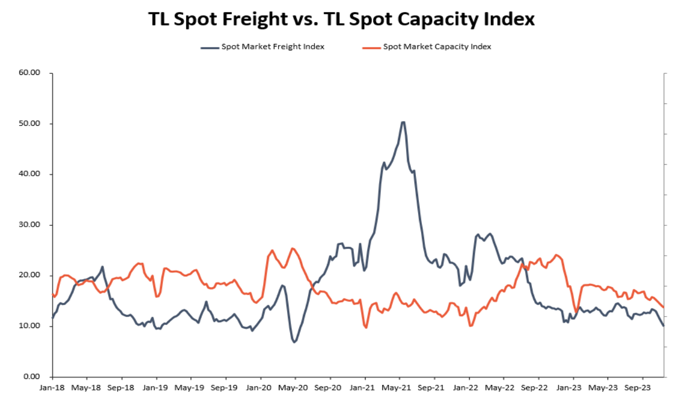
GROUND MARKET UPDATE

November 2023

CURRENT STATE

During a podcast, a large retail shipper had the following comments regarding recent trucking trends; They continue to see abundant TL capacity, and tender acceptances have remained in the high-90s for most of the year. The number of unsolicited calls from both brokers and now larger asset-based carriers, has also picked up over the last few months, but they typically honor their contracts throughout the year and are focused on his upcoming TL/intermodal bid later this quarter. Based on initial conversations, they are forecasting a low-single digit reduction on their blended average rates. Between the two, they expect their intermodal rates will be down more than **their TL rates and forecasts the broader TL contract market will inflect positive by mid-2024**. Turning to LTL, this shipper completed some of their annual LTL negotiations before YELL filed for bankruptcy and saw low single digit rate increases from a few carriers. **Since YELL exited the market, they finalized a contract with one LTL carrier that included a double-digit rate increase and also received a double-digit, mid-cycle rate increase from a different carrier**. As a result, they plan to shift the majority of these two carriers' volumes to regional LTLs and brokers. Looking out to 2024, they previously expected his LTL rates to increase low-single digits but is now budgeting for mid-single digit rate increases next year.

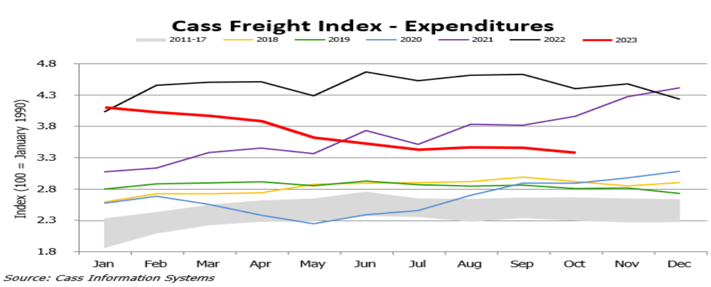


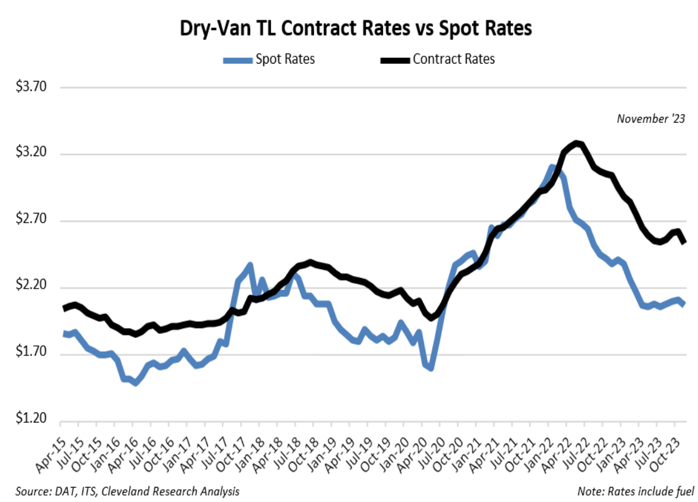
Truckload spot market demand remains lower year over year and steady on a 4-week trailing average, with channel commentary highlighting softening organic demand and normalizing inventory levels.

MARKET FORECAST

American Trucking Associations Chief Economist, Bob Costello, expects a muted fall freight season to push more trucking carriers out of business in the coming months. Smaller companies, particularly those that launched to capitalize on record post-pandemic rates, are struggling to survive in a tough economy that has become trucking's top concern, he said at the 2023 Management Conference & Exhibition at the Austin Convention Center last week. "I hate delivering this message ... because it's other people's pain for our gain," Costello said. "It's not a fun message, but that's the reality of the market economy. And that's what needs to happen. And that is what is, in fact, happening."

Total freight spend in October was down ~23% year over year due to lower shipment volumes and lower prices according to Cass Information Systems. Expenditures were down 2% month over month. Seasonally adjusted rates appear to be down 2.4% month over month with shipments down 3% and rates +0.5%.





Over the last 30 days, contract TL rates moved lower month over month. Excluding fuel, our work indicates contract rates are moving lower into mid-November given weaker organic demand trends and more available capacity. Our work indicates brokers are lower contract rates faster than asset-based carriers (down 20-30% vs assets down 5-10%). We believe overall TL pricing will likely decline 10-15% in 2023.

INDUSTRY INSIGHT

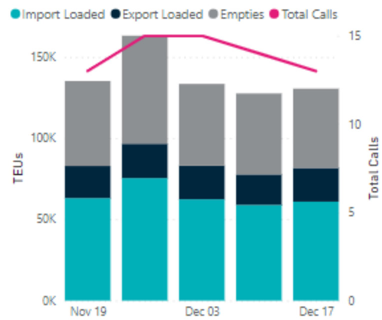
The Port of Long Beach currently has 7 container vessels at berth... Average at anchor is 0 days.

WAVE Weekly Advance Volume Estimate

Port of LONG BEACH THE PORT OF CHOICE

PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
47	11/19/2023	63,133	19,762	52,301
48	11/26/2023	75,433	21,161	66,495
49	12/03/2023	62,409	20,611	50,402
50	12/10/2023	58,933	18,762	49,846
51	12/17/2023	60,933	20,759	48,798



PROJECTED VESSEL CALLS

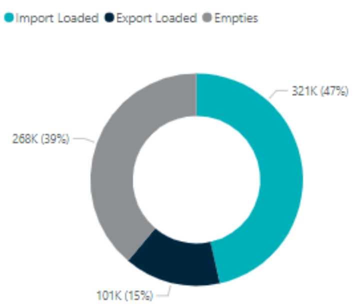
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
47	11/19/2023	1	0	14
48	11/26/2023	0	0	15
49	12/03/2023	1	0	16
50	12/10/2023	1	0	15
51	12/17/2023	1	0	14

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
47	11/19/2023	47,679	16,217	3,605	18,171	6,180	1,374
48	11/26/2023	57,516	19,563	4,349	21,920	7,456	1,657
49	12/03/2023	47,053	16,004	3,558	17,932	6,099	1,356
50	12/10/2023	44,979	15,299	3,401	17,142	5,831	1,296
51	12/17/2023	46,019	15,653	3,480	17,538	5,965	1,326

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
47	11/19/2023	19,762	50,105
48	11/26/2023	21,161	63,101
49	12/03/2023	20,611	48,203
50	12/10/2023	18,762	46,104
51	12/17/2023	20,759	46,607



AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	39	32
Pier C	26	22
Pier E (LBCT)	40	47
Pier G (ITS)	53	0
Pier J (PCT)	93	87
Pier T (TTI)	76	58

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

Revised 11/13/2023

Old Dominion to raise rates for second time this year. The increase is effective almost a month earlier than the last one, the LTL carrier announced. Old Dominion Freight Line will raise its rates by an average of 4.9% next month, the carrier announced Monday. The general increase, at the same rate as its January price hike, is effective Dec. 4. That’s nearly a month sooner than the Thomasville, North Carolina-based carrier executed its year-end rate increase in 2022, and it marks the second rate increase by the company in 2023. The increase seeks to partially offset rising costs associated with new real estate and expansion projects, new equipment, technology investments, and competitive employee wage and benefit packages, according to Todd Polen, VP of pricing services.

CH Robinson staff cuts lower Q3 expenses. The brokerage cut its personnel expenses by 21.5% year-over-year to $343.5 million in Q3. The brokerage reported declining headcount contributed to a 13.1% drop in Q3 operating expenses. C.H. Robinson reduced its headcount by 14.2% in year-over-year in Q3, translating to a 21.5% drop in year-over-year personnel expenses, the company reported last week. The company laid off 300 workers in May and achieved additional reductions since then through attrition, retirements and by reorganizing and eliminating roles, a spokesperson said. Average daily headcount slid by 2.4% from Q2, CFO Mike Zechmeister said during an earnings call. President and CEO Dave Bozeman said the company’s strategy to streamline its processes has led to “meaningful cost reductions and productivity gains across our business that are ahead of our stated targets.”

INDUSTRY INSIGHT

Werner ups projected savings, sheds high-mileage trucks from fleet. The carrier projected it will trim $43 million in expenses annually based on a cost-reduction program. The carrier reported that it’s increased its in-house maintenance capabilities. Werner Enterprises has achieved over 70% of a targeted savings goal as of Q3 and plans to find more reductions, executives said on an earnings call Nov. 1. The carrier projected it will reach $43 million in annual savings through its cost savings program, which calls for shifting to more in-house maintenance, among other measures, EVP, CFO and Treasurer Chris Wikoff said on the call. To help manage costs, it’s investing in new equipment to cycle out older trucks. A year ago, Werner had over 500 trucks that each had over 400,000 miles, but the number of those high-mileage trucks was reduced to 50, CEO, President and Chairman Derek Leathers told investors. “We’re still continuing to work more aggressively on in-house maintenance, quality of that maintenance, but also the fresher fleet gives us a pretty good head start on that,” Leathers said. Supplies and maintenance costs were $60.1 million in Q3, a $7.8 million decrease from the same period last year.

FedEx, UPS 2024 rate increases: What shippers should know. The variances within the carriers’ price hikes indicate what services are seeing the most pressure from competitors, experts say. Parcel spend experts say FedEx and UPS’ annual rate increases unsurprisingly mirror each other, even beyond the 5.9% average. The parcel delivery market may be swinging in shippers’ favor, but UPS and FedEx customers will still have to contend with rate increases for 2024. The delivery giants announced a 5.9% average rate increase on their various shipping services that will take effect on Dec. 26 for UPS and Jan. 1 for FedEx. It’s a smaller increase than the 6.9% bump both unveiled for 2023 as they contend with declining demand. FedEx and UPS have since released the full details of these rate increases and accompanying surcharges. Parcel spend experts say the rivals unsurprisingly mirror each other’s changes even beyond the 5.9% average.

Carriers struggle with high operating ratios in Q3. The efficiency metric remained above a dreaded rate of 90% for multiple trucking firms. Companies struggled with operating ratios in Q3 amid sluggish demand, according to earnings reports. Knight-Swift Transportation Holdings, P.A.M. Transportation Services and Marten Transport experienced truckload difficulties in the metric, following bountiful demand last year, as the market put further sequential strain on carriers. “Our earnings this quarter were significantly pressured by the industry-wide weak demand, cumulative impact of reduced freight rates with the resulting freight network disruption, and inflationary operating costs within the current freight market recession,” Marten Executive Chairman Randolph Marten said in an Oct. 18 earnings release. Truckload operating ratios for Knight-Swift and P.A.M. as well as Marten’s overall business remained above 90%. Companies are striving to lower these rates to make better use of capital, and Knight-Swift is aiming to achieve that reduction by 2026 given its acquisition of U.S. Xpress Enterprises.

Including fuel surcharge, dry-van rates were down 0.4% sequentially (week ending 11/3/2023), below the 5-year average of +0.8%. Refrigerated rates were up 4.8% compared to last week, above the 5-year average of +1.2%. Flatbed rates were down 0.5% compared to last week, below the 5-year avg. of -0.4%. Additionally, the MDI (Market Demand Index) was up 11% sequentially, above the 5-year average of +9%. Excluding fuel, dry-van rates were up 0.2% sequentially, below normal seasonality of +1.9%.