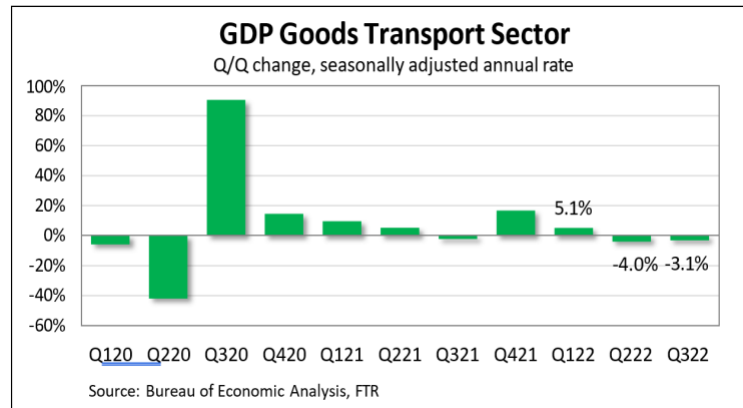




## CURRENT STATE

A Wall Street analyst survey of 3PLs shed some light on the current state of the domestic ground. Many of these 3PLs recently completed a 90-day mini bid, and rates fell another 4% sequentially. Looking ahead to next year, these same 3PLs expect asset-based FTL rates to fall around 5% next year, assuming they start to level off in the second half of 2023. If the economy continues to deteriorate, these 3PLs don't think rates will bottom and fully normalize until sometime in 2024. Meanwhile, these 3PLs have not yet seen any shippers move freight back to intermodal and the rails despite rail labor issues being resolved. Rail and intermodal service remain poor, and the spread between FTL and intermodal rates has narrowed a lot, with FTL rates falling and intermodal rates holding steadier. So, intermodal rates must likely fall before shippers shift more freight back from FTL. Finally, these 3PLs continue to see strong LTL pricing discipline, with LTL rates continuing to rise. As a result, more and more shippers are looking for ways to consolidate freight from LTL to truckload to achieve material cost savings. As a result, most 3PLs expect LTL volumes to face pressure ahead increasingly.

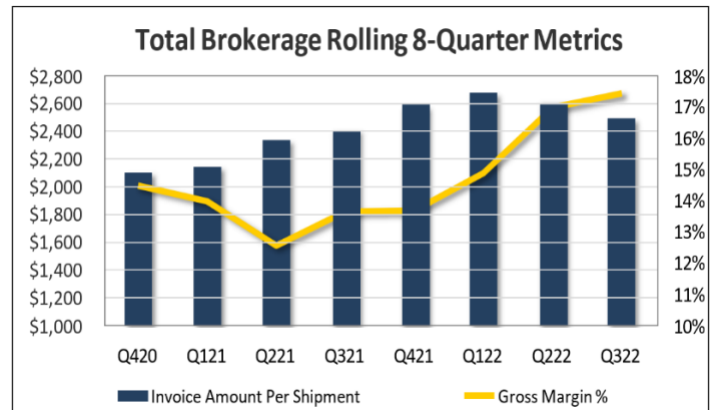


Many of the strengths for the broader economy in Q322 did not support freight volumes, however. The gains in consumption were in services, which more than offset declines in spending on goods. GDP benefited from weaker imports, but that development hurt the portion of the economy linked to freight transportation – the GDP Goods Transport Sector.

## MARKET FORECAST

Shortage of truck drivers fuels supply chain woes. Those worker shortages are on the mind of Darrel Harris every day. He's the president of Yellow Trucking, one of the largest shipping companies in America. He told us that the worker shortage in his line of work boils down to age. "We're going to need to replace about a million jobs here in the coming decade," Harris said. "So we've got much work to do, need to bring a lot of younger folks into the industry." One of the solutions, Harris told us, would be to attract more women to this male-dominated profession. Right now, 93% of drivers are men. Nonetheless, the industry aggressively pursues hiring more female drivers like Esther Parsons. "Ten years ago, five years ago, I would've never pictured myself driving a big old truck, let alone doubles on the same road a few years later. Never," she admitted. The demand for items delivered to our nation's front doors took off during the pandemic and continues to grow. For Esther Parsons, that amounts to a silver lining for an industry long taken for granted by the public. She noted a change in American attitudes toward the trucking industry. "Now we have a totally new respect for truck drivers, who are out here moving America every day. And I think that's a good thing," she said.

Government plans to require extensive contractor emissions reports. The new FAR climate provision is a "multipronged" effort by the three agencies to collect and put climate data into the public domain, according to Glen Kedzie, American Trucking Associations' energy and environmental counsel.



Looking at the US domestic truck brokerage market, the invoice amount per load decreased quarter over quarter for the second quarter after a prolonged run of increases. The gross margin was at its highest in the past two years, although the improvement slowed from the past two quarters. Margin is at its highest since Q2 2020, when carrier pricing collapsed during the pandemic's lockdown phase. Gross margin appears likely to remain strong in the fourth quarter as holiday-period carrier pricing has been underperforming seasonal expectations.

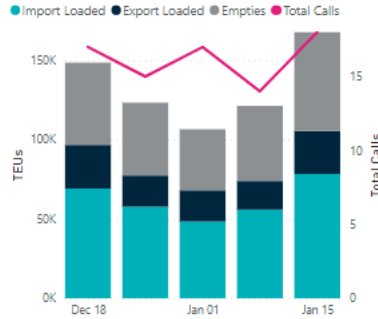
## INDUSTRY INSIGHT

The Port of Long Beach currently has seven container vessels at berth and one container vessel at anchor within 40NM destined for POLB's marine terminals. The average at anchor is four days.



### PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
52	12/18/2022	69,143	27,537	51,849
53	12/25/2022	57,733	19,630	45,955
1	01/01/2023	48,400	19,657	38,504
2	01/08/2023	55,858	18,082	47,349
3	01/15/2023	78,364	27,182	62,153



### PROJECTED VESSEL CALLS

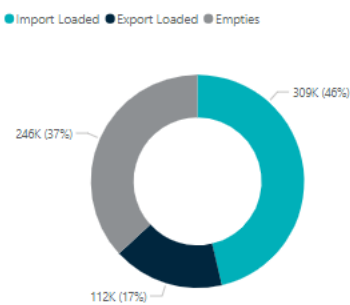
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
52	12/18/2022	1	0	18
53	12/25/2022	0	1	14
1	01/01/2023	2	0	19
2	01/08/2023	0	0	14
3	01/15/2023	2	0	20

### ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
52	12/18/2022	52,381	17,817	3,961	19,963	6,790	1,509
53	12/25/2022	43,490	14,792	3,288	16,574	5,637	1,253
1	01/01/2023	37,580	12,782	2,842	14,322	4,871	1,083
2	01/08/2023	42,775	14,549	3,234	16,302	5,545	1,233
3	01/15/2023	59,142	20,116	4,472	22,539	7,666	1,704

### ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
52	12/18/2022	27,537	49,335
53	12/25/2022	19,630	43,074
1	01/01/2023	19,657	35,800
2	01/08/2023	18,082	43,900
3	01/15/2023	27,182	59,904



### AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	33	28
Pier C	23	20
Pier E (LBCT)	30	34
Pier G (ITS)	50	55
Pier J (PCT)	50	18
Pier T (TT)	102	82

Average turn-times vary by terminals, and based on terminals' data from the previous week

Revised 12/12/2022

Bi-partisan Senate vote ends the threat of US rail strike. The Senate voted Thursday overwhelmingly to force all US rail unions to accept terms of a tentative contract agreement brokered by the Biden administration in September. The measure, approved by a vote of 80-15, ends the threat of a country-wide rail strike that could have begun Dec. 9, crippling cargo movement amid the holiday season. Senate action came one day after the House of Representatives approved a similar resolution. The bill now goes to President Joe Biden for his signature, which is expected to happen quickly.

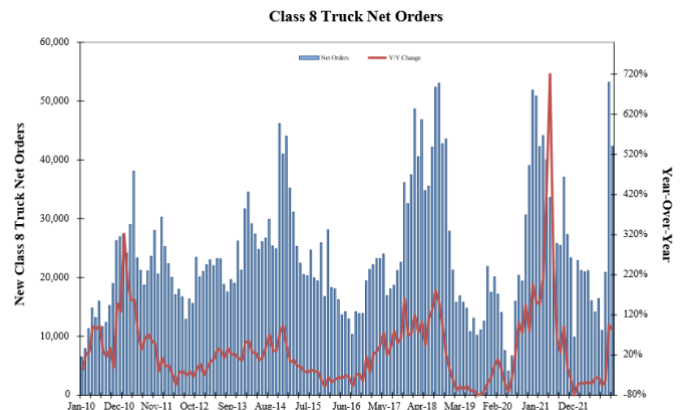
Some retailers are learning to love bulked-up inventories. Merchants, including Dick's Sporting Goods Inc., Lowe's Cos., and Walmart Inc., say the rising stocks signal a recovery from last year's shortages driven by supply-chain disruptions and put them in a solid position to take advantage of consumer demand this holiday shopping period. "We're thrilled that we have in stock for Q4 inventory for the first time in a few years that's going to be robust," Lauren Hobart, chief executive officer of Dick's, said on an earnings call on November 22.

U.S. rail carload and intermodal volumes are down for the week ending November 12, reports AAR. Intermodal containers and trailers, at 254,876, decreased 4.5% annually, trailing the weeks ending November 5 and October 29, at 258,830 and 270,032, respectively. Through the first 45 weeks of 2022, AAR reported that U.S. rail carloads, at 10,450,126, eked out a 0.2% annual gain, and intermodal units, at 11,835,682, slipped 4.7%.

## INDUSTRY INSIGHT

'Stretched to its limits': Survey finds last-mile driver workforce is pushing boundaries. More packages, more responsibility, and a continued push to deliver faster and faster are not deterring drivers from a career in package delivery. A survey of over 1,200 last-mile delivery drivers in 11 countries by Scandit and released on Tuesday found that while 67% of drivers have changed jobs in the last two years (including 42% in the previous year), 88% would recommend their current employers to another driver. This comes even as 50% said staffing shortages have increased in the past five years, and 71% cited increased pressure as delivery volumes have increased in the last five years. A package is delivered every six-and-one-half minutes in the surveyed countries. In the U.S., delivery drivers make an average of nine stops per hour.

November industry heavy truck orders were recorded at 42.4k units, up 81% year over year and down 20% month over month, as 2022 order books are reported as sold out, and 2023 order books open further with PCAR and Daimler opening order boards through the second half of the year in November, while Volvo and Navistar open books fully. Limited visibility on production, capacity, and pricing persists. Due to delays, several 4Q deliveries have been pushed into 1Q, adding additional order limitations. Our work indicates supply chain constraints likely continue to limit new order activity while backlogs extend well into 2023. Medium duty orders decreased sequentially to 23.2k in November vs. 26.2k in October, decreasing 3% year over year.



East Coast ports continue to gain business amid concerns over West Coast labor talks. Ongoing concern about labor and management talks regarding two separate contract negotiations and a slowing U.S. economy resulted in a significant drop in container volume at two of the nation's most important ports on the Pacific Coast. Year-over-year cargo numbers were down 25% at the Port of Los Angeles. In October, the port processed 678,429 20-foot-equivalent units compared with 902,643 a year ago. Through the first ten months of 2022, Los Angeles officials say volume is down 6% from 2021's record pace.

Contract rates have followed spot TL rates lower through November, given weaker organic demand trends, more available capacity, and lower fuel prices. By provider, the market is seeing brokers lower contract rates faster than asset-based carriers (down 5-15% vs. down 0-5%). Experts project that overall TL pricing will decline 5-10%+ in 2023, with brokers lowering prices by 10-20%.