



Road Logistics Market Update Webinar

October 20, 2022

Agenda

1. Industry Updates
2. US Full Truckload
3. LTL Market
4. Crossborder
5. Intermodal
6. Q&A

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Section 1

Industry Updates

Industry Conditions at a glance

Product	Rates	Capacity	Demand	Notes
LTL	↑	↓	↑	Rates continue to rise
FTL	↓	↑	↓	Spot Rates drop as demand falls Contract Rates begin dropping as well
Intermodal	↓	↑	↓	There is still a threat of a strike, but capacity is opening up
Northern Border	↓	↑	↓	Rates and capacity improving from March.
Southern Border	↓	↔	↓	Demand down. Northbound capacity remains tight.

Jaw dropping inventory levels a key risk to retailers

According to Morgan Stanley

- There is a 19% discrepancy between inventory levels and sales growth.
- The Morgan Stanley Shipper Survey covers 100 corporations transportation needs and macro expectations and showed ordering levels are down 40% year over year.
- Many retailers prepared for the holiday season earlier this year by stocking up.
- Shoppers did not keep on shopping and inventory levels have risen.
- This glut of inventory may cause transporters to miss out on peak season activity – sparking a “trucking winter”



Section 2

US Full Truckload

Loose capacity meets high fuel costs

Spot market carriers feel the squeeze from diesel prices

Oct 10 – 16 – Truckload capacity loosened last week as truck posts outpaced load posts on the DAT Load Board network. Meanwhile, diesel prices spiked, keeping the national average for van rates largely flat week-over-week, but with less profit for carriers.

DAT Trendlines™ powered by DAT iQ

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Industry Trends	WEEK OCT 10 - OCT 16 VS. OCT 03 - OCT 09	MONTH SEP 2022 VS. AUG 2022	YEAR SEP 2022 VS. SEP 2021
Spot Load Posts	-10.2%	-9.1%	-48.1%
Spot Truck Posts	+4.6%	-4.2%	+16.7%
Van Load-To-Truck	-13.3%	+0.1%	-43.9%
Van Spot Rates	+0.0%	-2.9%	-13.2%
Flatbed Load-To-Truck	-11.7%	-5.7%	-72.2%
Flatbed Spot Rates	-0.7%	-4.7%	-5.4%
Reefer Load-To-Truck	-14.4%	-10.6%	-53.2%
Reefer Spot Rates	-0.5%	-1.8%	-11.9%
Fuel Prices	+8.0%	-0.4%	+47.5%



National Spot Rates: Van, Flatbed, Reefer

Fuel Prices

Percent Change: +2.2%
Fuel Price: \$5.34 /gallon

Truckload market continues to loosen

As tender rejections reach new lows.

- National outbound tender rejections fell to a new low of 5.05% - a level last seen in May 2020 when the economy was just climbing out of the lockdown induced freeze.
- Carriers reacted to the slowing market by deploying assets to power lanes between major markets. This only had the effect of driving tender rejections even lower in these markets than the national average. LA is only rejecting 3% of contract loads.
- The spread between spot and contract rates went into negative territory as spot rates fell hard. They've been inching back up towards zero as spot rates have stabilized and contract rates began falling due to downward pressure.



Chart: Outbound tender rejections LA (white) Dallas (Green) Chicago (Blue) Atlanta (Orange) and Harrisburg, PA (Purple)

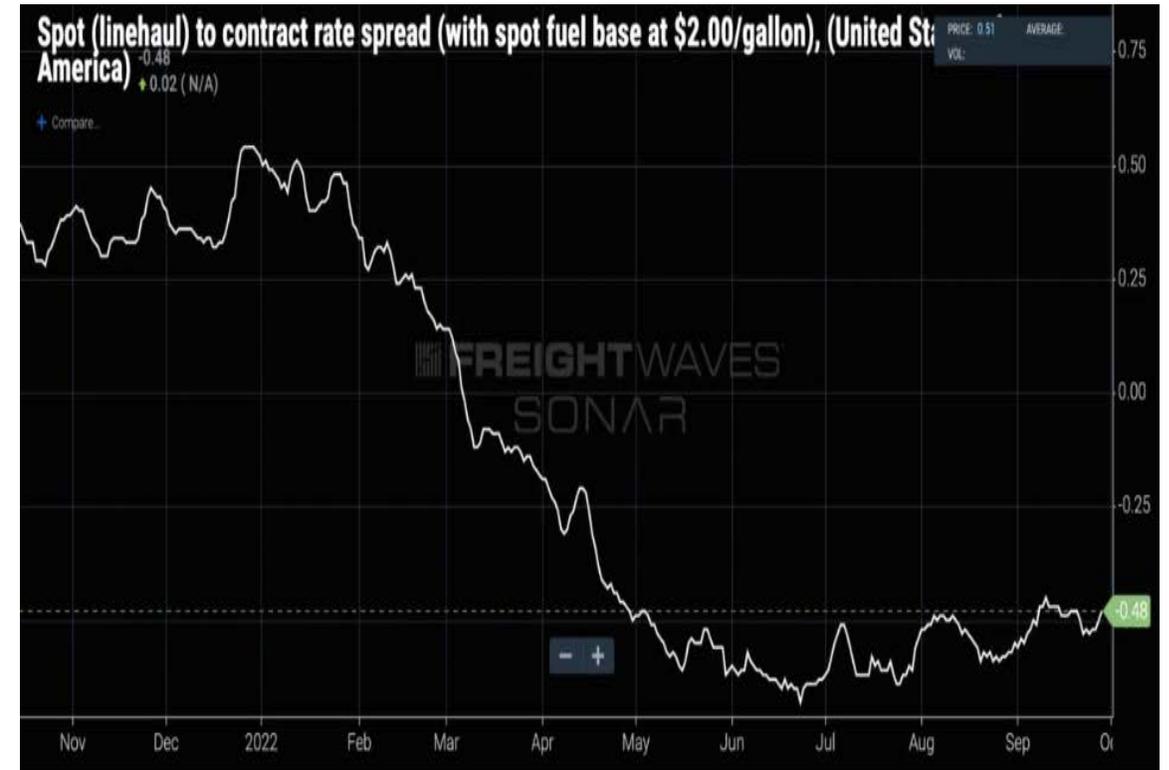


Chart: Spot to contract rate spread (with spot fuel at \$2.00/gallon)

Section 3

LTL Market

LTL Industry wrestles with technology Development

Progress has been made in recent years

- Industry is still hampered by paper documentation, ease-of-use issues.
- The broad trend line is that LTL is being used more broadly by shippers making the tools to get quotes, tender freight and manage shipments is becoming more important.
- These areas remain difficult to manage making new users have issue grasping the industry processes.
- **Moving to full electronic documentation would make the industry more efficient and easier to do business with.** Traditional BOL's is quite manual creating errors and visibility issues across the supply chain.
- More companies are entering the LTL tech market increasing the availability and quality of technology products in LTL.



LTL rates continue to increase

Even amid a transportation downturn

- Dry van contract rates have fallen approximately 7% since June but **LTL prices have increased 2% in the same period.**
- FTL Dry Van spot rates have fallen even more at a 27% drop since February.
- Because **LTL markets are not as sensitive to missing shipments** (cost per shipment is much lower and they can move trucks with less revenue) there is **less urgency to adjust rates** when the market turns.
- Lack of LTL competitors and the barriers for new carriers to enter the market are higher than truckload also help keep prices high longer.
- Eventually the market will catch up and rates will fall.
- When rates fell in 2019 it took LTL rates 6-8 months to stop rising after Dry van rates declined. That cycle was far less severe than now so **LTL rates may begin downward pressure by the end of the year.**

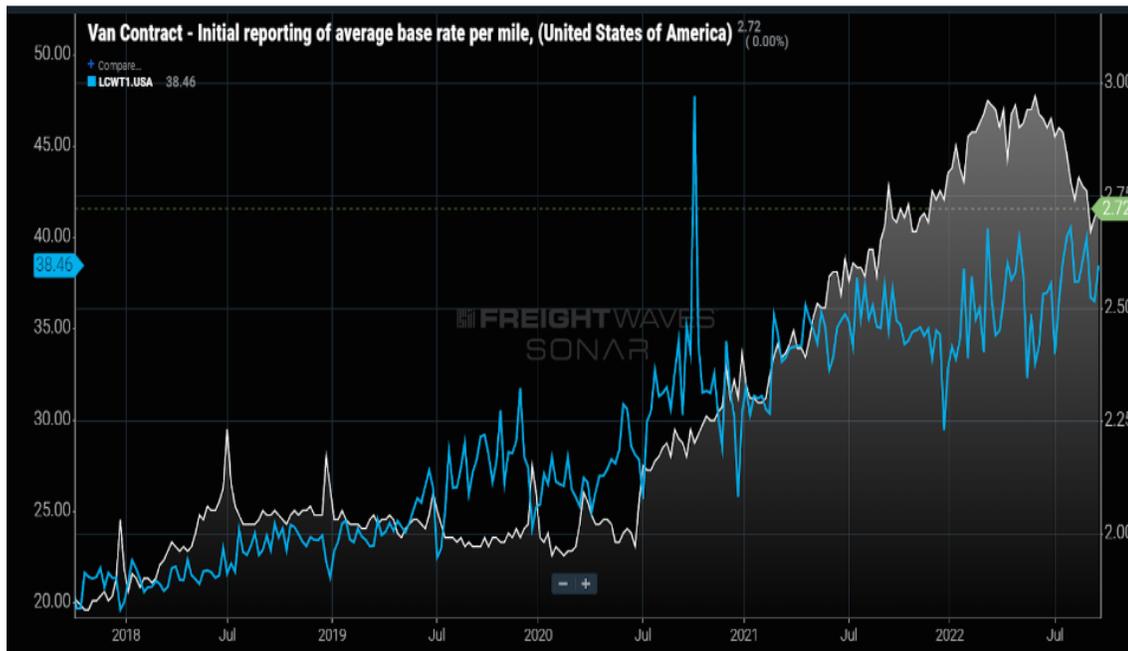


Chart: Van Contract base rate per mile, LTL Contract initial report average base rate per hundredweight

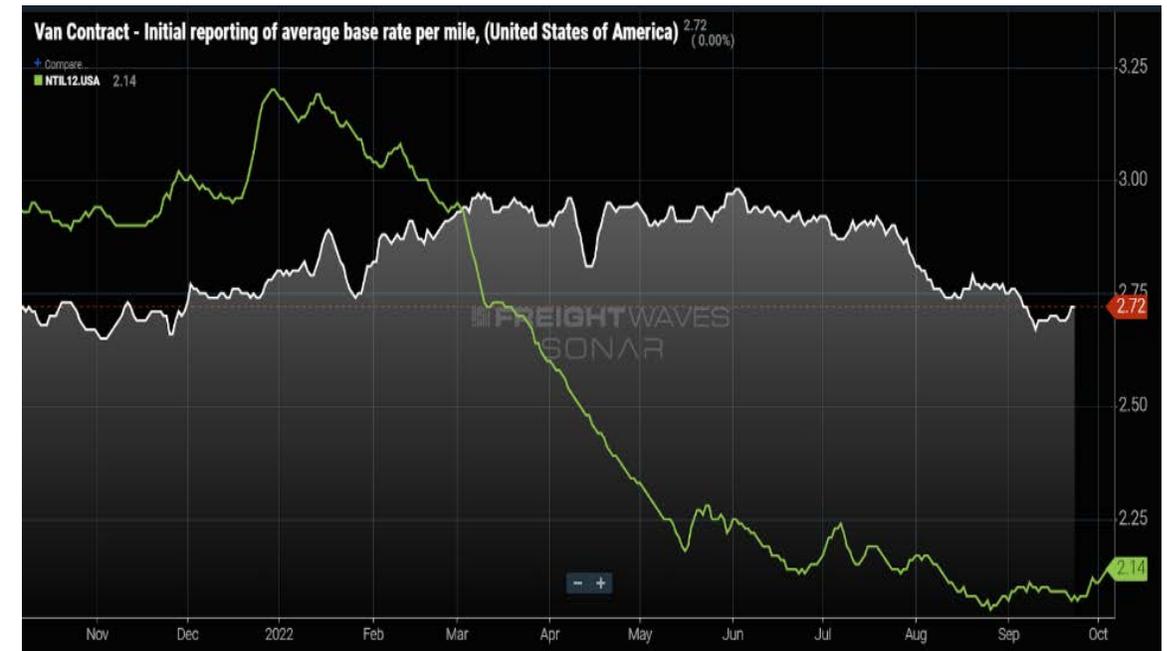


Chart: Spot rates excluding fuel costs above \$1.20 a gallon vs Contract Rates

Section 4

Crossborder

Northern Border

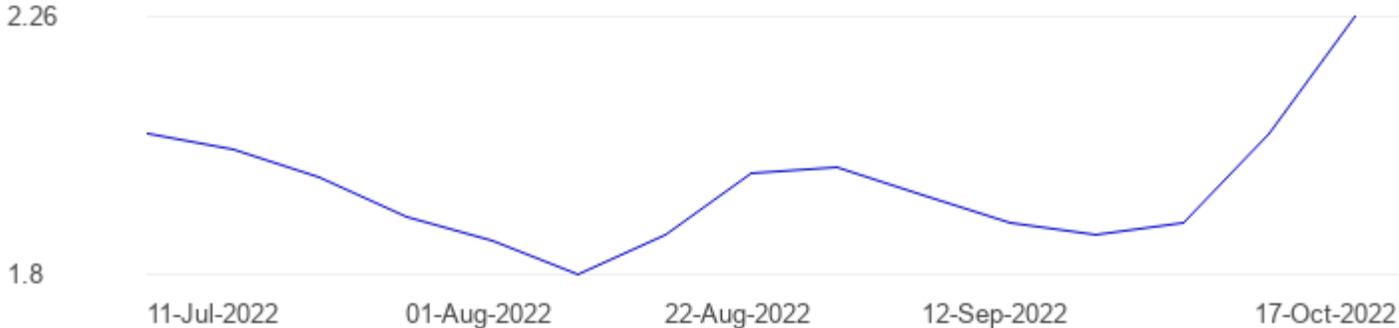


IN THE NEWS:

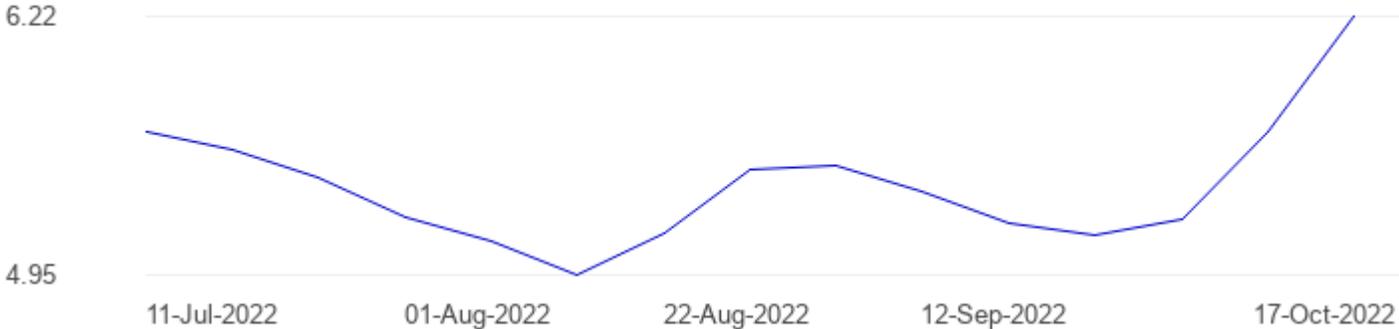
- Used truck prices up 17% over the last Quarter
- M&A's by large carriers continue
- Supply Chain Taskforce Issues Final Report

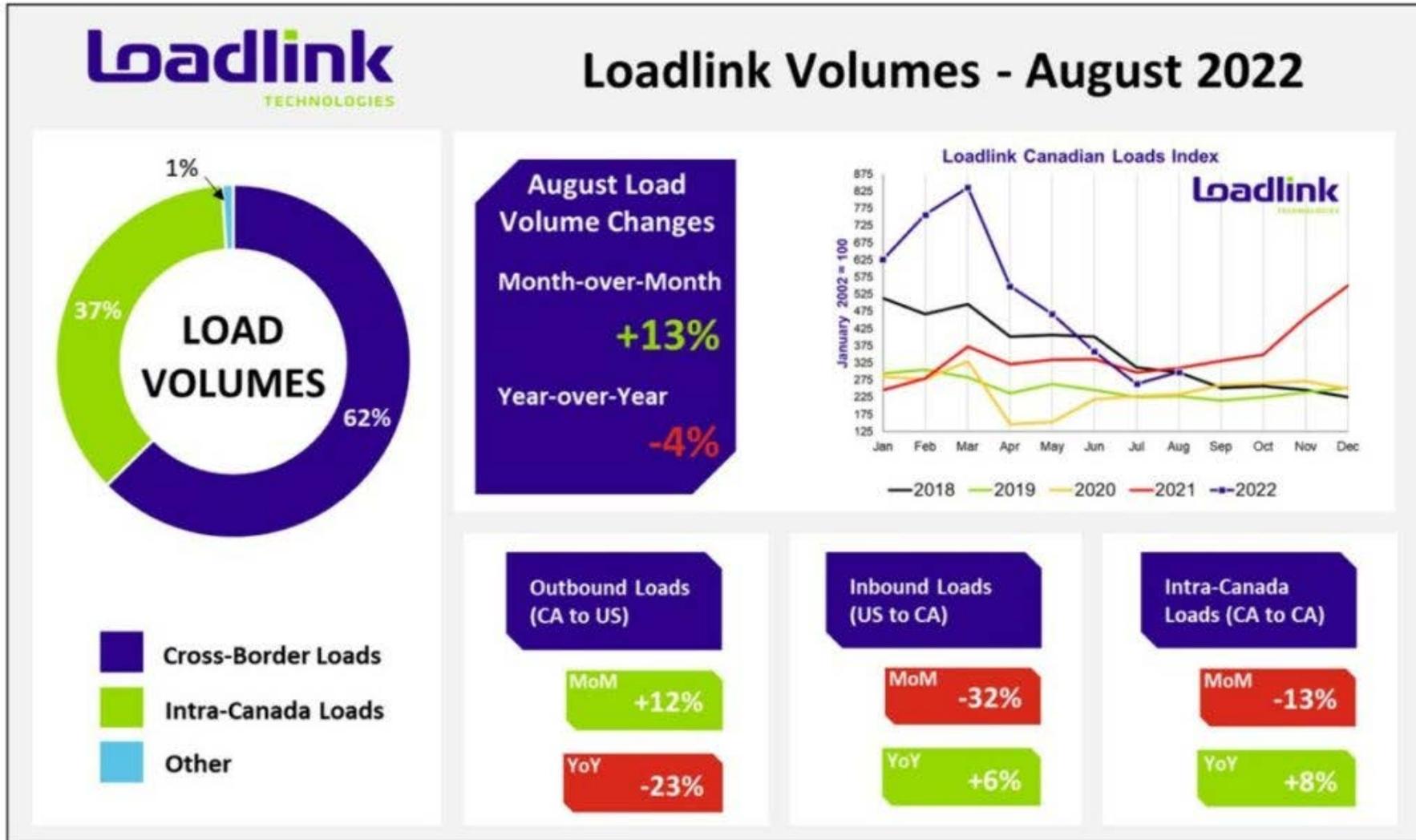
Diesel Prices in Canada 11 Jul 2022 – 17 Oct 2022

Average price of diesel in Canada: CAD per Litre

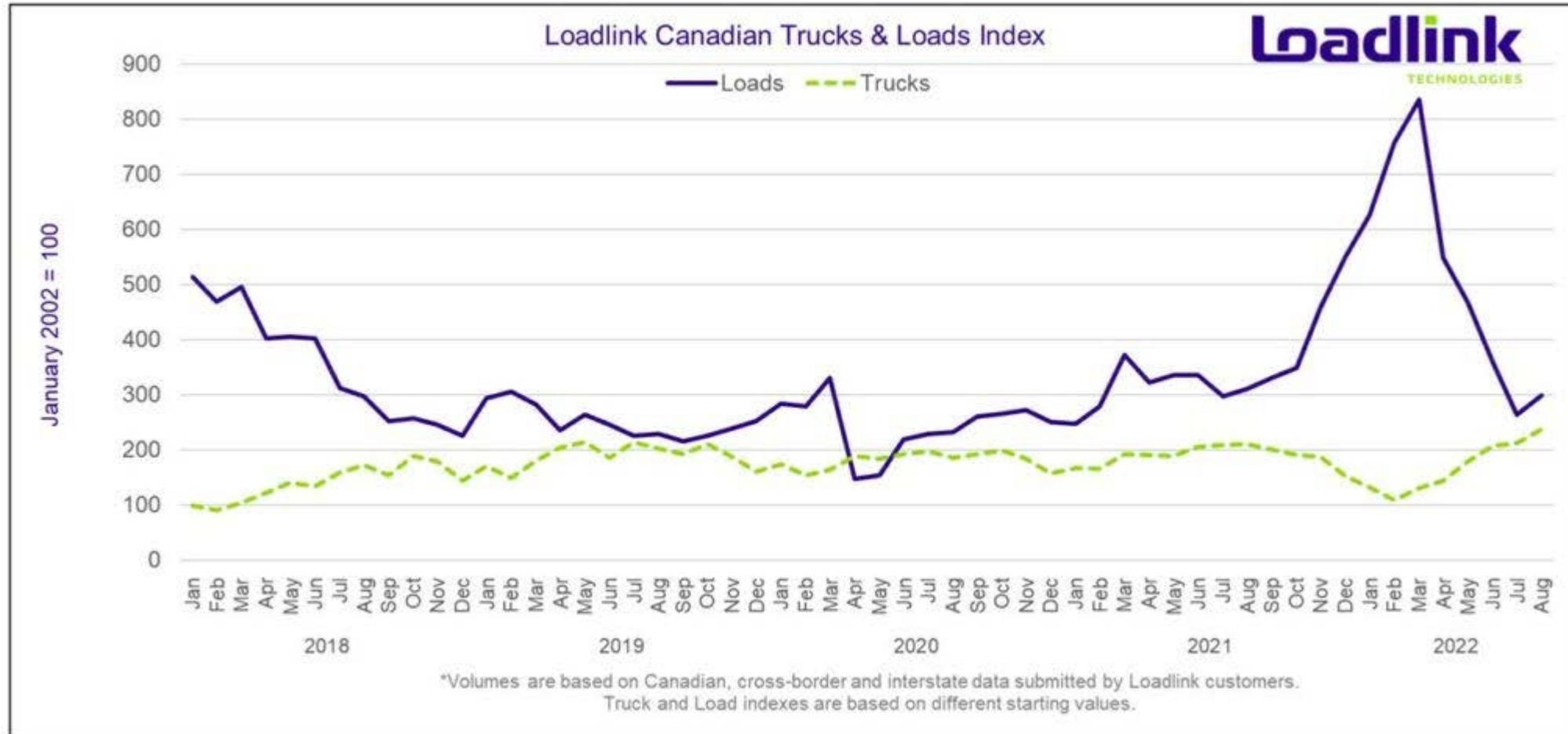


Average price of diesel in Canada: USD per Gallon





August Truck to Load Ratios



Southern Border

The new customs requirements complicated the trade industry

- Even though its been more than a year since the Complemento Carta Porte (CCP) went into effect; confusion and frustration still exist amongst many shippers and carriers.
- Even medium to large sized companies (who are generally prepared to comply with new regulations when they come into effect) have struggled to issue the CCP consistently and in a timely manner.
- The Mexican government has extended the deadline for enforcement for the 4th time this year with December 31st being the new date.
- In addition to causing confusion; it is expected to have raised costs by as much as 15% as shippers and carriers have invested in software to complete the CCP and additional better trained personnel to oversee the correct completion of the form.
- The CCP is a collection of over 120 data elements that must be submitted prior to border crossing.
- Right now, no software is perfect at completing the form due to repetitiveness of the fields among other issues.

Source: [freightwaves.com](https://www.freightwaves.com)



Mexico just surpassed Canada as America's #1 Trade Partner

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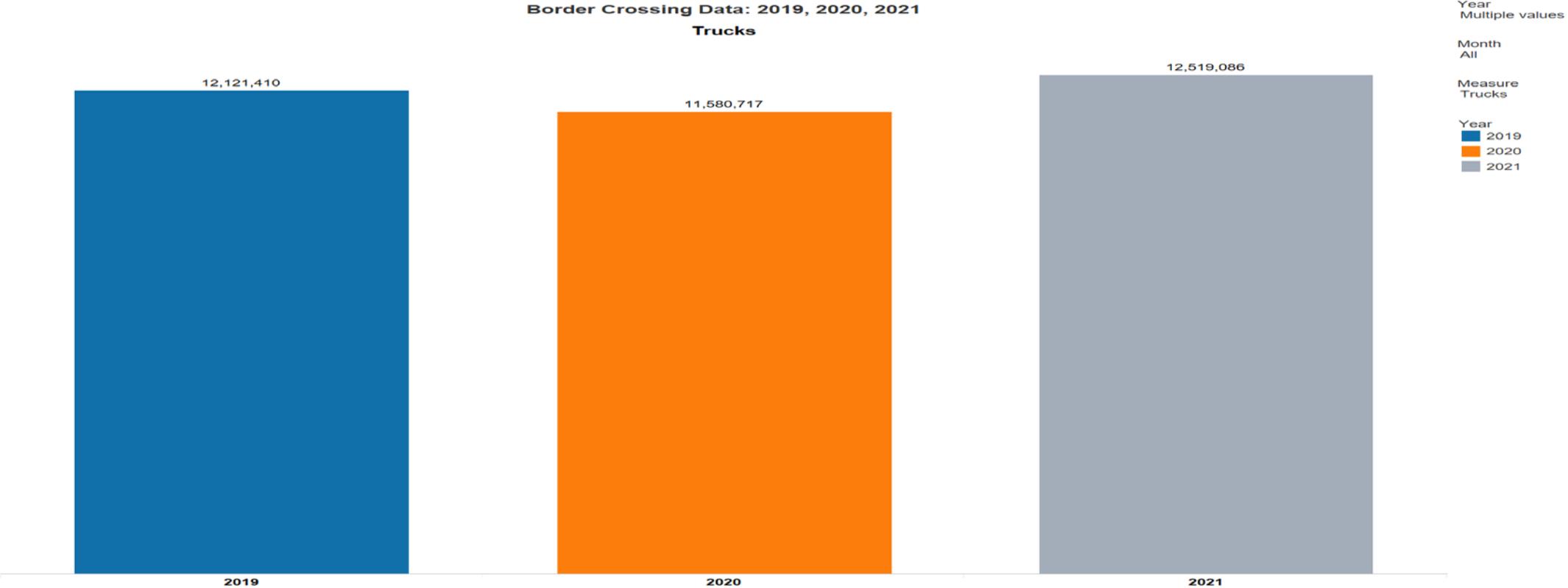
According to a WorldCity analysis of the latest U.S. Census Bureau data, Mexico's trade with the United States reached \$90.7 billion through the first quarter of 2022. That's an increase of 17.7 percent of its total trade during the same time period last year.
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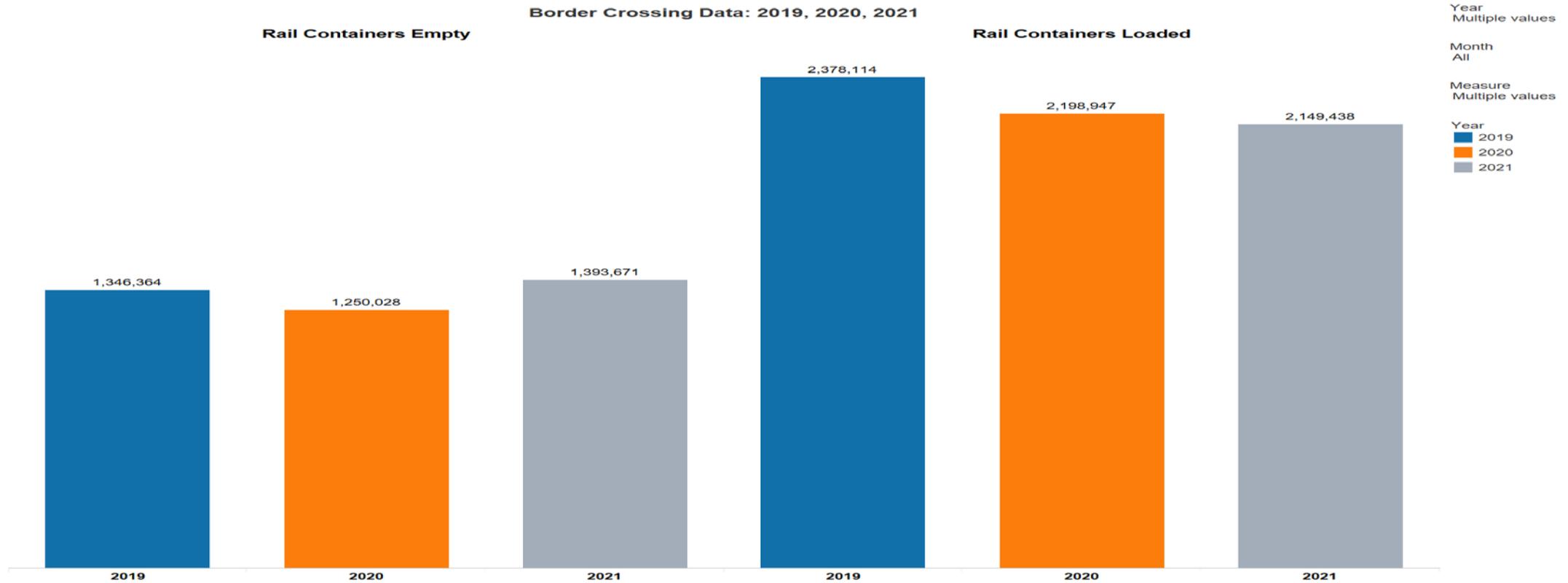


Crossborder Shipments - Estimated



Source: <https://explore.dot.gov/>

Crossborder Shipments - Estimated



Source: <https://explore.dot.gov/>

Section 5

Intermodal

Rail workers union rejects labor contract

Renewing strike possibility

- Brotherhood of Maintenance of Way Employees Division voted against the deal with the freight railroads.
- More than 56% of BMWED membership voted against ratification of the agreement.
- BMWED represents approximately 26,00 workers who build and maintain the tracks, bridges, buildings and other structures on railroads.
- They could go on strike after November 14th if a deal cannot be reached.
- **So far only 4 of the 12 unions have ratified the national agreement with the railroads.** The BMWED is the only one who's rejected the deal so far. **The remaining 7 have yet to vote.**

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