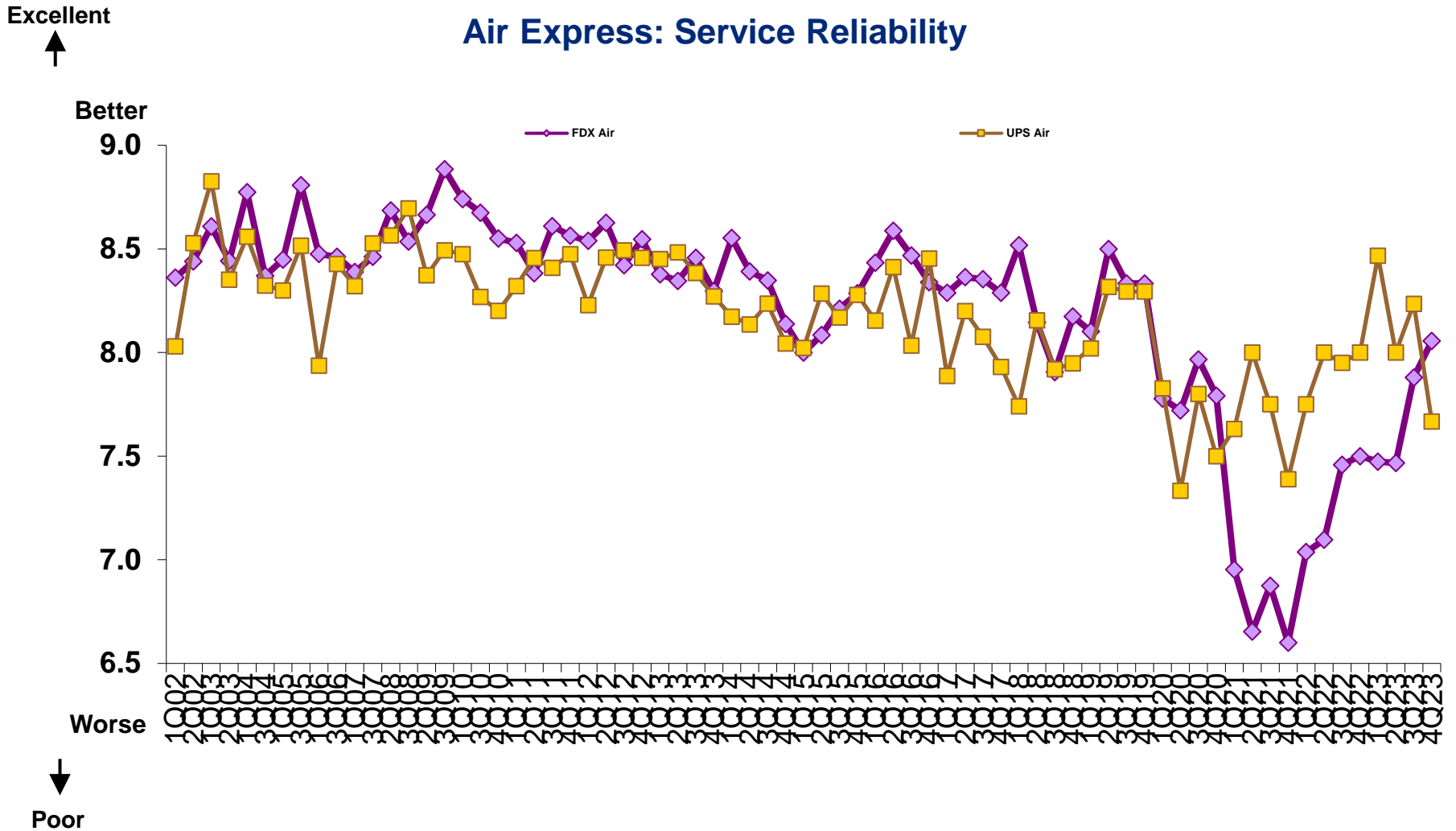
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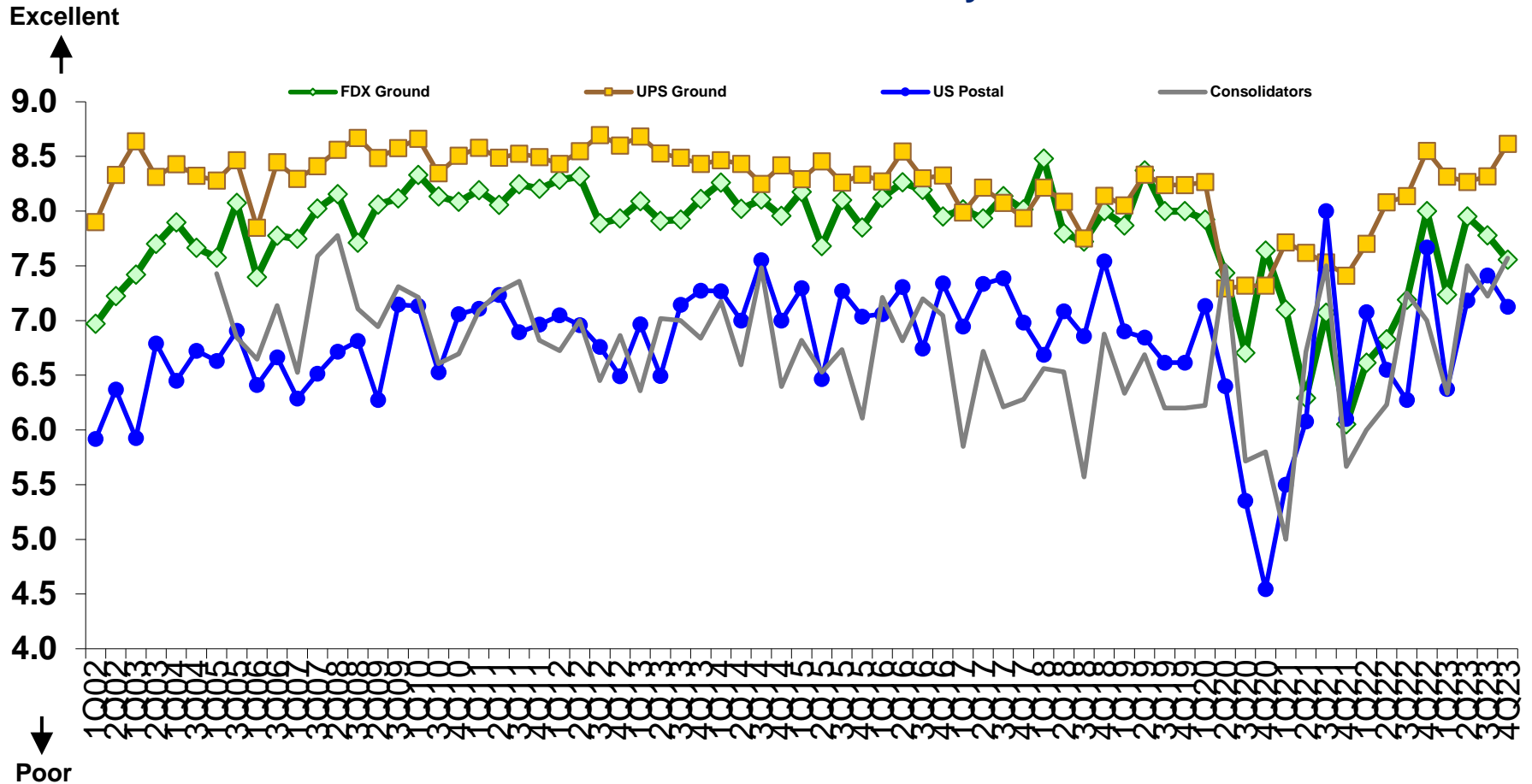
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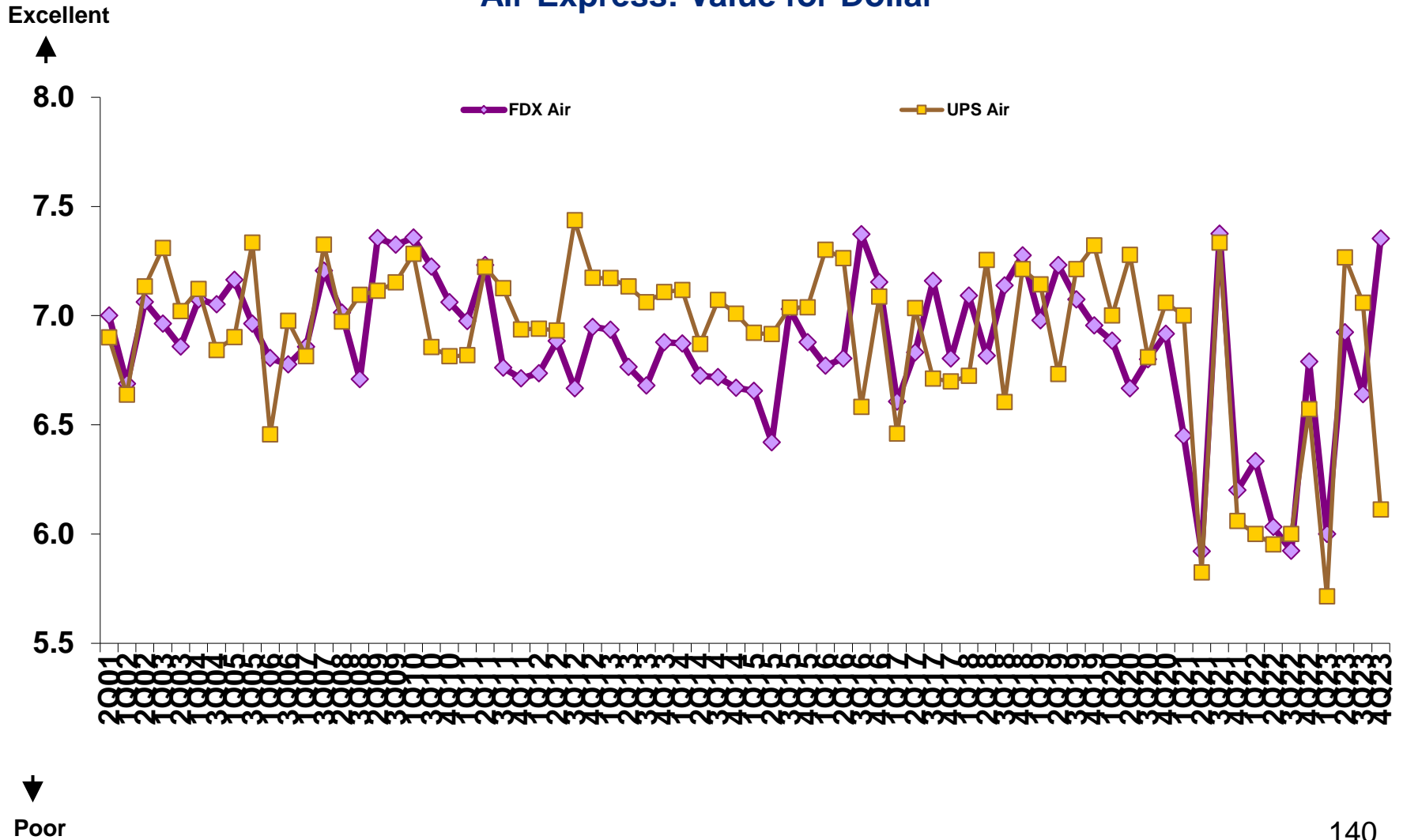
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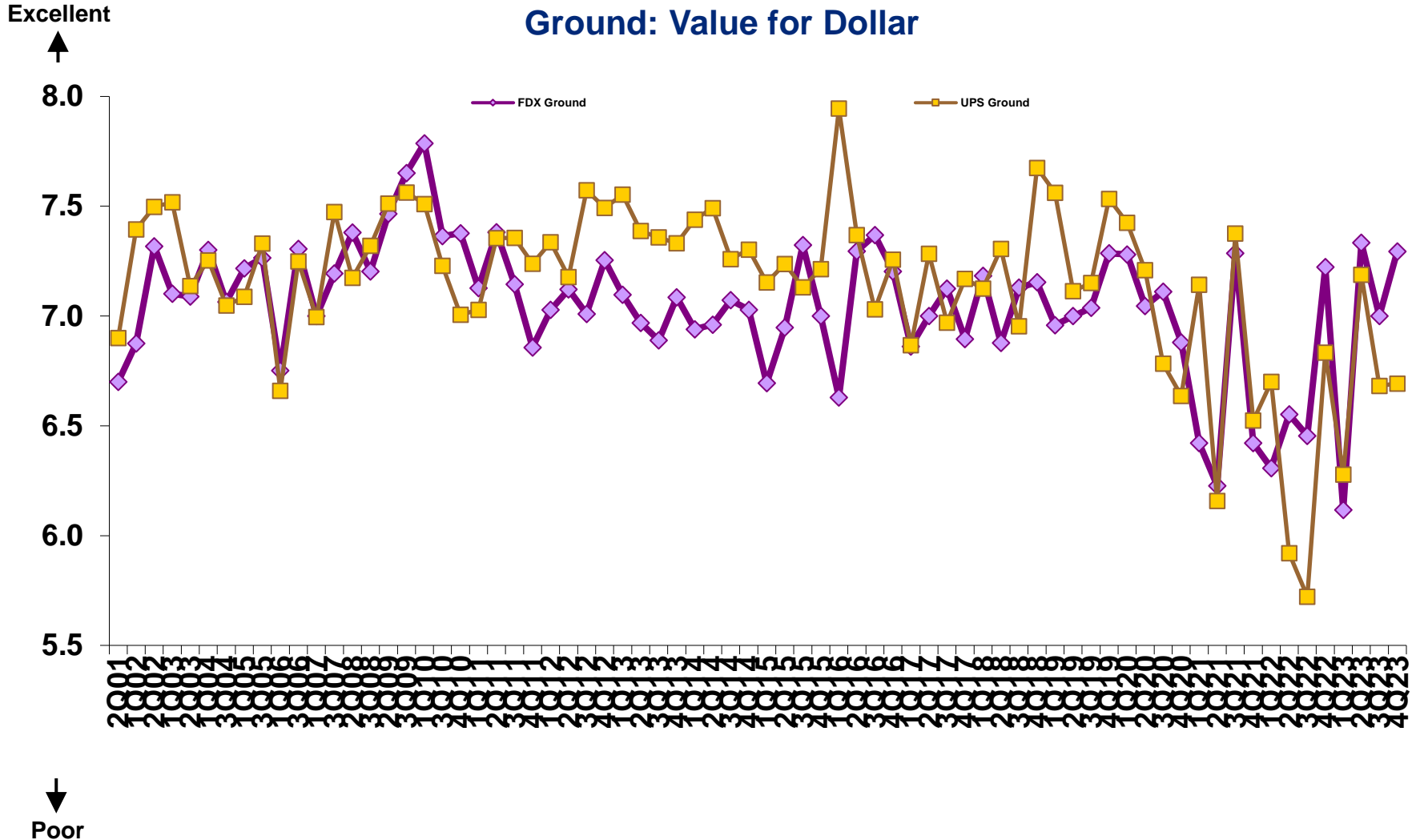


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Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	598	17%	61	9%	10%	224	14%
Total	3,615		644			1547	

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INDUSTRY / COMPANY	TICKER	VIEW / RATING	CCY	LAST CLOSE	PRICE TARGET
<u>AIRLINES (NORTH AMERICA)</u>		ATTRACTIVE			
<a href="#">Delta Airlines, Inc.</a>	<a href="#">DAL.N</a>	Overweight	USD	40.45	77.00
<a href="#">Frontier Group Holdings Inc</a>	<a href="#">ULCC.O</a>	Overweight	USD	5.31	10.00
<a href="#">United Airlines Holdings, Inc.</a>	<a href="#">UAL.O</a>	Overweight	USD	40.72	75.00
<a href="#">Alaska Air Group Inc</a>	<a href="#">ALK.N</a>	Overweight	USD	38.34	70.00
<a href="#">Southwest Airlines Co.</a>	<a href="#">LUV.N</a>	Overweight	USD	28.48	47.00
<a href="#">American Airlines Group Inc</a>	<a href="#">AAL.O</a>	Equal-weight	USD	13.44	20.00
<a href="#">Sun Country Airlines Holdings Inc</a>	<a href="#">SNCY.O</a>	Equal-weight	USD	15.57	23.00
<a href="#">Allegiant Travel</a>	<a href="#">ALGT.O</a>	Equal-weight	USD	81.09	95.00
<a href="#">JetBlue Airways Corp.</a>	<a href="#">JBLU.O</a>	++	USD	5.27	++
<u>FREIGHT TRANSPORTATION (NORTH AMERICA)</u>		IN-LINE			
<a href="#">Werner Enterprises</a>	<a href="#">WERN.O</a>	Overweight	USD	41.88	61.00
<a href="#">Schneider National Inc.</a>	<a href="#">SNDR.N</a>	Overweight	USD	25.13	36.00
<a href="#">Knight-Swift Transportatio...</a>	<a href="#">KNX.N</a>	Overweight	USD	57.41	75.00
<a href="#">GDX Logistics, Inc</a>	<a href="#">GXO.N</a>	Overweight	USD	60.13	75.00
<a href="#">TFI International Inc</a>	<a href="#">TFII.N</a>	Overweight	USD	133.70	164.00
<a href="#">ArcBest Corp</a>	<a href="#">ARCB.O</a>	Overweight	USD	121.06	145.00
<a href="#">Canadian National Railway Co.</a>	<a href="#">CNR.TO</a>	Overweight	CAD	167.18	195.00
<a href="#">Heartland Express Inc.</a>	<a href="#">HTLD.O</a>	Equal-weight	USD	13.93	16.00
<a href="#">Canadian Pacific Kansas City Ltd</a>	<a href="#">CP.TO</a>	Equal-weight	CAD	105.41	100.00
<a href="#">Old Dominion Freight Line Inc</a>	<a href="#">ODFLO</a>	Equal-weight	USD	397.74	360.00
<a href="#">Hub Group Inc</a>	<a href="#">HUBG.O</a>	Equal-weight	USD	91.23	80.00
<a href="#">J.B. Hunt Transport Services Inc.</a>	<a href="#">JBHT.O</a>	Equal-weight	USD	195.49	165.00
<a href="#">XPO Logistics, Inc.</a>	<a href="#">XPO.N</a>	Equal-weight	USD	84.88	70.00
<a href="#">FedEx Corporation</a>	<a href="#">FDX.N</a>	Equal-weight	USD	252.24	205.00
<a href="#">RXO Inc</a>	<a href="#">RXO.N</a>	Equal-weight	USD	23.05	18.00
<a href="#">Landstar System Inc</a>	<a href="#">LSTR.O</a>	Equal-weight	USD	189.43	145.00
<a href="#">Union Pacific Corp.</a>	<a href="#">UNP.N</a>	Equal-weight	USD	243.43	182.00
<a href="#">CSX Corporation</a>	<a href="#">CSX.O</a>	Equal-weight	USD	34.62	25.00
<a href="#">Norfolk Southern Corp.</a>	<a href="#">NSC.N</a>	Equal-weight	USD	235.66	170.00
<a href="#">C.H. Robinson Worldwide Inc.</a>	<a href="#">CHRW.O</a>	Underweight	USD	87.13	60.00
<a href="#">Expeditors International of Washington</a>	<a href="#">EXPD.N</a>	Underweight	USD	127.08	84.00
<a href="#">Saia, Inc.</a>	<a href="#">SAIA.O</a>	Underweight	USD	427.50	270.00
<a href="#">United Parcel Service</a>	<a href="#">UPS.N</a>	Underweight	USD	158.34	100.00