

July 17, 2017

North America Freight Transportation

Freight Pulse 46 Shipper Survey: Picking Up from Where FP45 Left Off As Macro and TL Outlooks Improve; Rail and Parcel Sluggish

In our latest survey, Shippers' view of the economy improved for the third consecutive survey update and pushed past its 10-yr high from our April Freight Pulse 45 update. Given the mixed developments with macro datapoints and political traction since our prior survey, we had expected a slight deceleration but shippers remain undeterred. TL was the biggest winner for the second consecutive survey, with expectations for volume and pricing y/y increases, though we would also note expectations for flat/tighter capacity across all transport modes. Below we provide our key takeaways for general Freight, Rail, Truck, and Parcel.

Freight/Macro Highlights: (1) Shippers' Economic Outlook Continues to Improve; (2) Shippers' View of Auto Soars Despite "Peak SAAR"; All Industries Improve Except Retail; (3) Shippers' Inventory Plans Return to More Normalized Levels After FP45's Record Destocking Low; (4) Respondents Expect Considerably Tighter Capacity in TL; Flat in Regional LTL and Rail; (5) Shippers See Deteriorating Service Levels Across All Modes Except IM

Rail Highlights: (1) +1-3% YoY Expected Change in Rail Volume as Volume Retreats Slightly From 2-Yr High; (2) ~36% of Shippers Expect a 1-2% YoY Increase in Rail Rates, Consistent With Our Previous Survey. Pricing Index Retracts to Second Lowest Level in 15 Years; (3) More Shippers Expect to Increase Rail Spend; Difficulty of Rail Rate Negotiations Increases But Remains at Very Low Levels; (4) Intermodal Discount to TL (Ex. Fuel) Remains below Historical Average of ~15%; (5) Rail Service Reliability and Value For Dollar Decrease Slightly From Last Survey

Truck Highlights: (1) TL Volume Growth Expectations Increase Toward 2014 Highs, While Other Truck Mode Volume Expectations Decline From Prior Survey; (2) Base Rate Expectations Remain Positive (and Improving) Across All Truck Modes; (3) Expectations for Tighter Capacity Across All Truck Modes; TL Highest Level Since March 2015; (4) Fuel Efficiency Continues to be the Most Important Driver to Intermodal Growth; Value for Dollar Remains Relatively Consistent Across Modes; (5) TL Price Discounts vs. Intermodal Continue to Slip Slightly from Elevated Levels

Parcel Highlights: (1) Ground and Int'l Volume Growth Outlook Improves While Air Declines; (2) Shippers Expectations Decrease, Anticipate ~1% Average Parcel Base Rate Increase Over Next 6 Months for Air and Ground; (3) Shippers' Expectations for B2C as % of Total Parcel Shipment Remain Mostly Unchanged; (4) Shippers View Price as More Important Driver Than Service for Switching Ground and Air Parcel Carriers, Spread Between Price and Service for Ground Widens; (5) According to Shippers, Discounts Have Increased for UPS Air and Ground But Decreased for FDX Air and Ground, Opposite From Our Prior Survey

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Freight Pulse: General Freight and Macro Highlights

General Freight and Macro Highlights

Freight Pulse: General Freight and Macro Key Takeaways

1. Economic Outlook

- Shippers' Economic Outlook Continues to Improve

2. Economic Outlook by Industry

- Shippers' View of Auto Soars Despite "Peak SAAR"; All Industries Improve Except Retail

3. Inventory & Restocking

- Shippers' Inventory Plans Return to More Normalized Levels After FP45's Record Destocking Low

4. Capacity Expectations

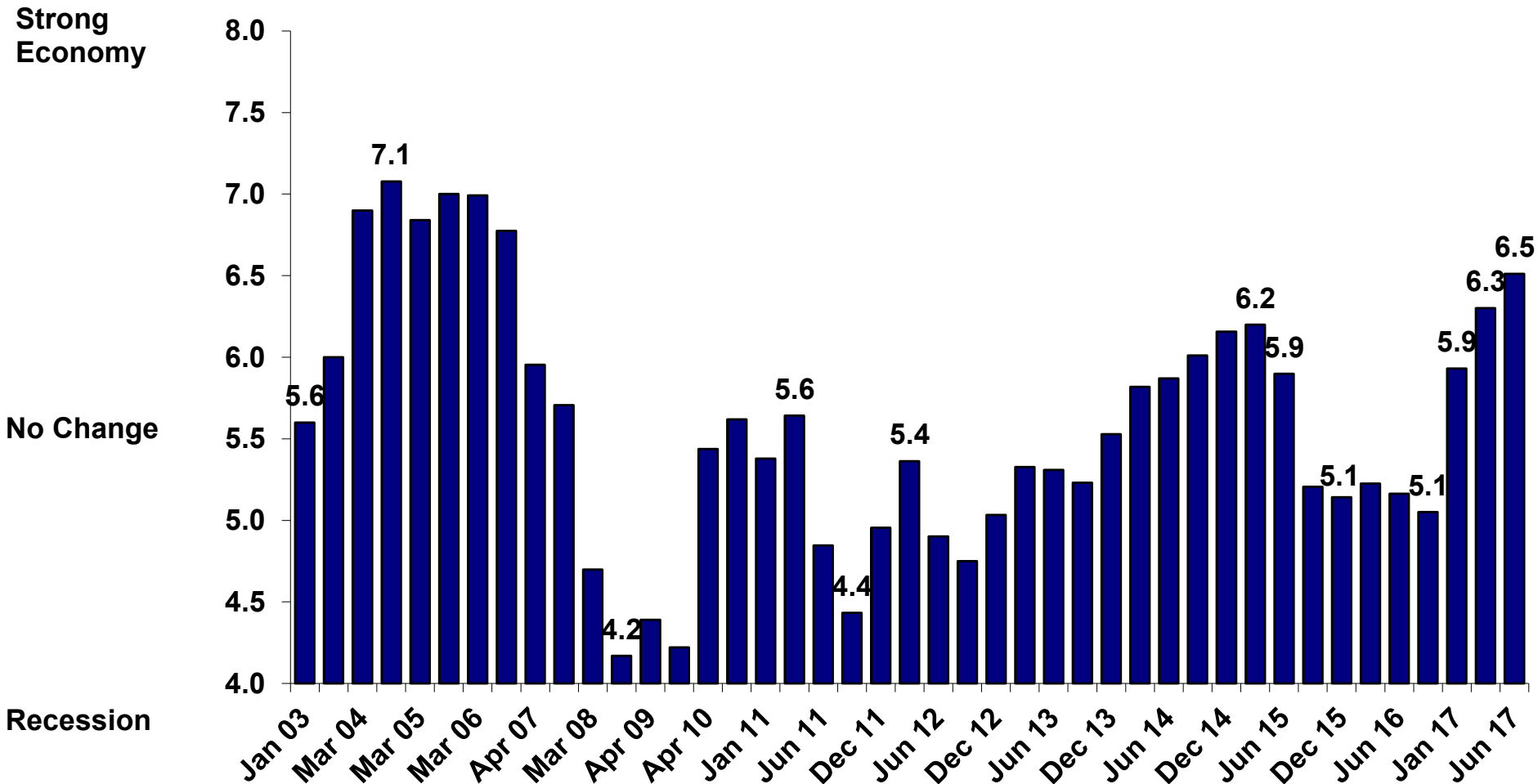
- Respondents Expect Considerably Tighter Capacity in TL; Flat in Regional LTL and Rail

5. Service Trends

- Shippers See Deteriorating Service Levels Across All Modes Except IM

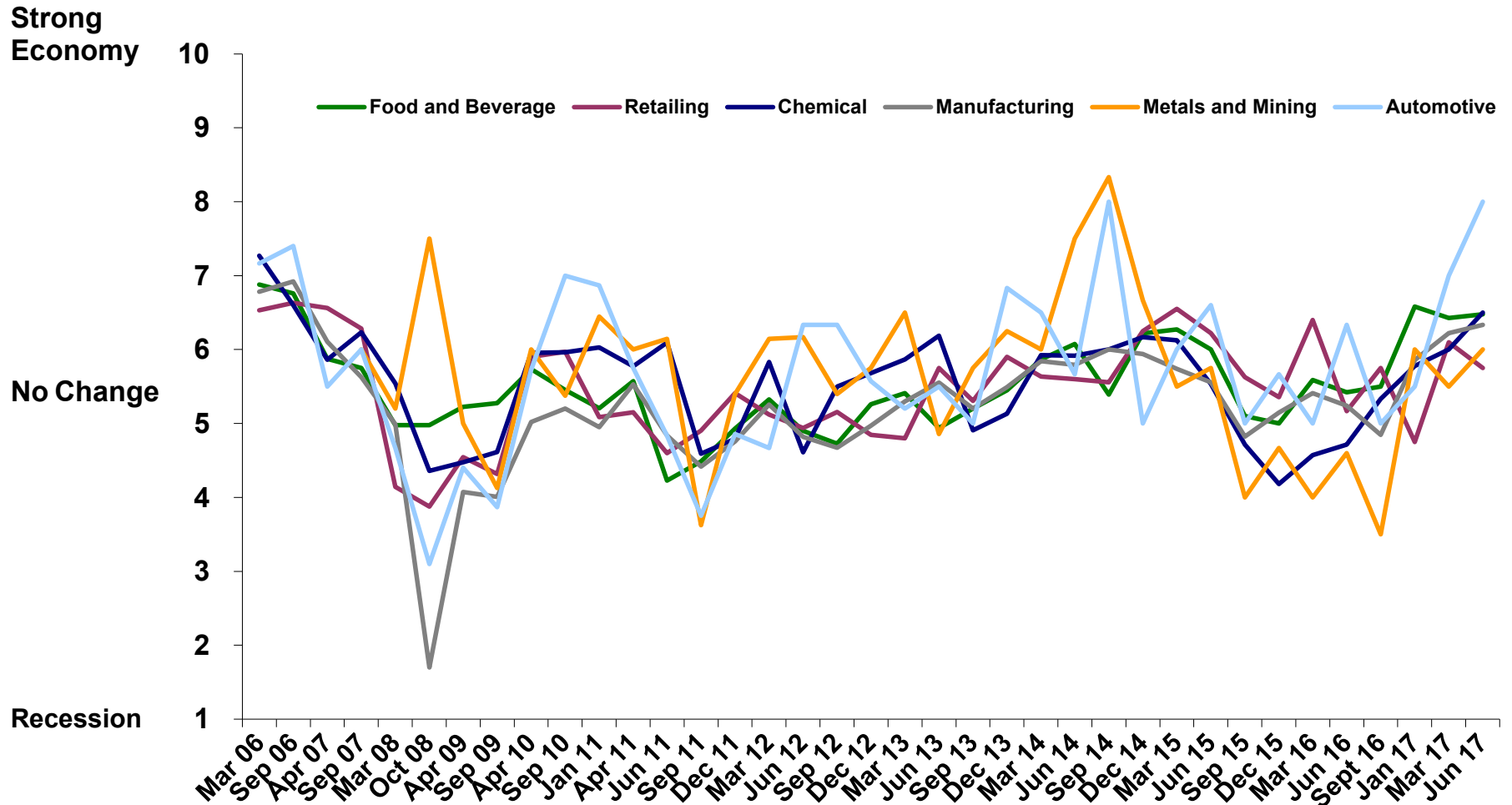
1. Shippers' Economic Outlook Continues to Improve

State of the Economy from Shippers' Perspective



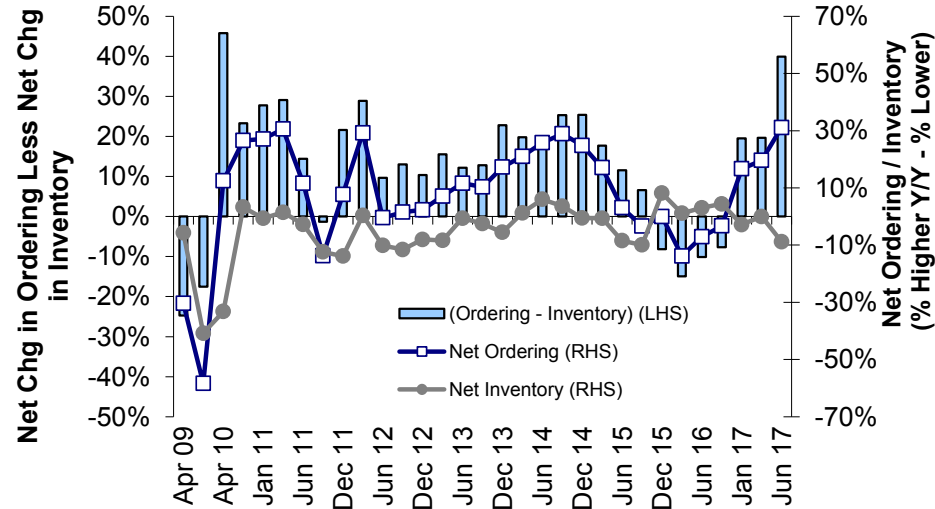
2. Shippers' View of Auto Soars Despite "Peak SAAR"; All Industries Improve Except Retail

Shippers' View of the Economy by Industry

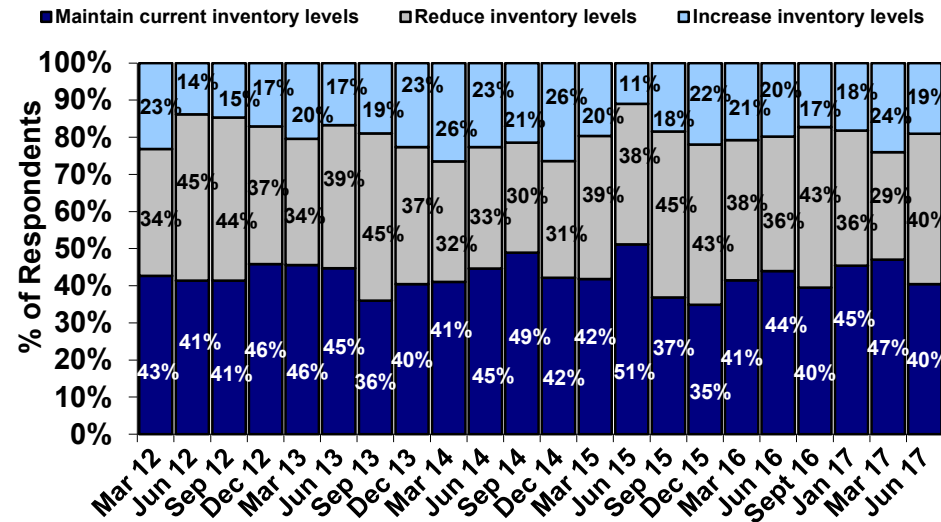


3. Shippers' Inventory Plans Return to More Normalized Levels After FP45's Record Destocking Low

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

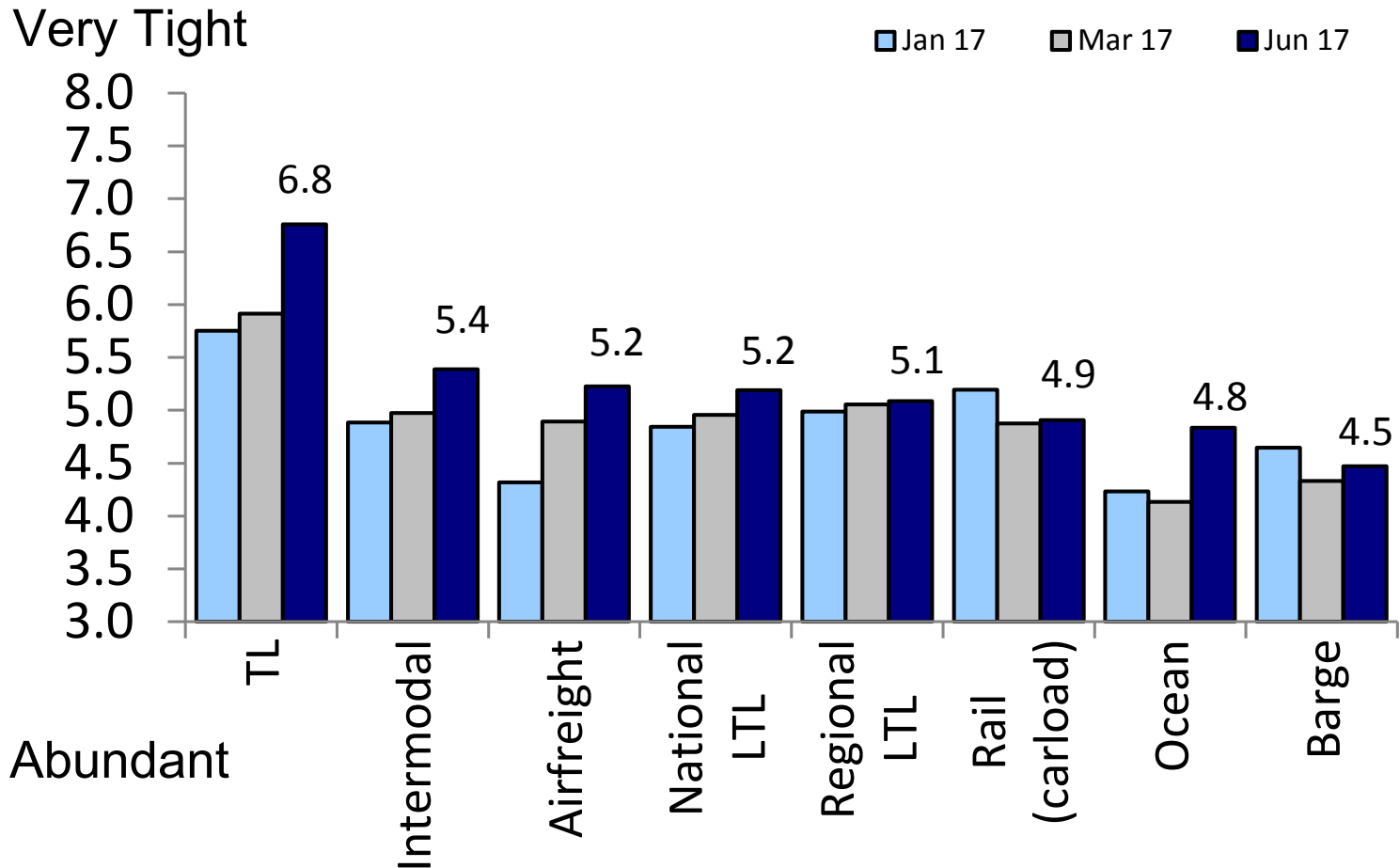


Shippers' Inventory Plans



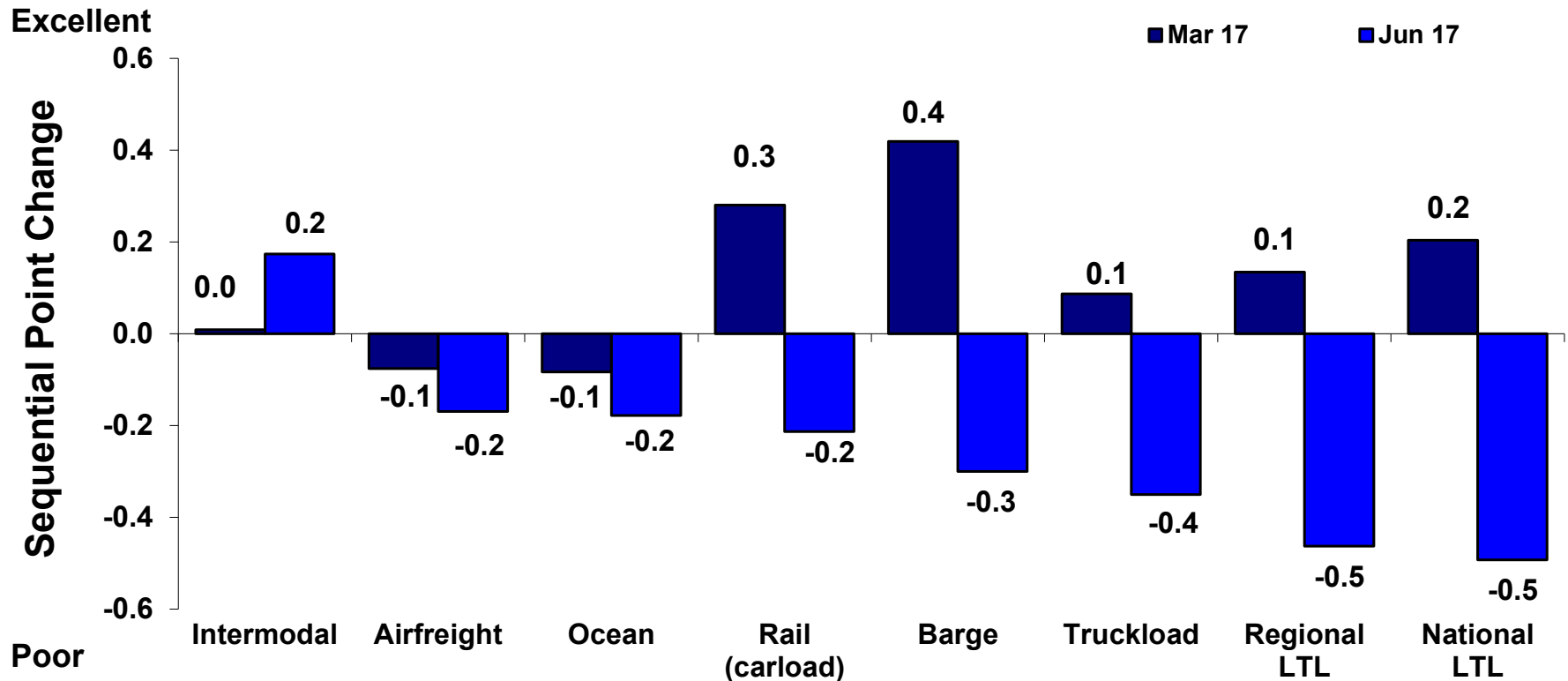
4. Respondents Expect Considerably Tighter Capacity in TL; Flat in Regional LTL and Rail

Projected Capacity in 6 Months



5. Shippers See Deteriorating Service Levels Across All Modes Except IM

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



Freight Pulse: Railroad Highlights

Railroad Highlights

Freight Pulse: Rail Key Takeaways

1. Rail Volume

- +1-3% YoY Expected Change in Rail Volume as Volume Retreats Slightly From 2-Yr High
-

2. Pricing

- ~36% of Shippers Expect a 1-2% YoY Increase in Rail Rates, Consistent With Our Previous Survey. Pricing Index Retracts to Second Lowest Level in 15 Years
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3. Spending

- More Shippers Expect to Increase Rail Spend; Difficulty of Rail Rate Negotiations Increases But Remains at Very Low Levels
-

4. Intermodal

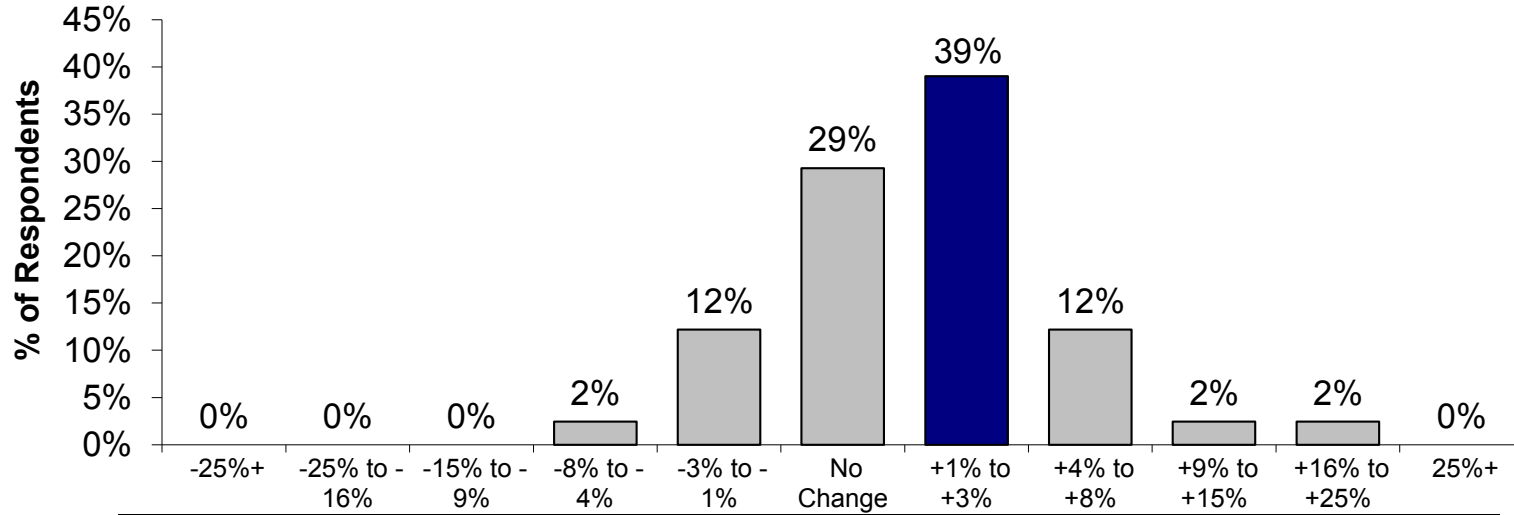
- Intermodal Discount to TL (Ex. Fuel) Remains below Historical Average of ~15%
-

5. Service Trends

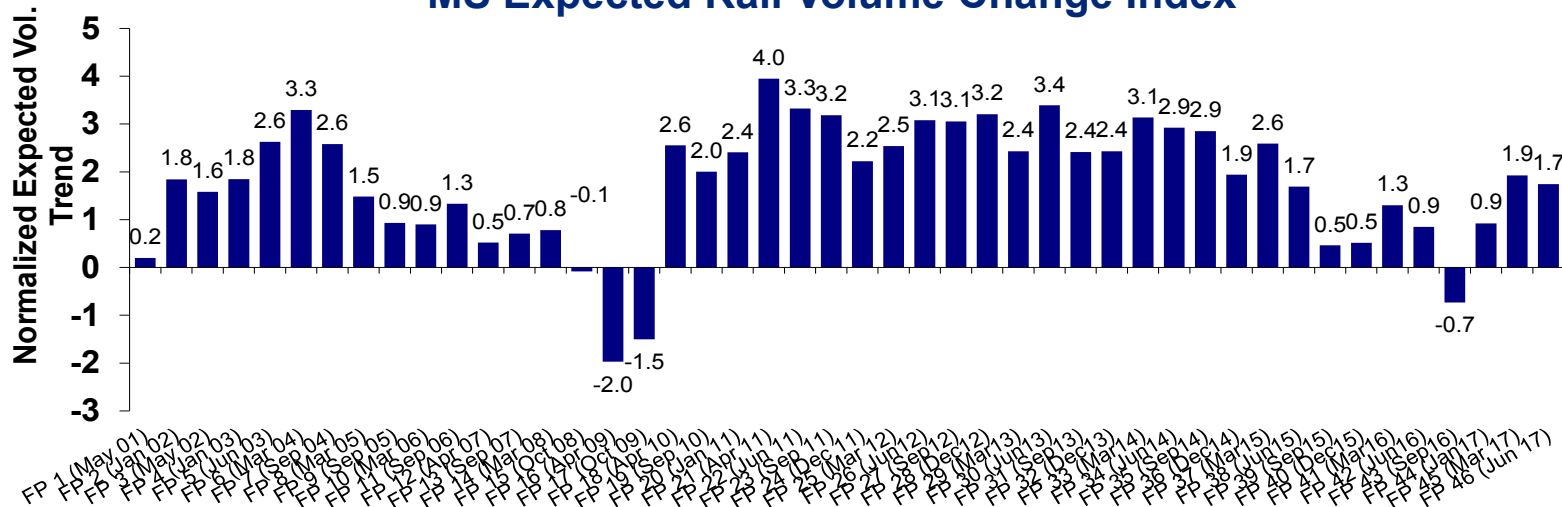
- Rail Service Reliability and Value For Dollar Decrease Slightly From Last Survey

1. +1-3% YoY Expected Change in Rail Volume as Volume Retreats Slightly From 2-Yr High

YoY Volume Growth Expectations for Next 6 Mo. by Range

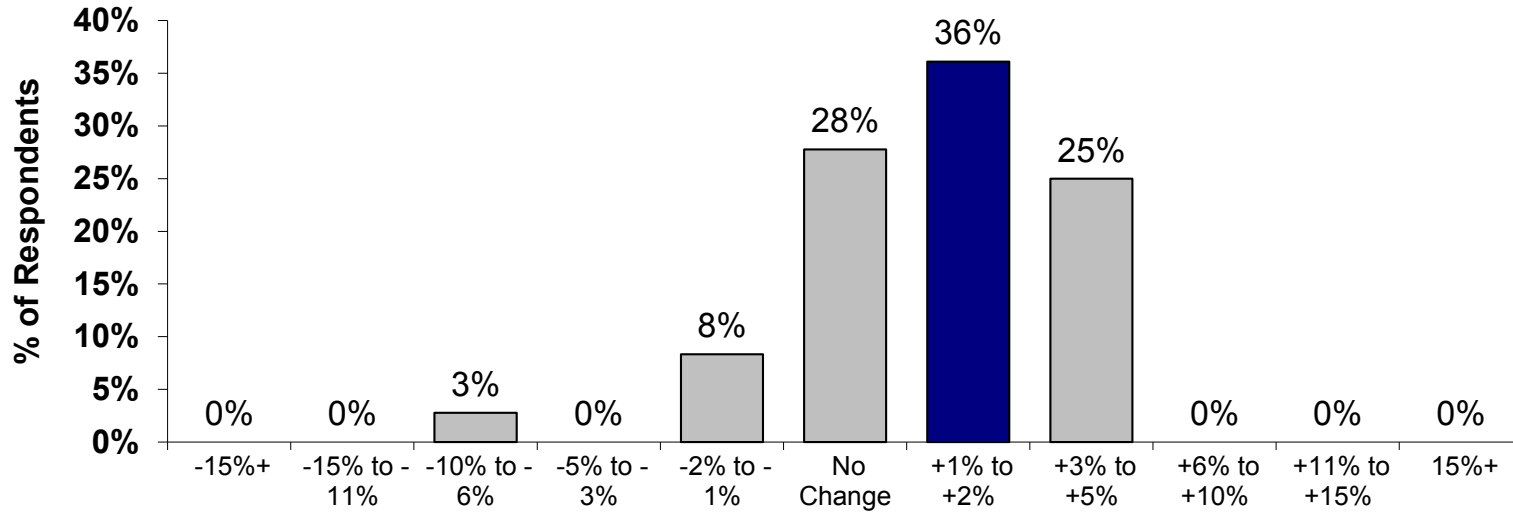


MS Expected Rail Volume Change Index



2. ~36% of Shippers Expect a 1-2% YoY Increase in Rail Rates, Consistent With Our Previous Survey. Pricing Index Retracts to Second Lowest Level in 15 Years

YoY Rate Growth Expectations for Next 6 Mo. by Range

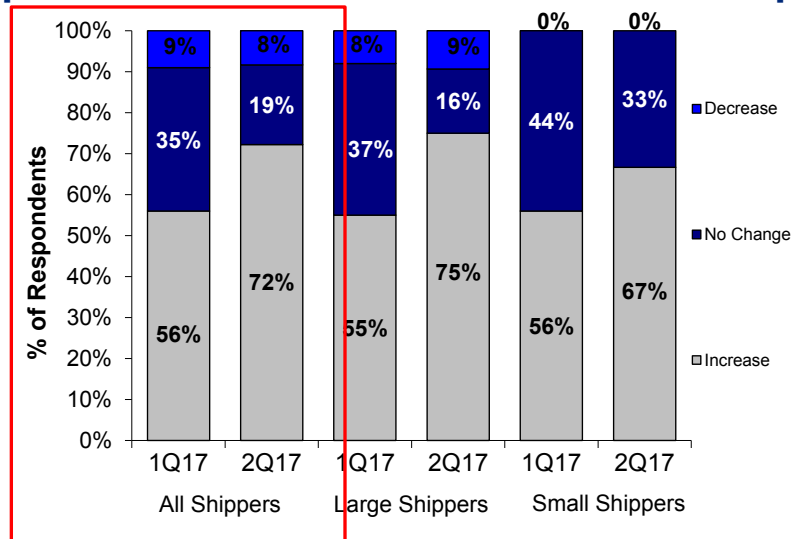


MS Expected Rail Rate Change Index

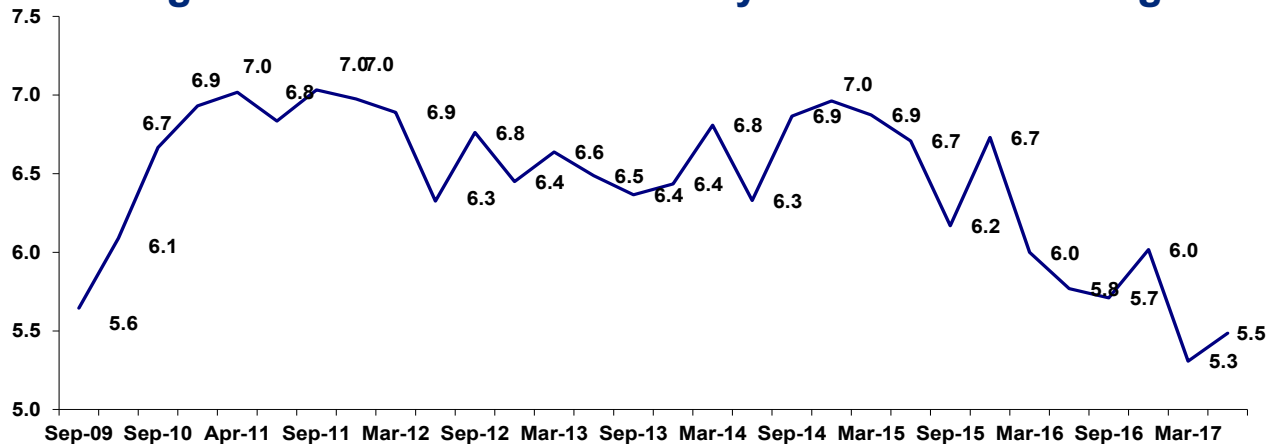


3. More Shippers Expect to Increase Rail Spend; Difficulty of Rail Rate Negotiations Increases But Remains at Very Low Levels

Rail Spend Forward 6 Month YoY Growth Expectations

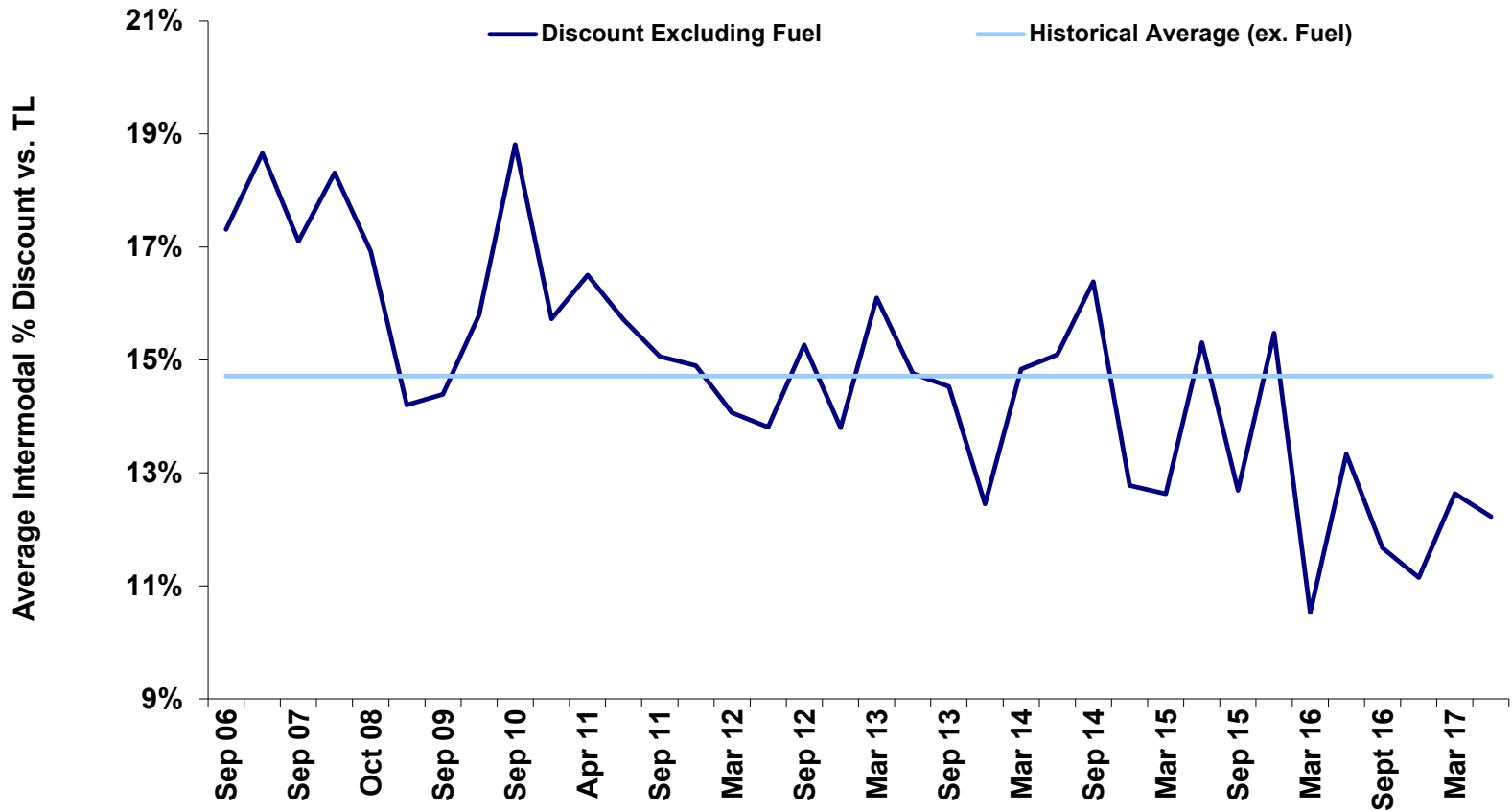


Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations



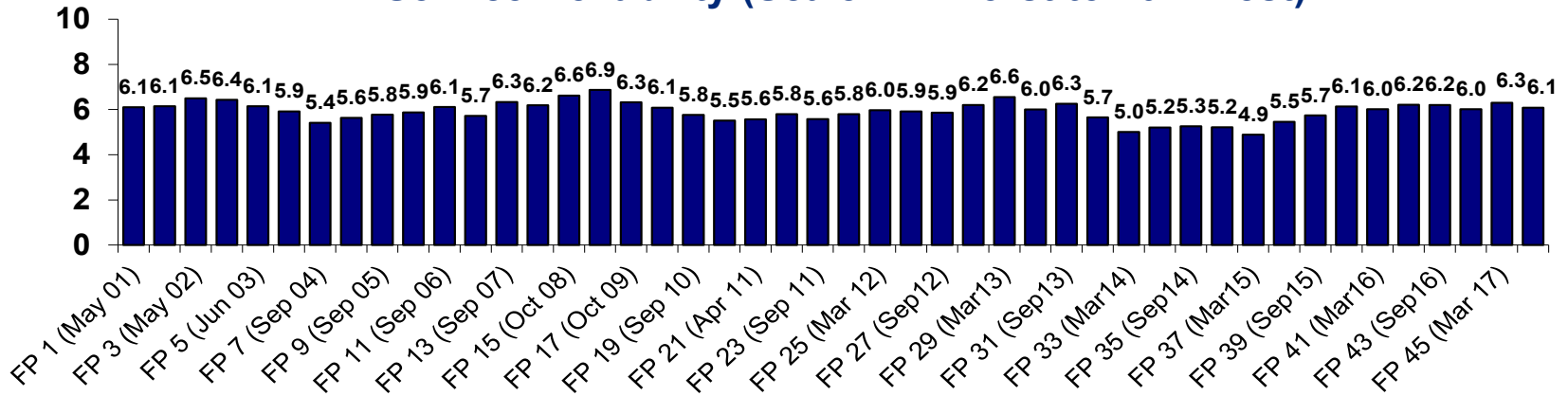
4. Intermodal Discount to TL (Ex. Fuel) Remains below Historical Average of ~15%

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

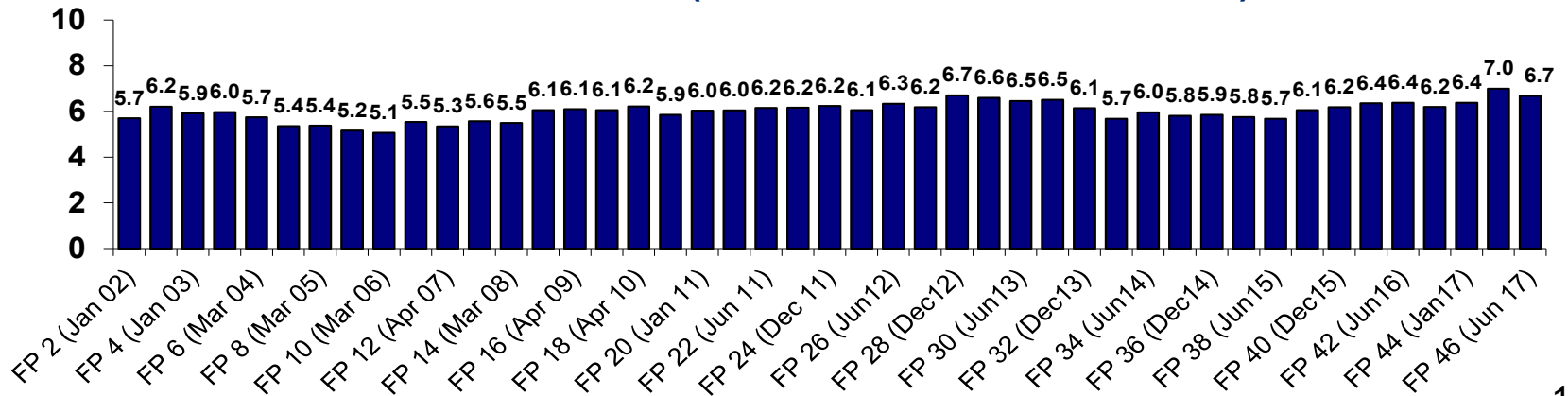


5. Rail Service Reliability and Value For Dollar Decrease Slightly From Last Survey

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



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



Freight Pulse: Trucking Highlights

Trucking Highlights

Freight Pulse: Trucking Key Takeaways

1. Truck Volume

- TL Volume Growth Expectations Increase Toward 2014 Highs, While Other Truck Mode Volume Expectations Decline From Prior Survey

2. Pricing

- Base Rate Expectations Remain Positive (and Improving) Across All Truck Modes

3. Capacity

- Expectations for Tighter Capacity Across All Truck Modes; TL Highest Level Since March 2015

4. Intermodal Use

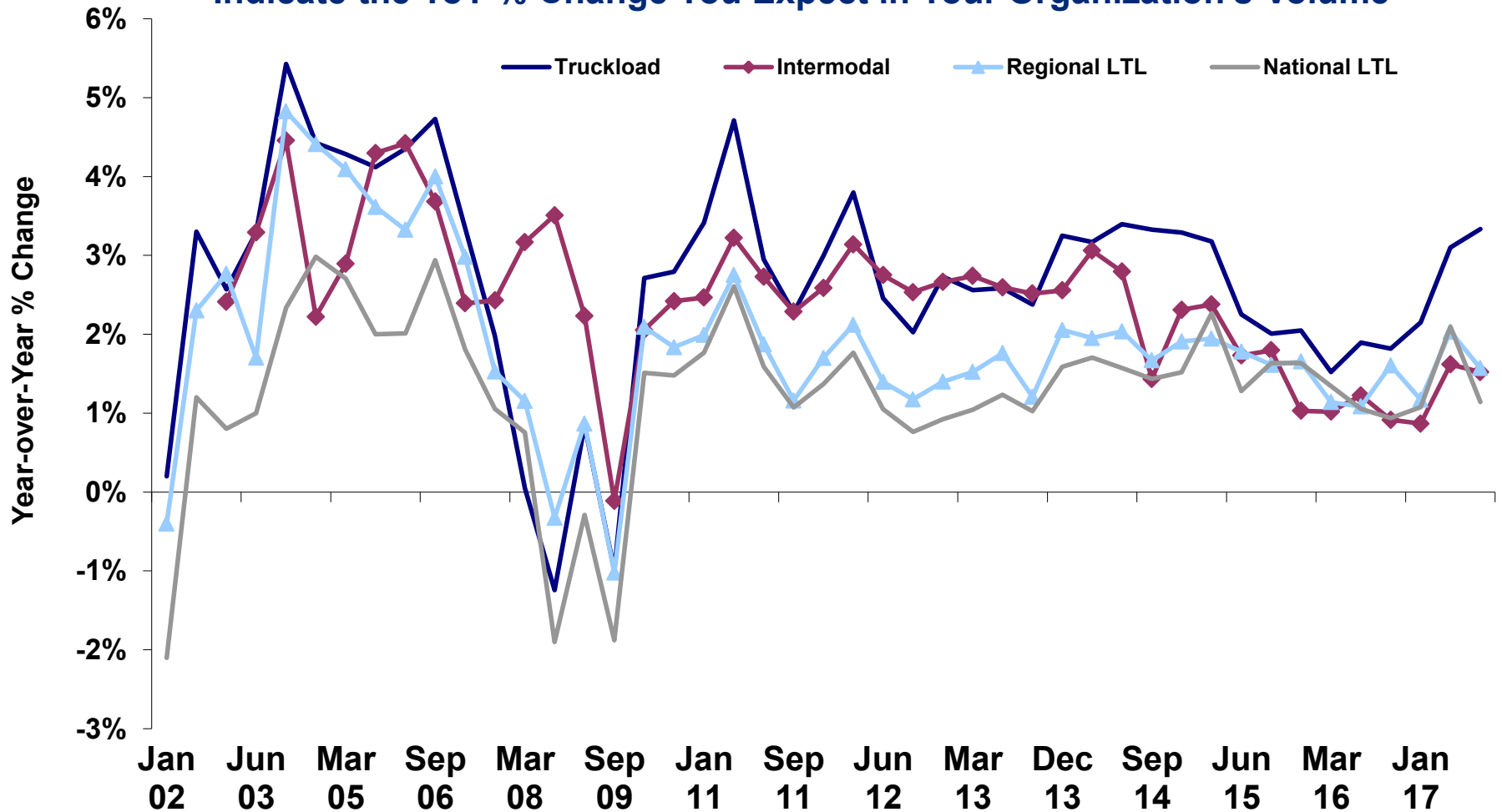
- Fuel Efficiency Continues to be the Most Important Driver to Intermodal Growth; Value for Dollar Remains Relatively Consistent Across Modes

5. Intermodal Cost

- TL Price Discounts vs. Intermodal Continue to Slip Slightly from Elevated Levels

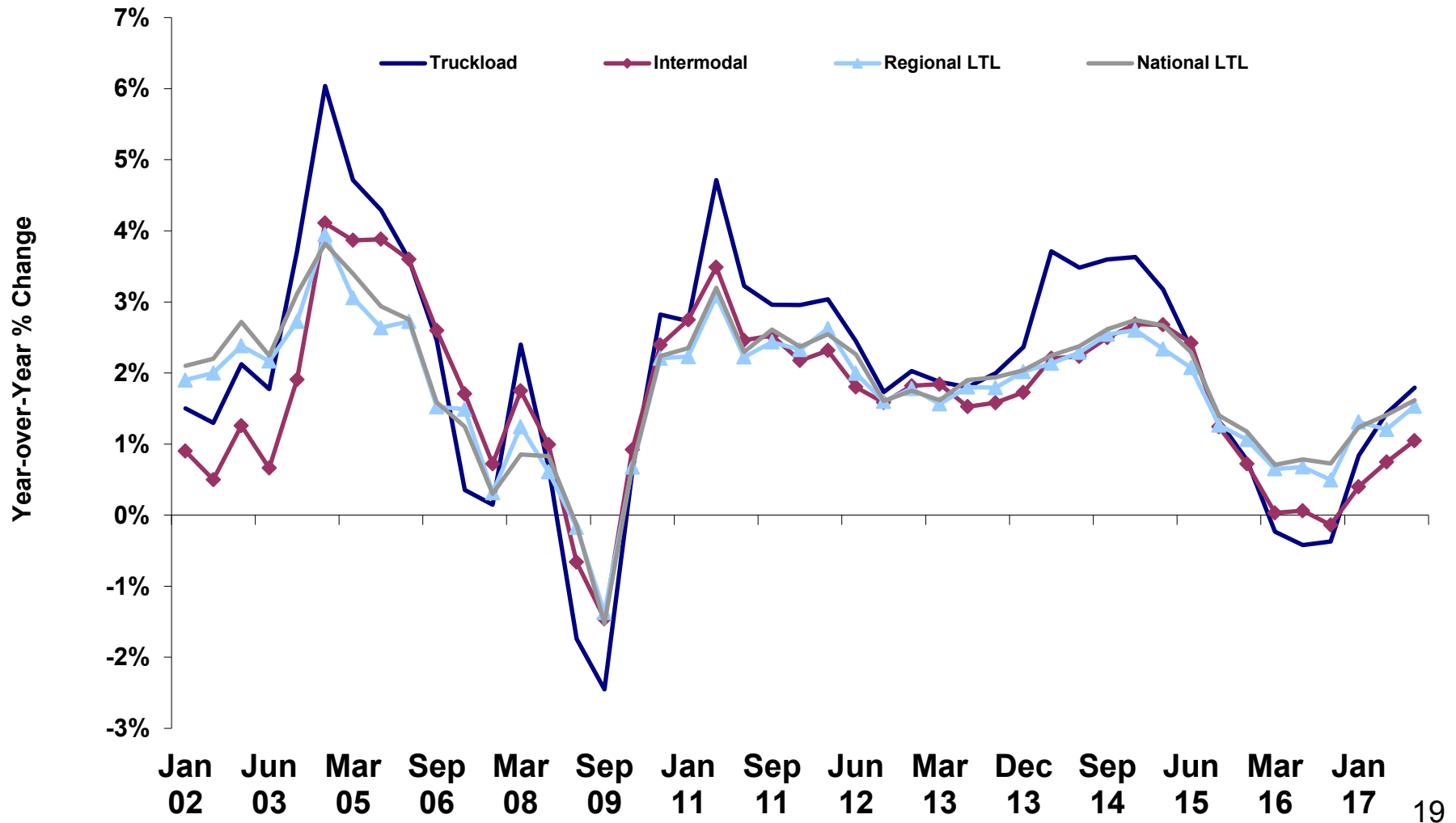
1. TL Volume Growth Expectations Increase Toward 2014 Highs, While Other Truck Mode Volume Expectations Decline From Prior Survey

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



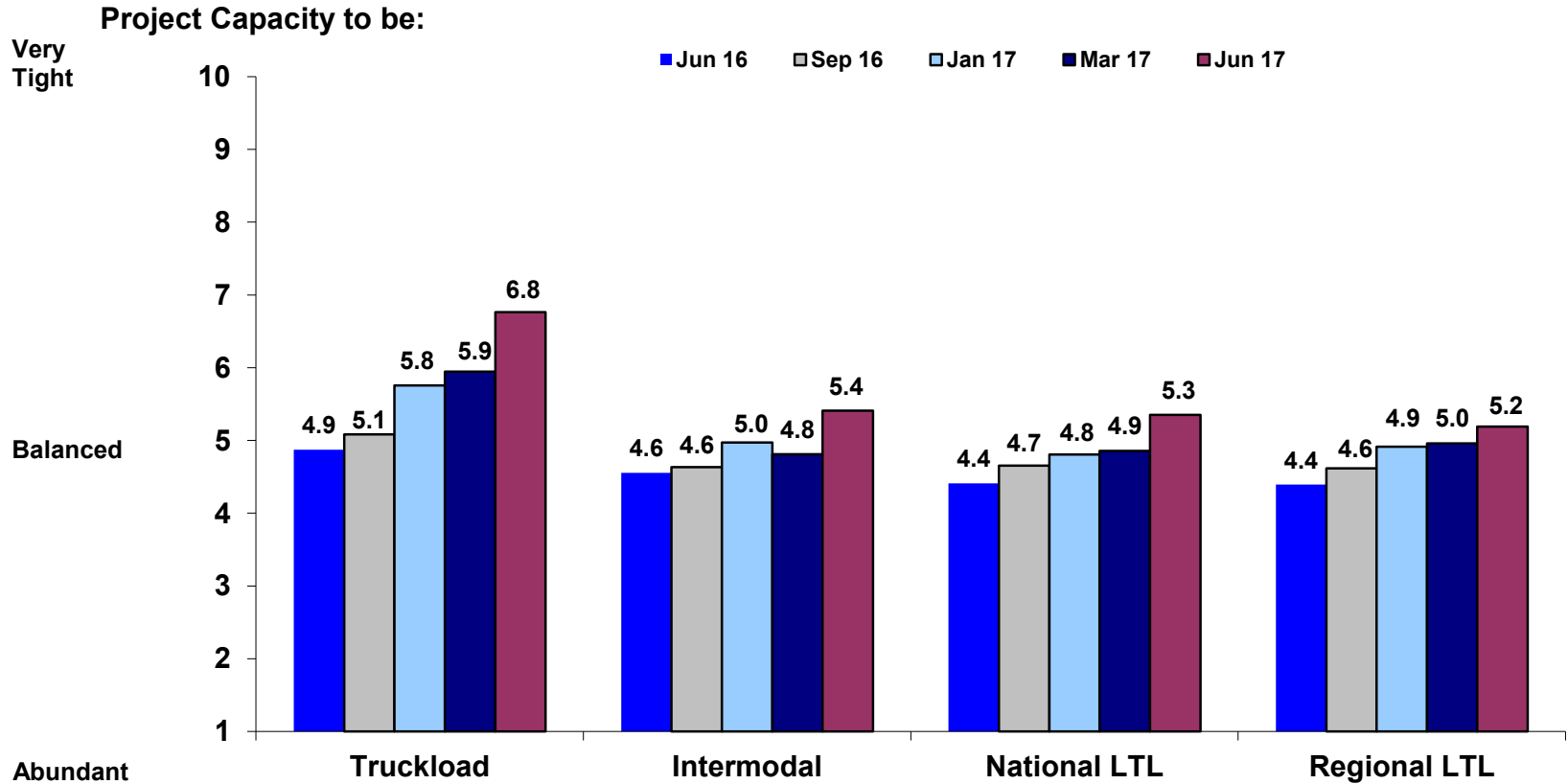
2. Base Rate Expectations Remain Positive (and Improving) Across All Truck Modes

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



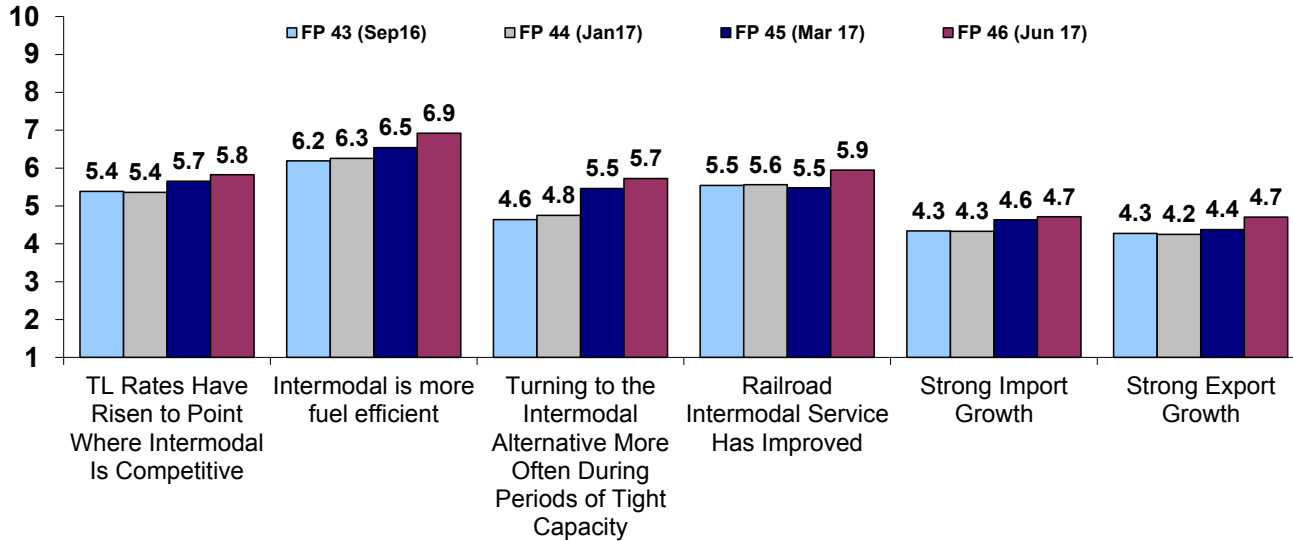
3. Expectations for Tighter Capacity Across All Truck Modes; TL Highest Level Since March 2015

What are your Expectations for Capacity in 6 Months?

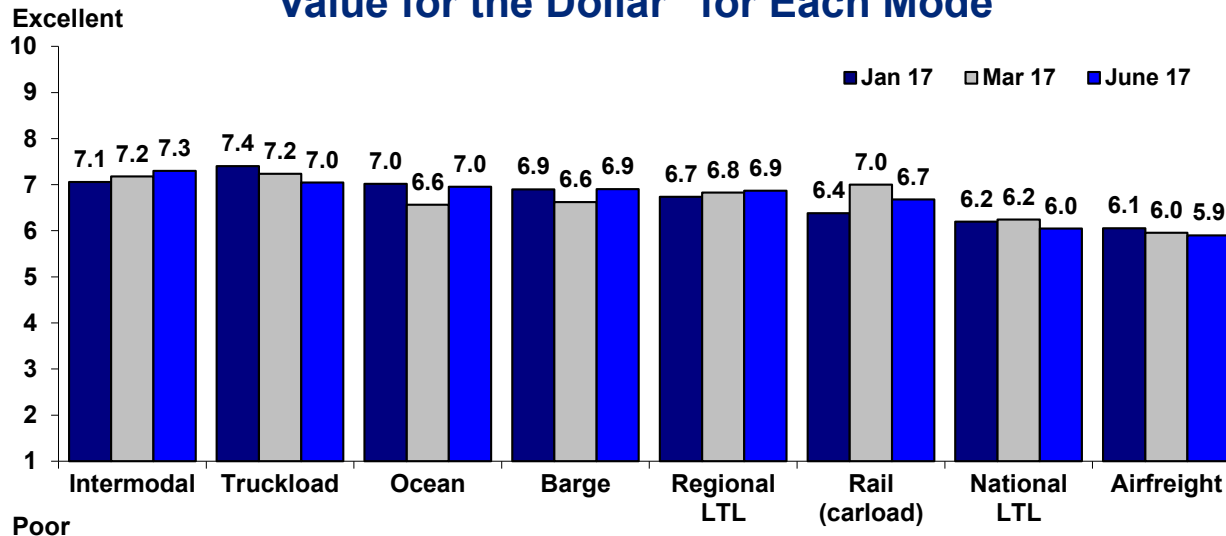


4. Fuel Efficiency Continues to be the Most Important Driver to Intermodal Growth; Value for Dollar Remains Relatively Consistent Across Modes

What Factors are Impacting Your Use of Intermodal Most?

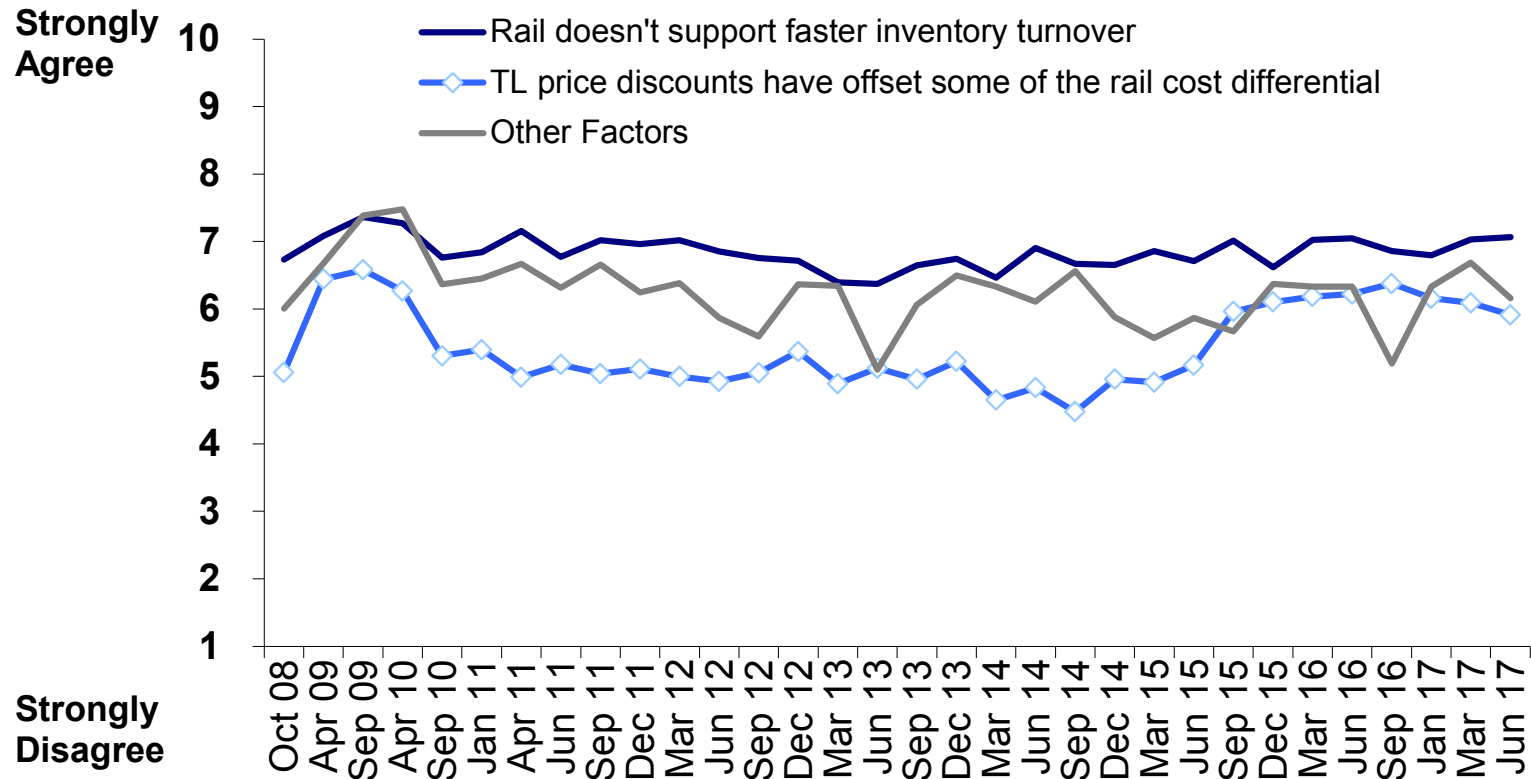


“Value for the Dollar” for Each Mode



5. TL Price Discounts vs. Intermodal Continue to Slip Slightly from Elevated Levels

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



Freight Pulse: Parcel Highlights

Parcel Highlights

Freight Pulse: Parcel Key Takeaways

1. Parcel Volumes

- Ground and Int'l Volume Growth Outlook Improves While Air Declines

2. Pricing

- Shippers Expectations Decrease, Anticipate ~1% Average Parcel Base Rate Increase Over Next 6 Months for Air and Ground

3. B2C

- Shippers' Expectations for B2C as % of Total Parcel Shipment Remain Mostly Unchanged

4. Switching

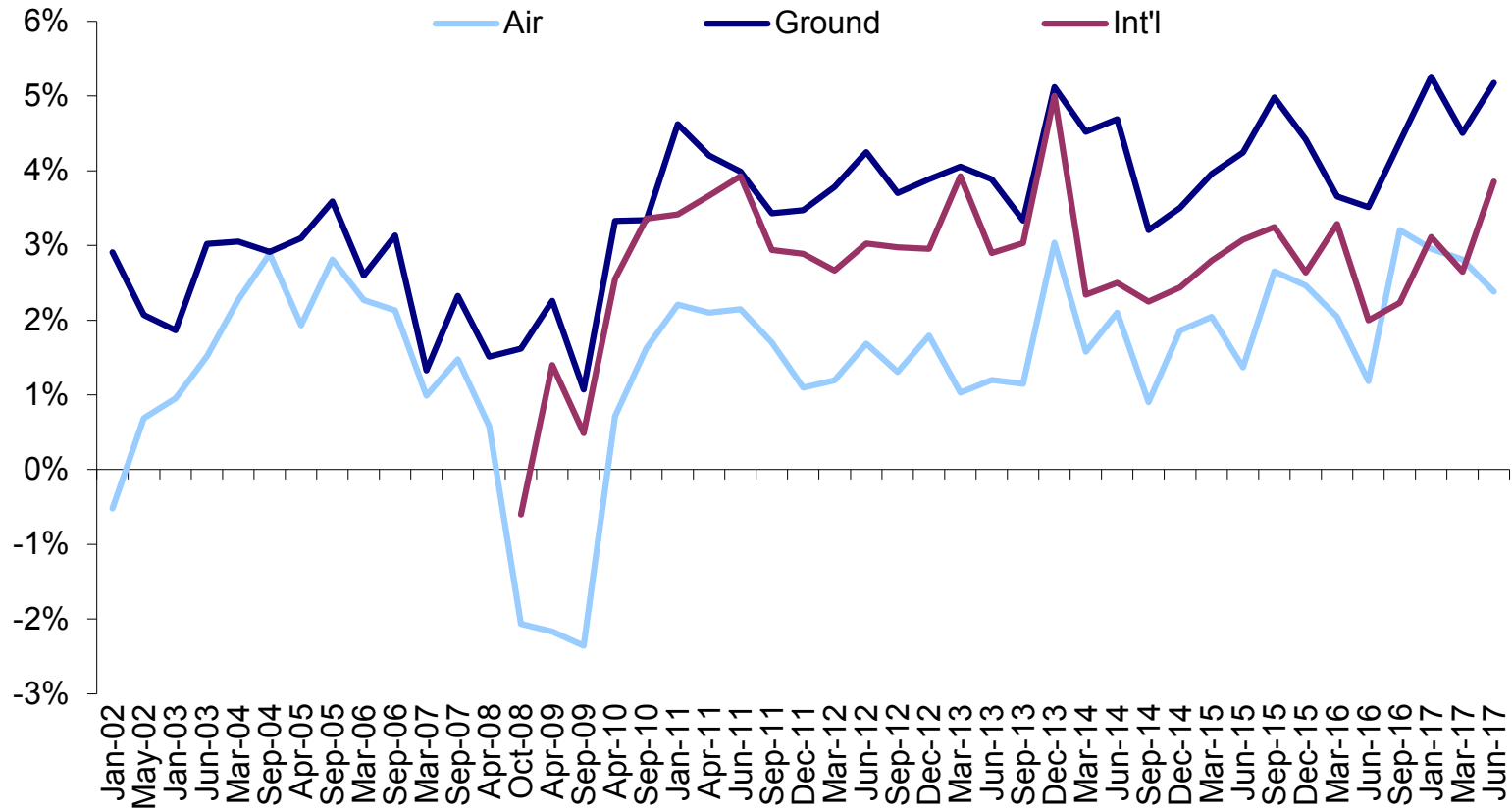
- Shippers View Price as More Important Driver Than Service for Switching Ground and Air Parcel Carriers, Spread Between Price and Service for Ground Widens

5. Rate Discounts

- According to Shippers, Discounts Have Increased for UPS Air and Ground But Decreased for FDX Air and Ground, Opposite From Our Prior Survey

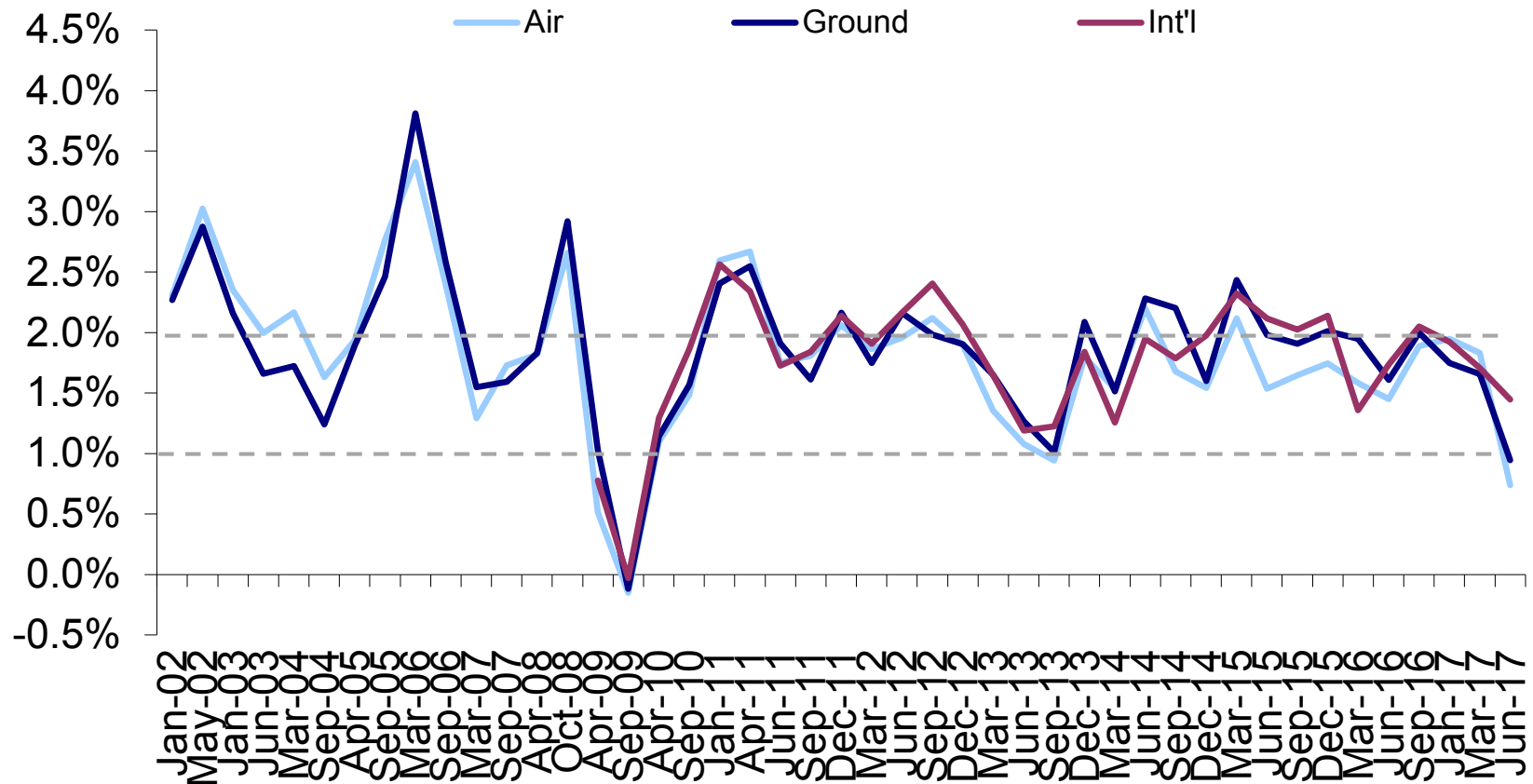
1. Ground and Int'l Volume Growth Outlook Improves While Air Declines

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



2. Shippers Expectations Decrease, Anticipate ~1% Average Parcel Base Rate Increase Over Next 6 Months for Air and Ground

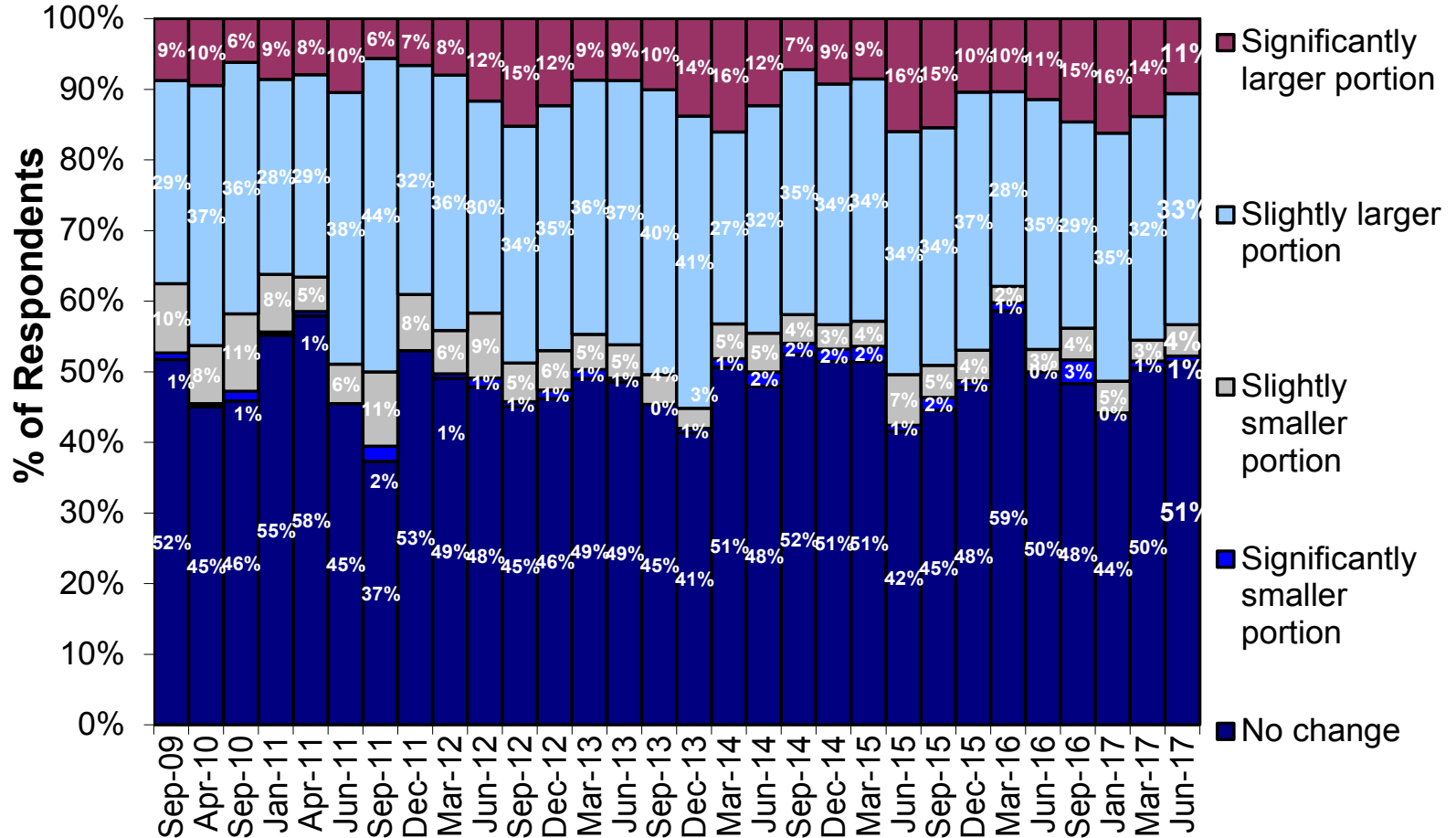
Average Base Rate Expectations “Over the Next 6 Months” vs. Last Year



Includes All responses, equally-weighted. Source: Morgan Stanley Parcel Survey

3. Shippers' Expectations for B2C as % of Total Parcel Shipment Remain Mostly Unchanged

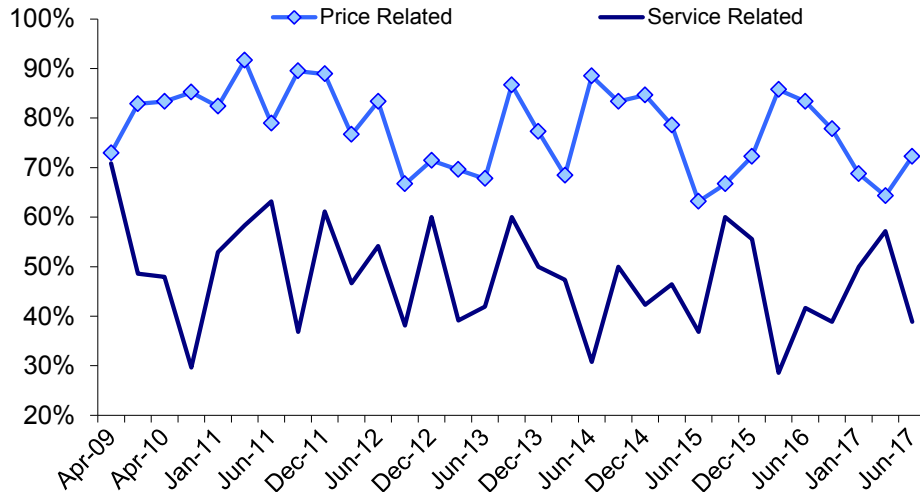
YoY Change in B2C as % of Total



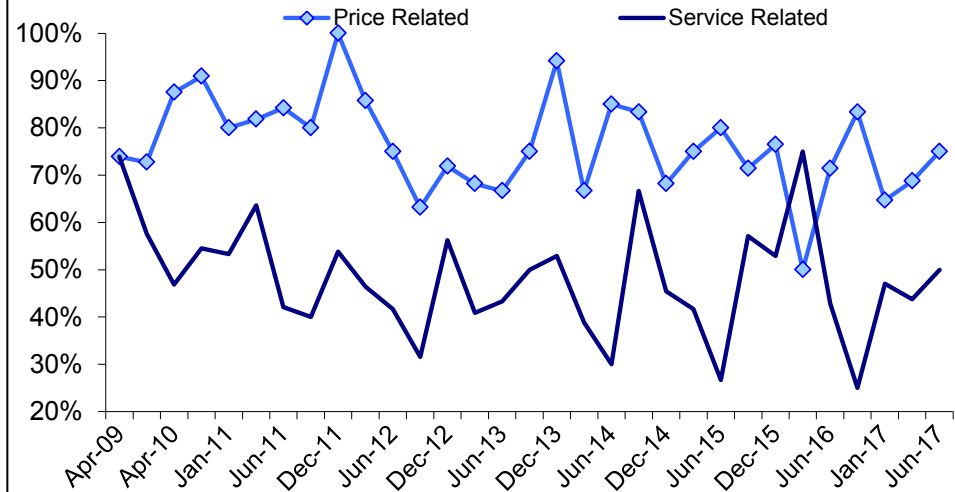
Source: Morgan Stanley Parcel Survey

4. Shippers View Price as More Important Driver Than Service for Switching Ground and Air Parcel Carriers, Spread Between Price and Service for Ground Widens

Ground: Reason for Switching Primary Carriers



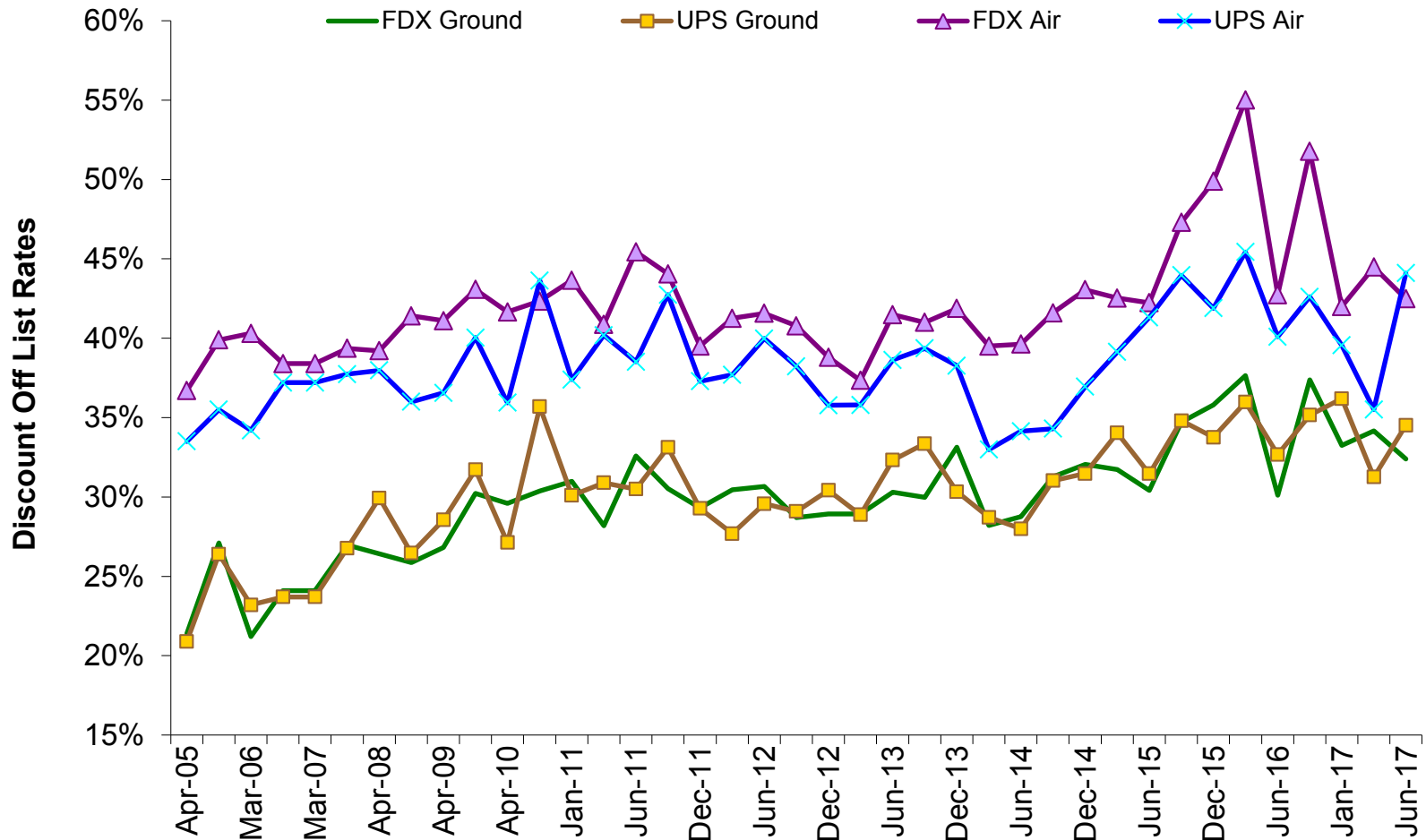
Air: Reason for Switching Primary Carriers



Source: Morgan Stanley Parcel Survey

5. According to Shippers, Discounts Have Increased for UPS Air and Ground But Decreased for FDX Air and Ground, Opposite From Our Prior Survey

Average List Rate Discount



Source: Morgan Stanley Parcel Survey

Appendix

Appendix

Summary of Contents

About the Surveys

General Freight Trends

Rail Trends

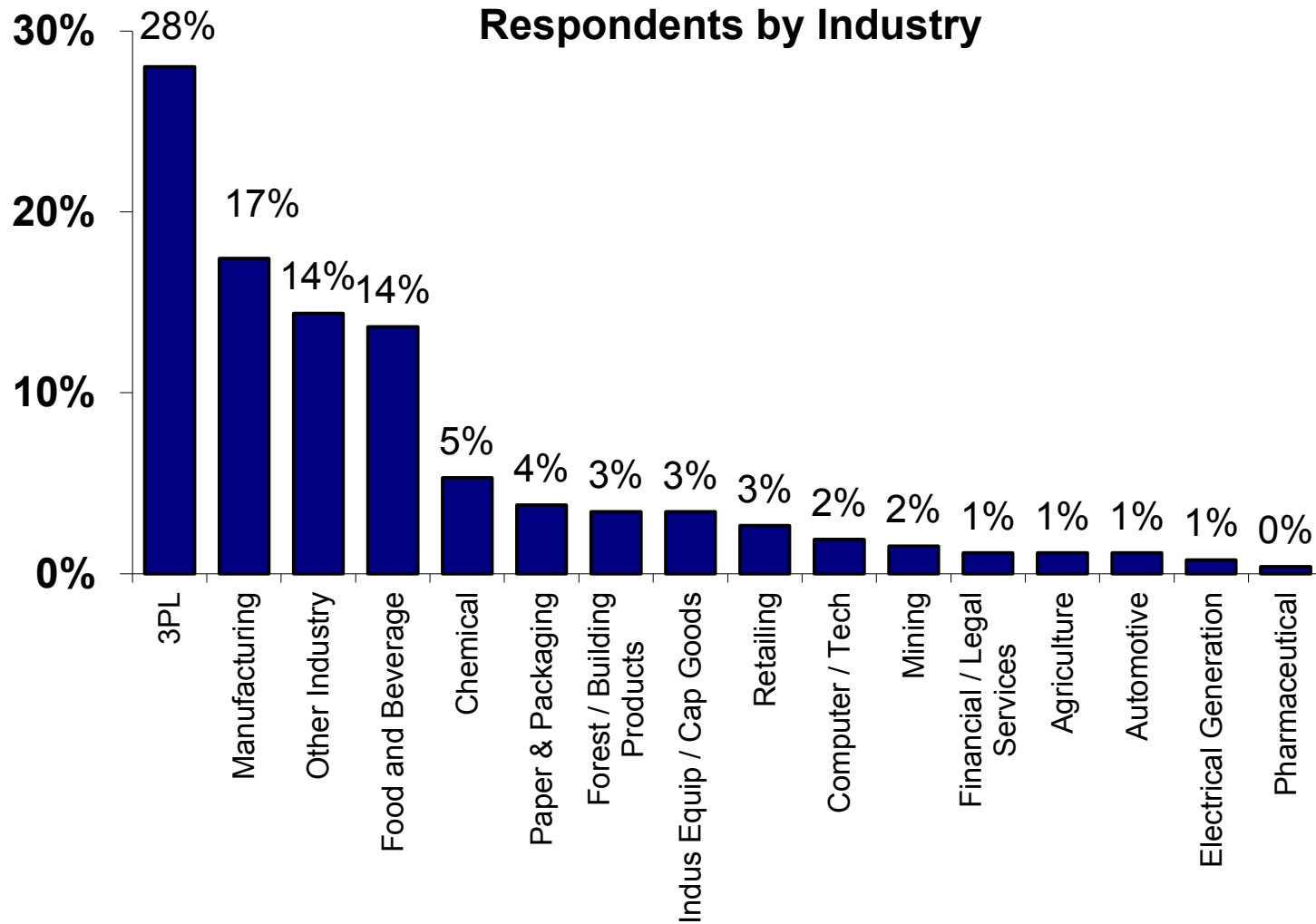
Truck Trends

Parcel Trends

Part 1: About the Surveys

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

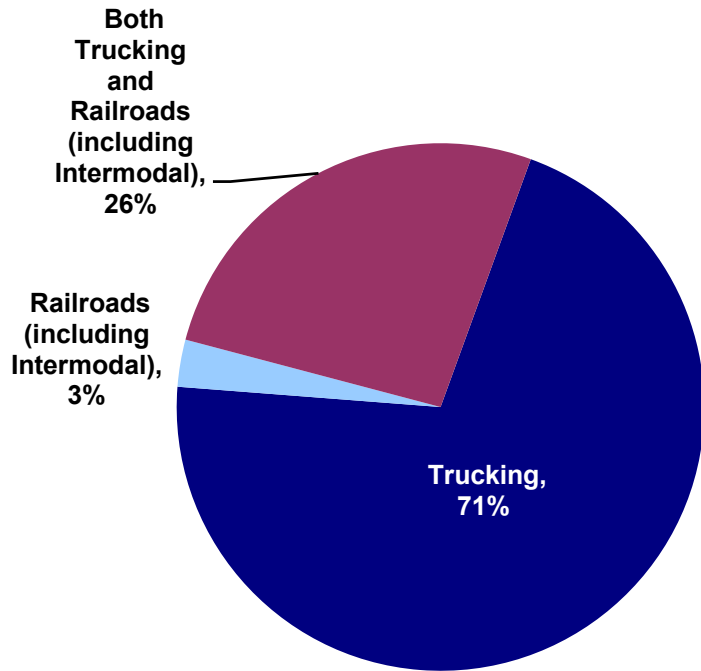
General Freight: About the Freight Pulse Survey



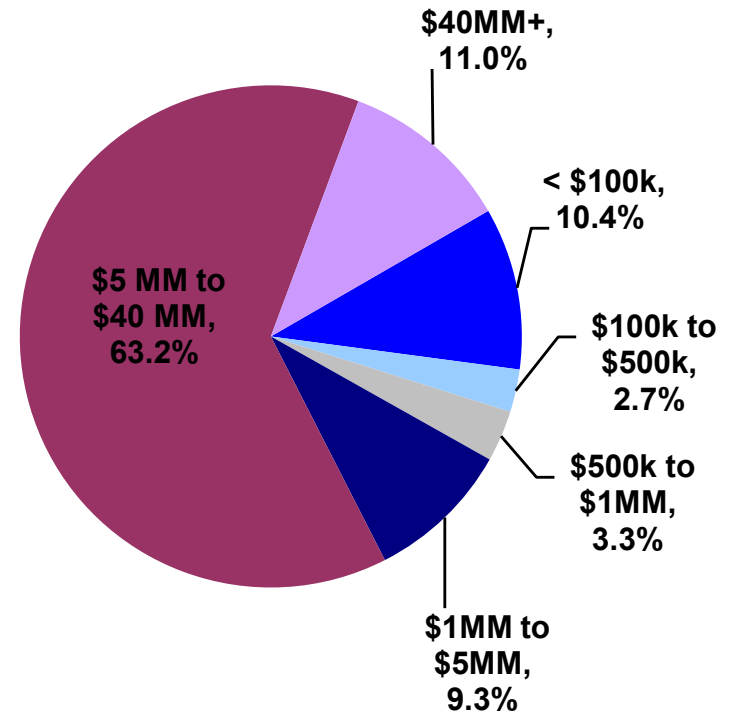
Note: just those shippers providing an industry classification and spend. Source: MS Freight Pulse Surveys

General Freight: Segmented by Shipper Profile

Modes Used



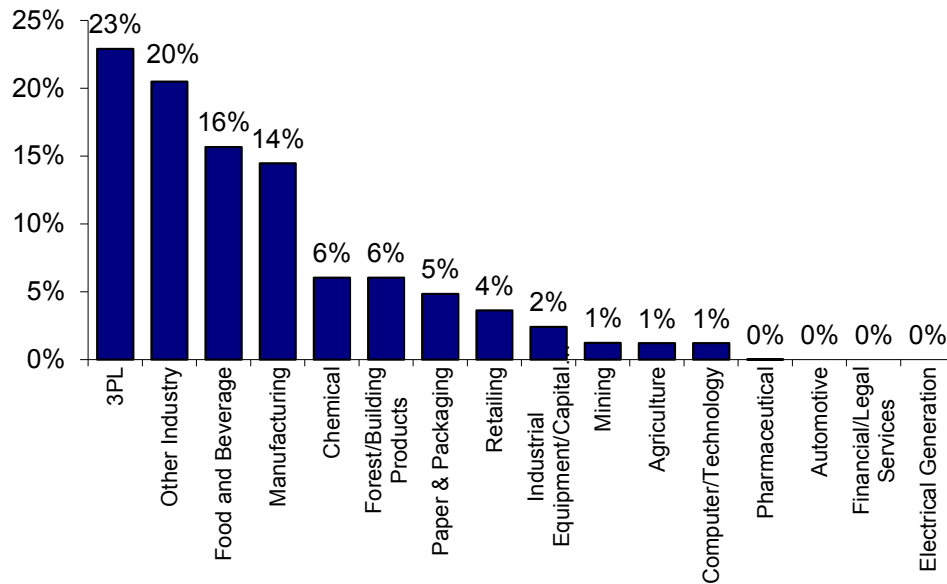
Respondents' Total Spend



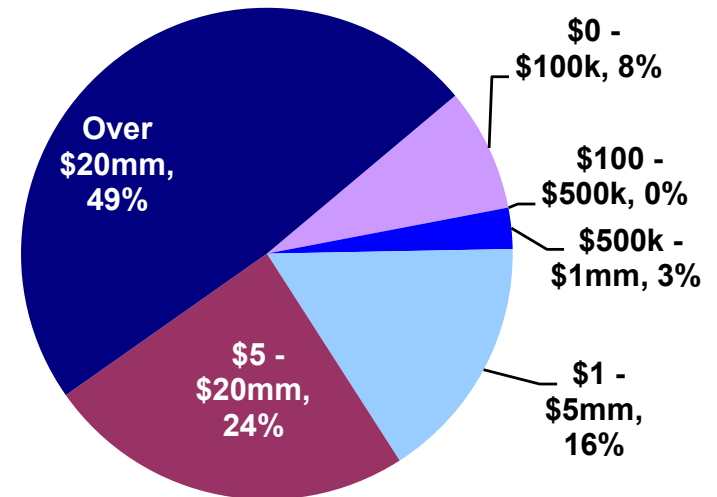
Note: just those shippers providing an industry classification and spend. Source: MS Freight Pulse Surveys

Rails: Segmented by Industry and Shipper Profile

Rail Respondents by Industry

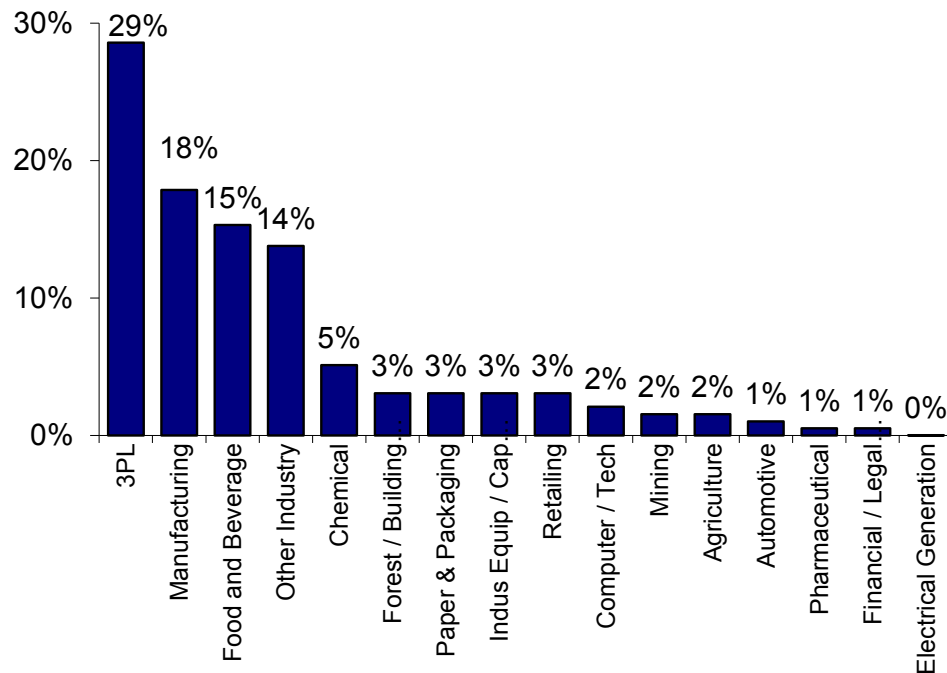


Respondents' Rail Spend

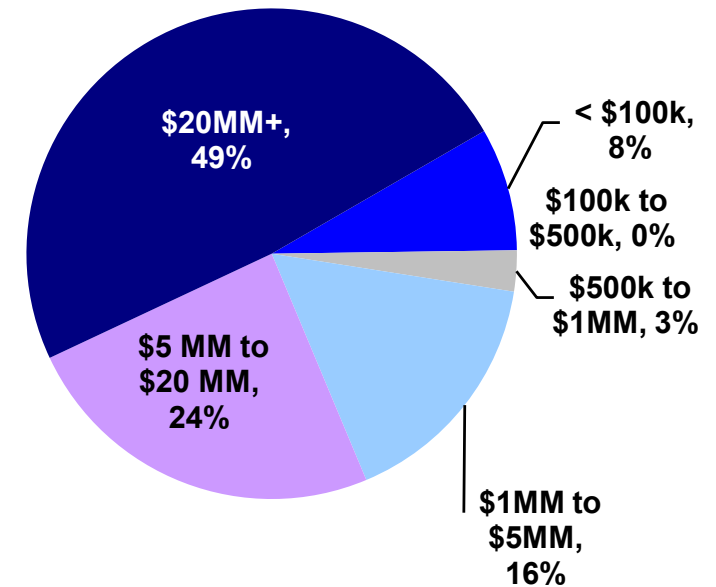


Trucks: Segmented by Industry and Shipper Profile

Truck Respondents by Industry

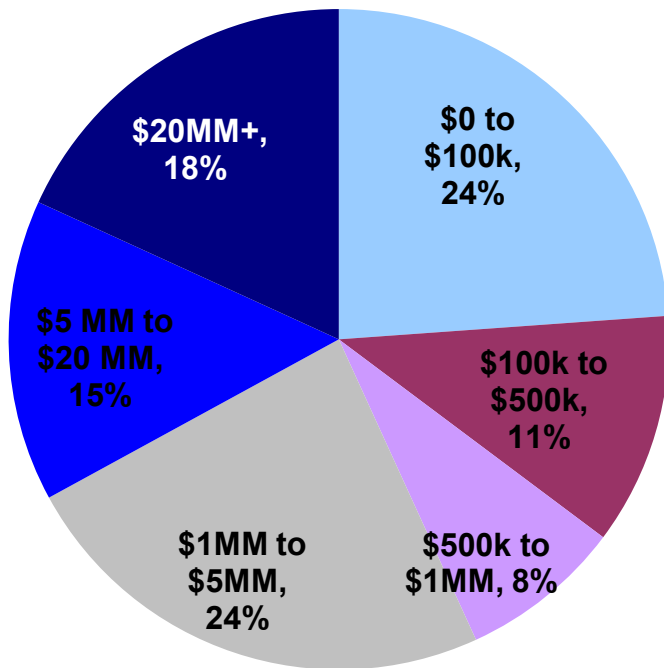


Respondents' Truck Spend

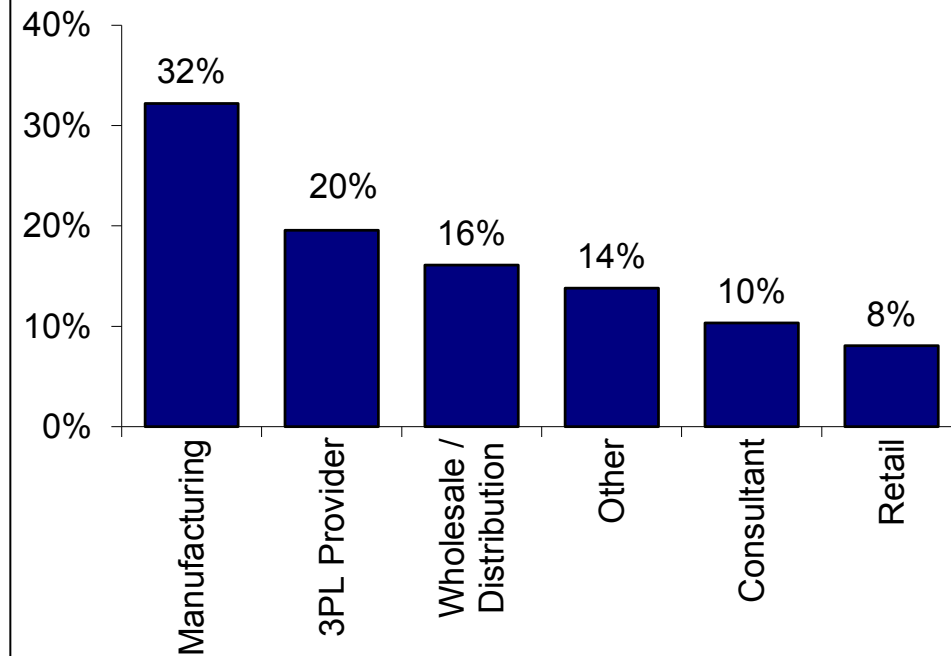


Parcel: About Our Parcel Survey

Respondents' Parcel Spend



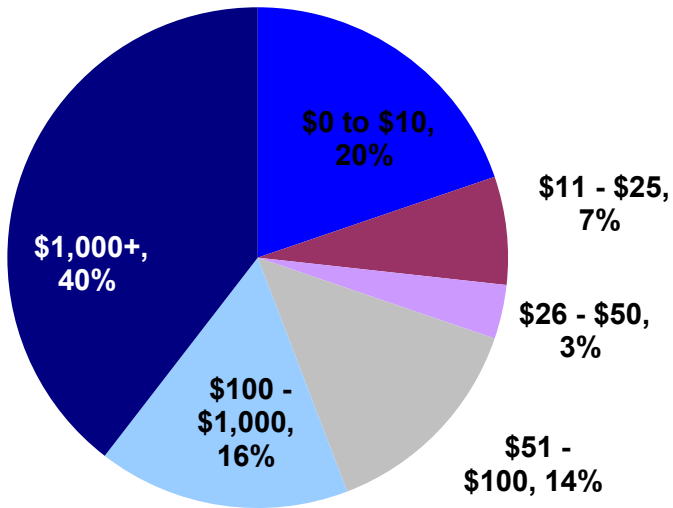
Respondents' Primary Business



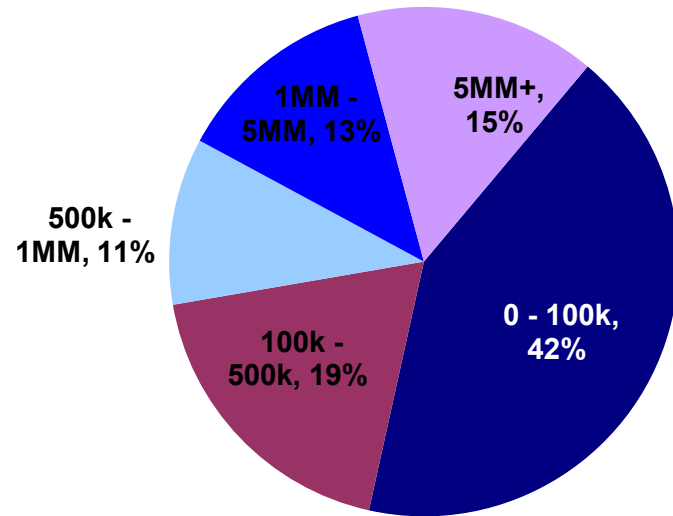
Source: Morgan Stanley Parcel Survey

Parcel: Respondent Profile

Company Sales (\$MM)

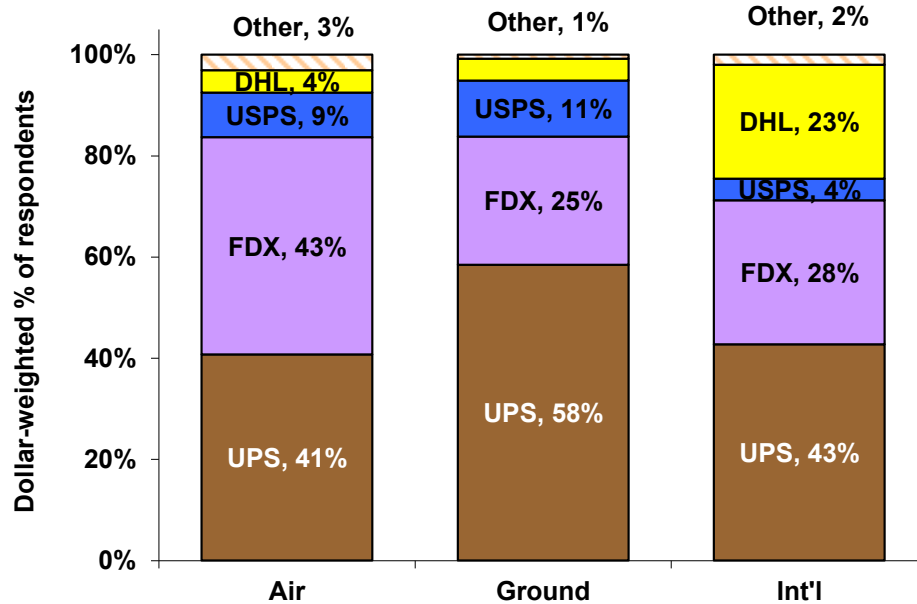


Parcels Shipped

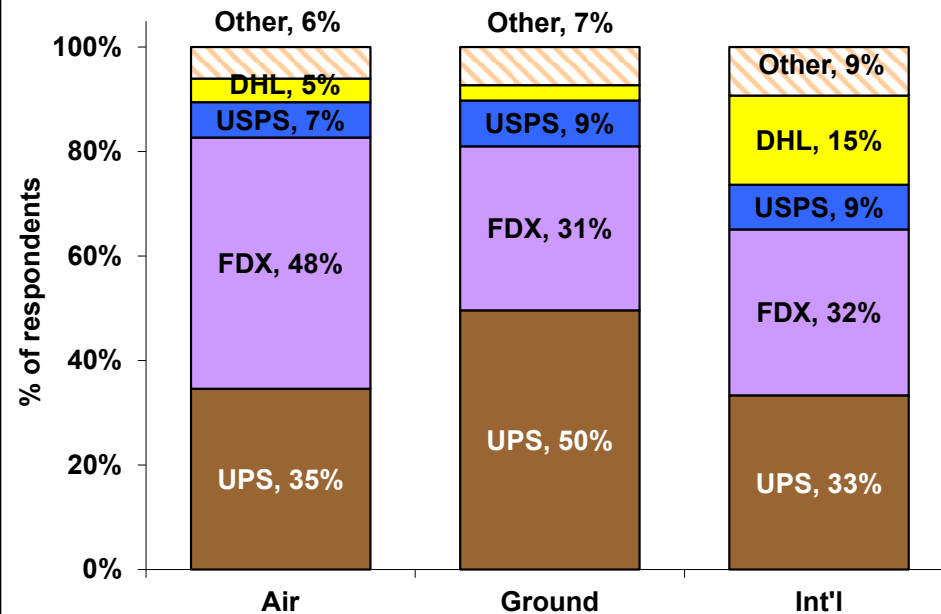


Parcel: Market Share of Respondents Roughly Consistent with Market

Primary Parcel Carrier – Weighted by Spend



Parcel Carrier – Average of All Responses



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About the Surveys

General Freight Trends

Rail Trends

Truck Trends

Parcel Trends

Part 1: General Freight Industry Trends

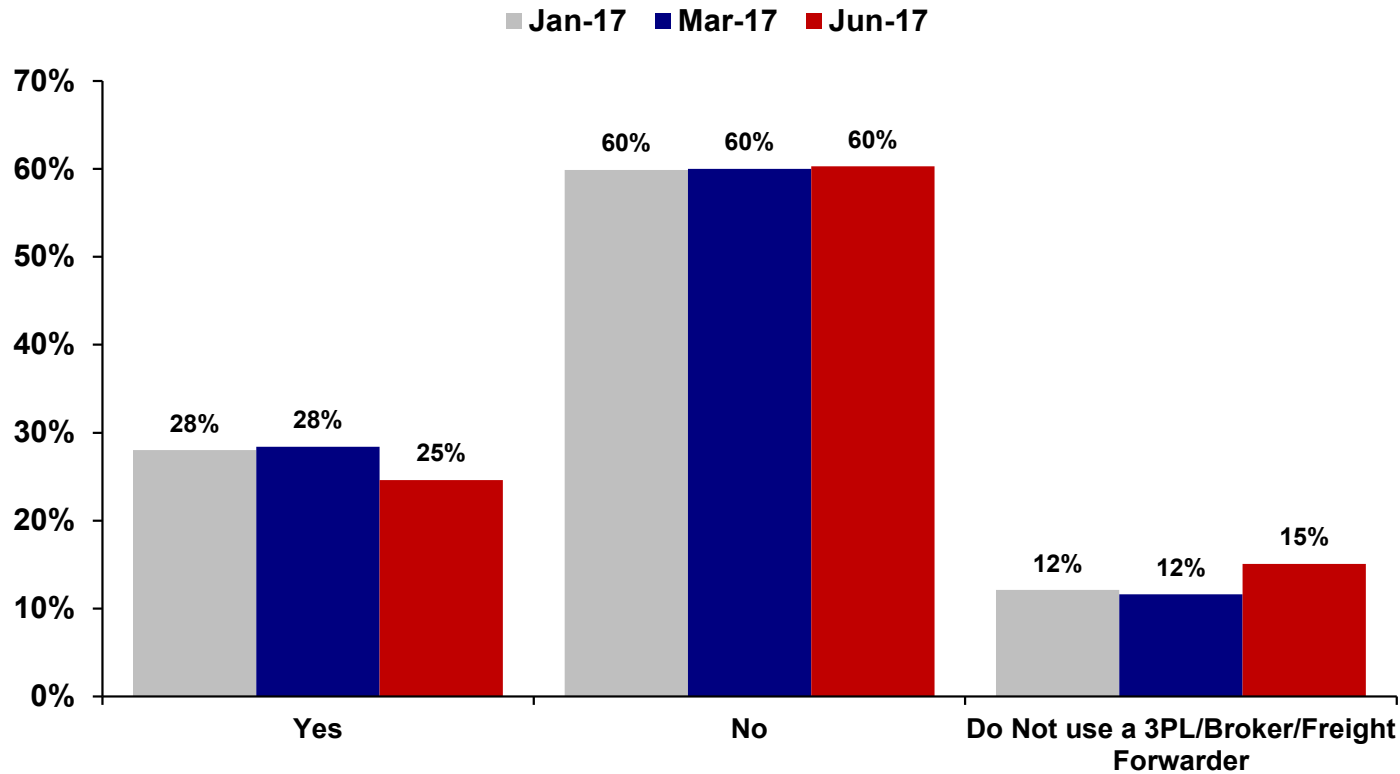
1. Uber-for-Freight
2. Service Trends
3. Capacity Trends
4. Modal Shift
5. Intermodal vs. Truck

Part 2: Macro Trends

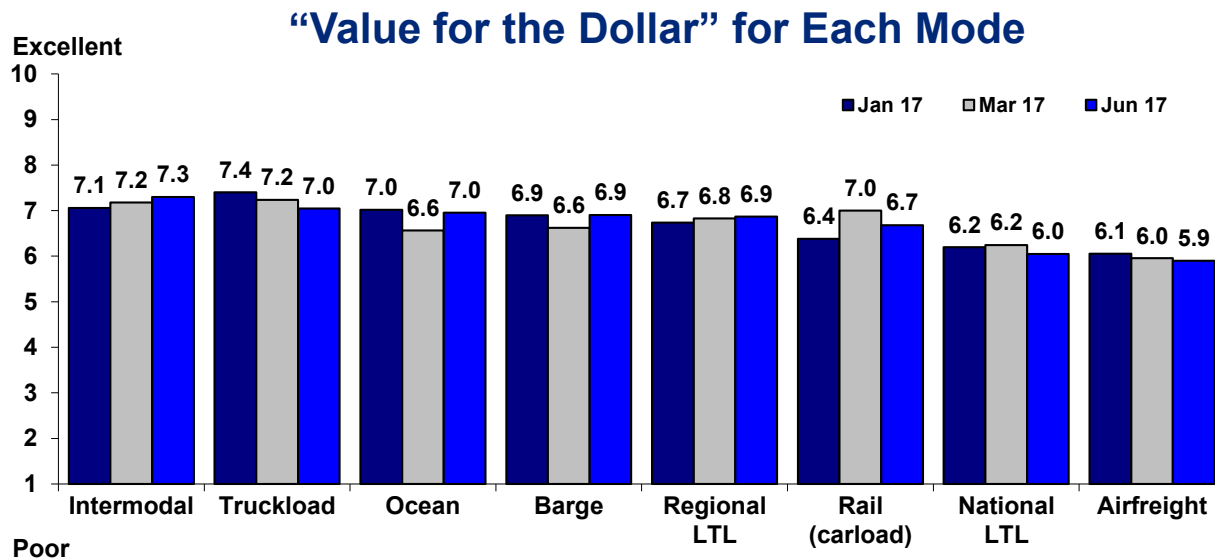
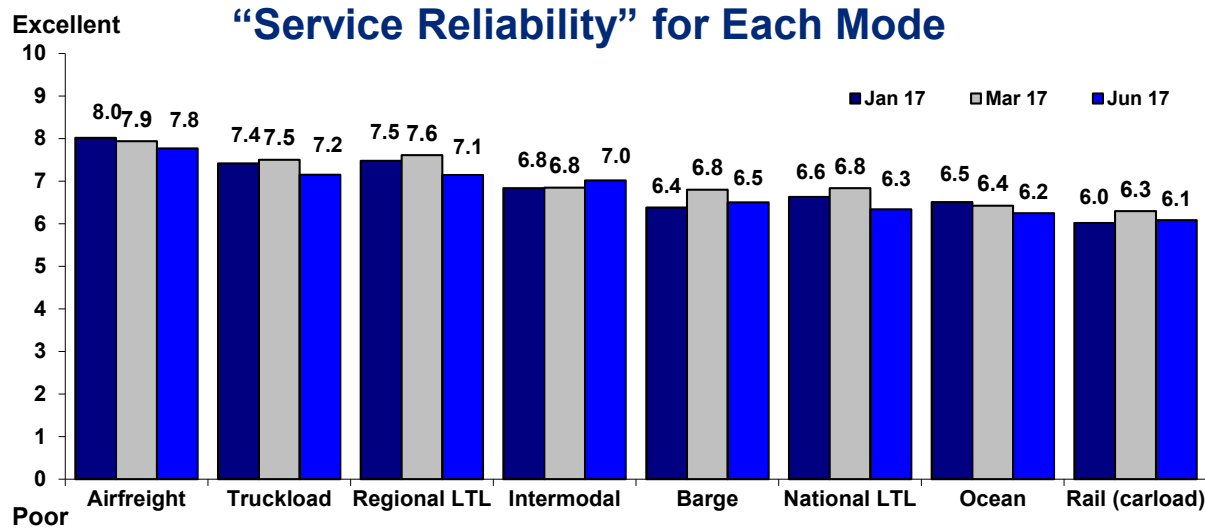
1. Inventories and Orders
2. Economic Outlook

Shippers Willingness to Use “Uber for Freight” Apps Relatively Unchg. vs. Prior Survey

If an “Uber for Freight” app offers a commission of about 5%, would you use it instead of a traditional third-party broker?

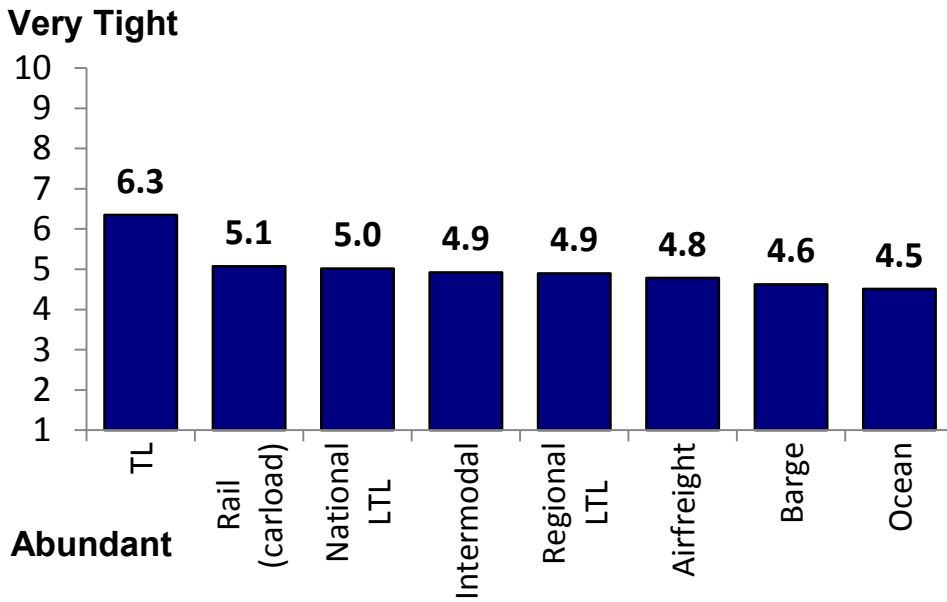


Service Reliability & Value by Mode: Average Across All Shippers

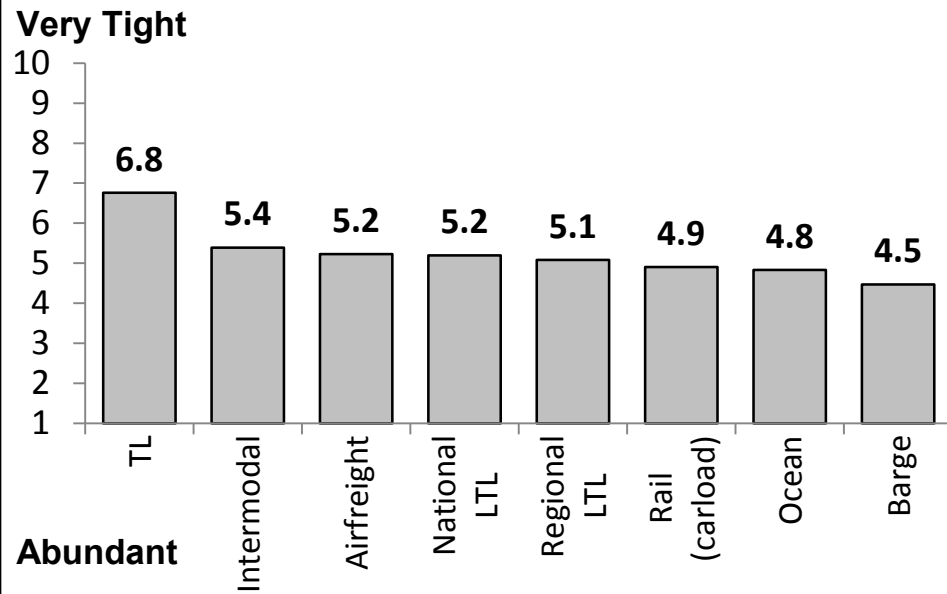


Capacity by Mode

Current Capacity



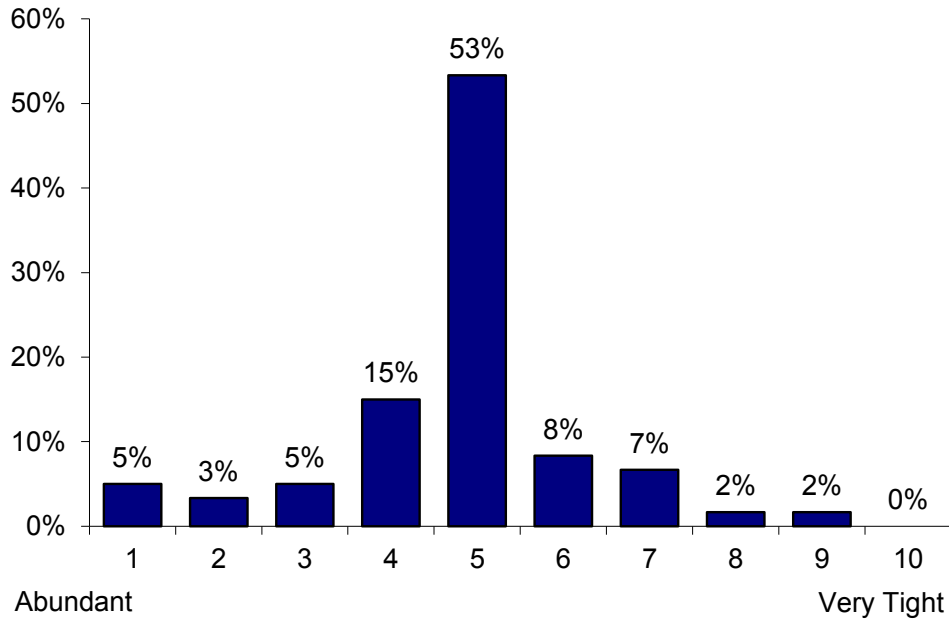
Projected Capacity in 6 Months



Capacity Ranking Skew: Airfreight

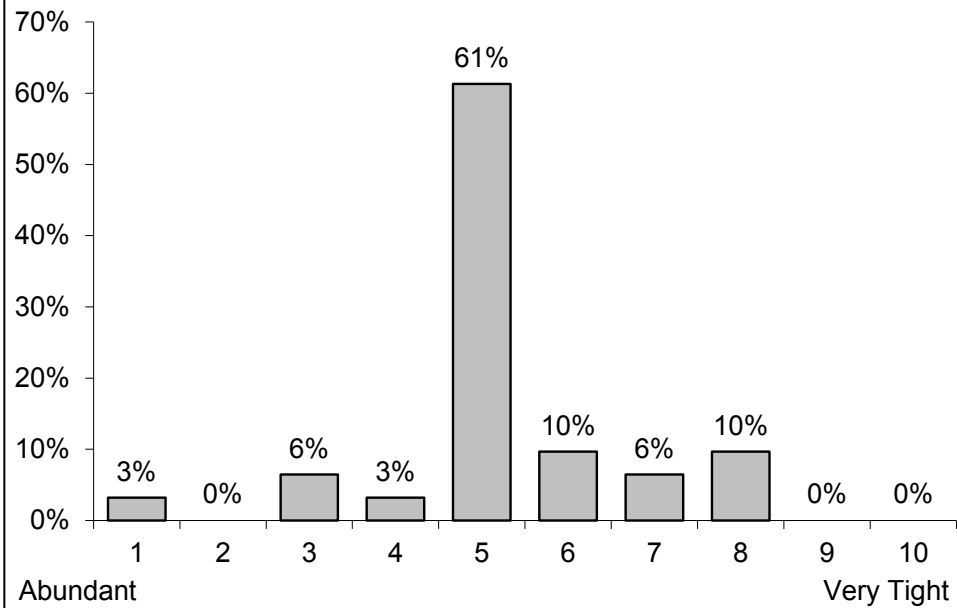
Current Capacity

Airfreight - % of Shippers Providing Rankings



Projected Capacity in 6 Months

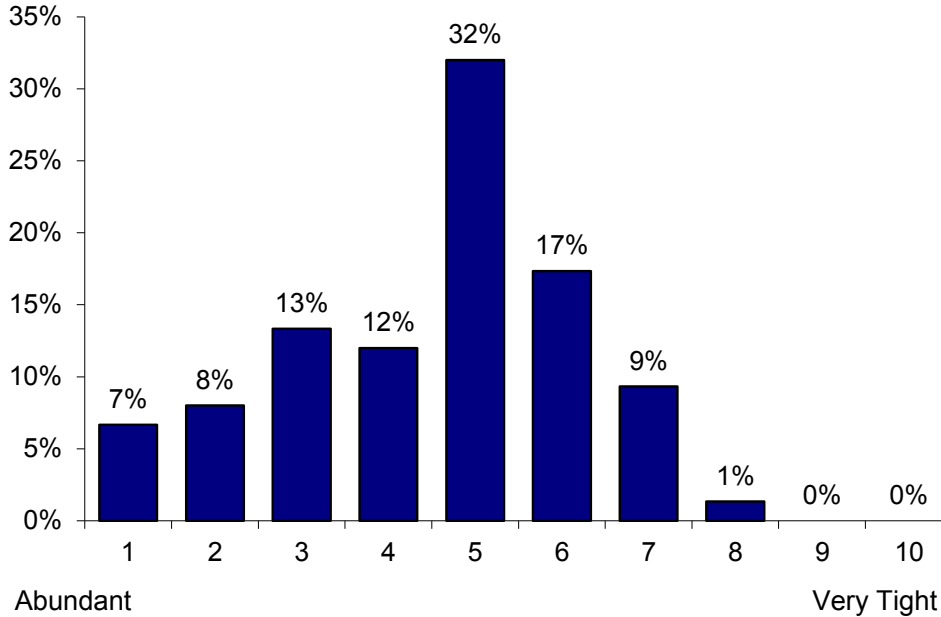
Airfreight - % of Shippers Providing Rankings



Capacity Ranking Skew: Ocean

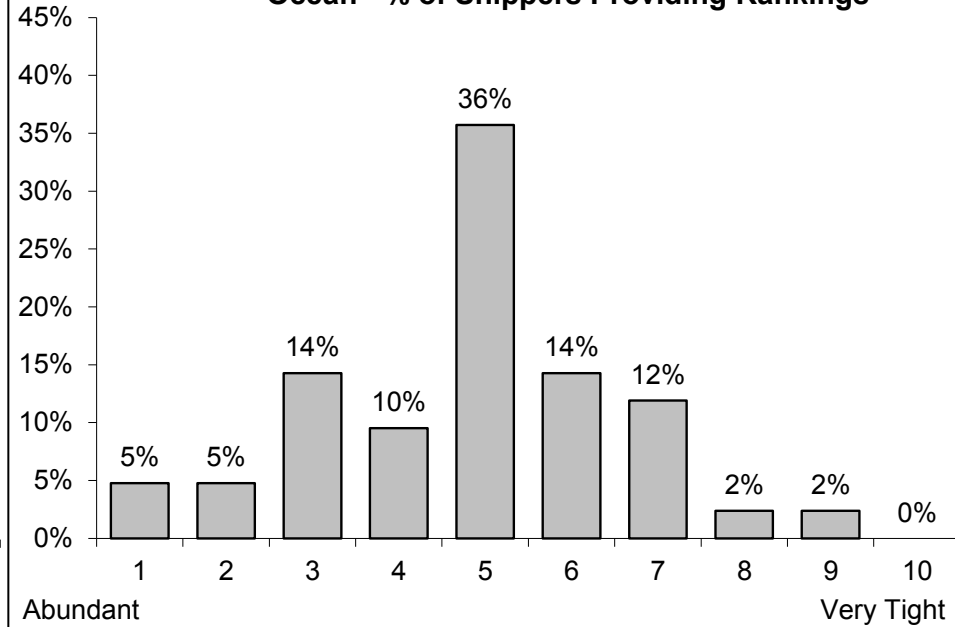
Current Capacity

Ocean - % of Shippers Providing Rankings



Projected Capacity in 6 Months

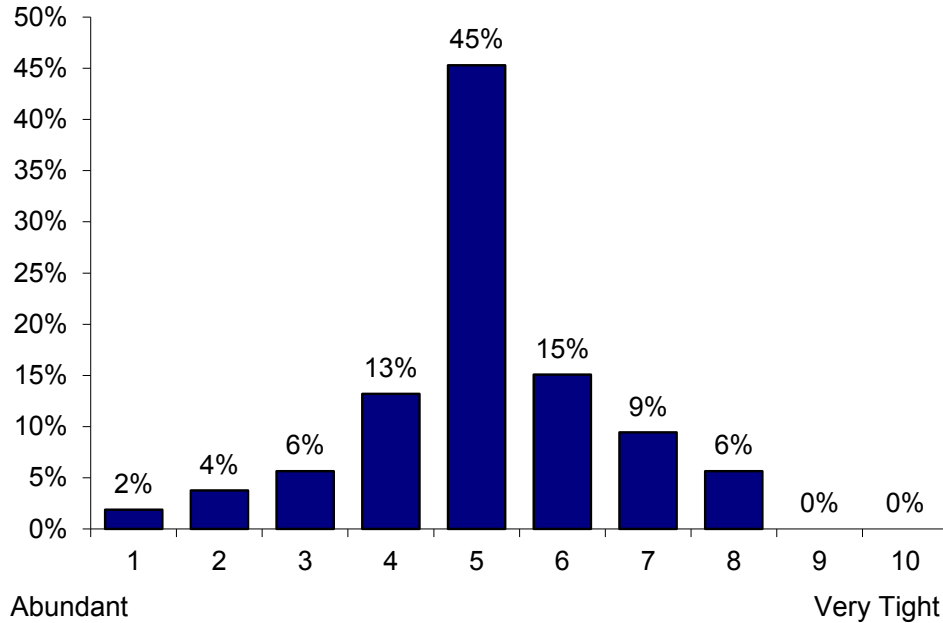
Ocean - % of Shippers Providing Rankings



Capacity Ranking Skew: Rail (Carload)

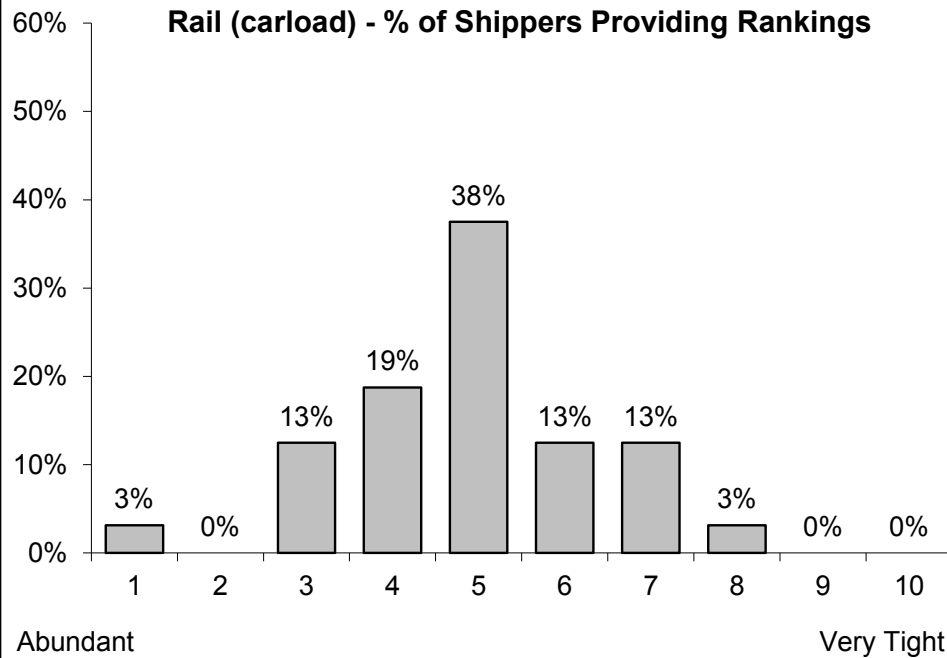
Current Capacity

Rail (carload) - % of Shippers Providing Rankings



Projected Capacity in 6 Months

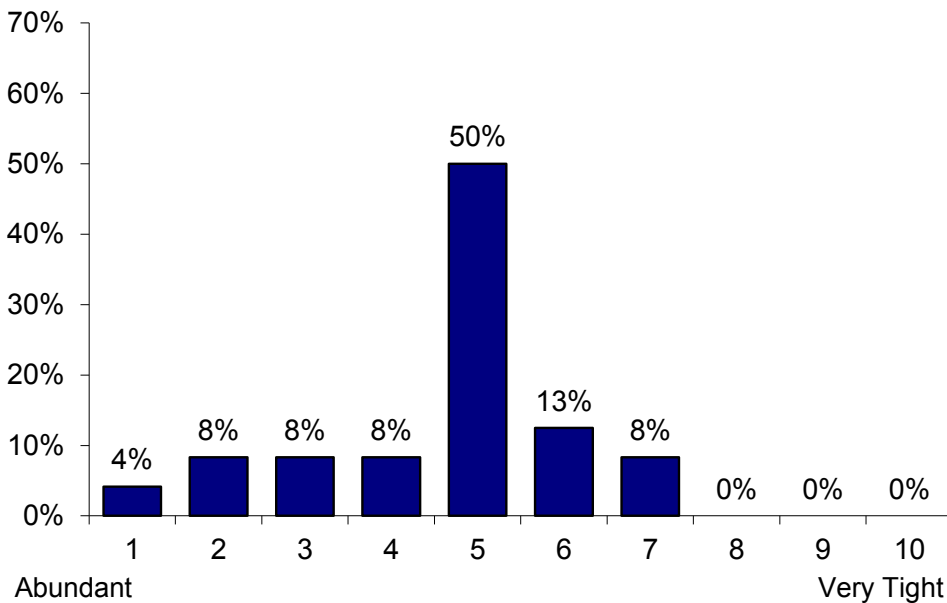
Rail (carload) - % of Shippers Providing Rankings



Capacity Ranking Skew: Barge

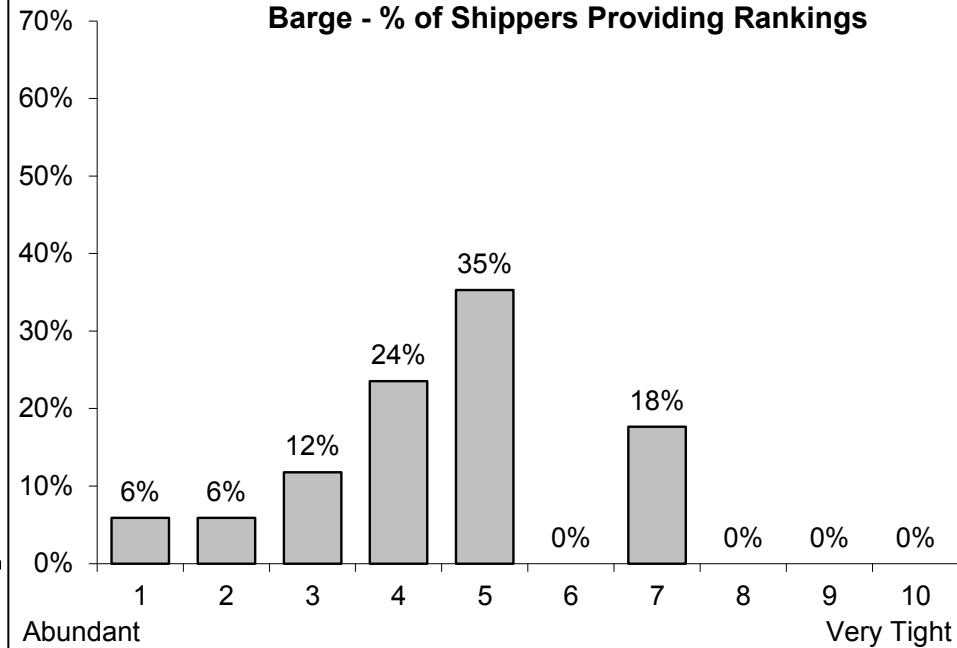
Current Capacity

Barge - % of Shippers Providing Rankings

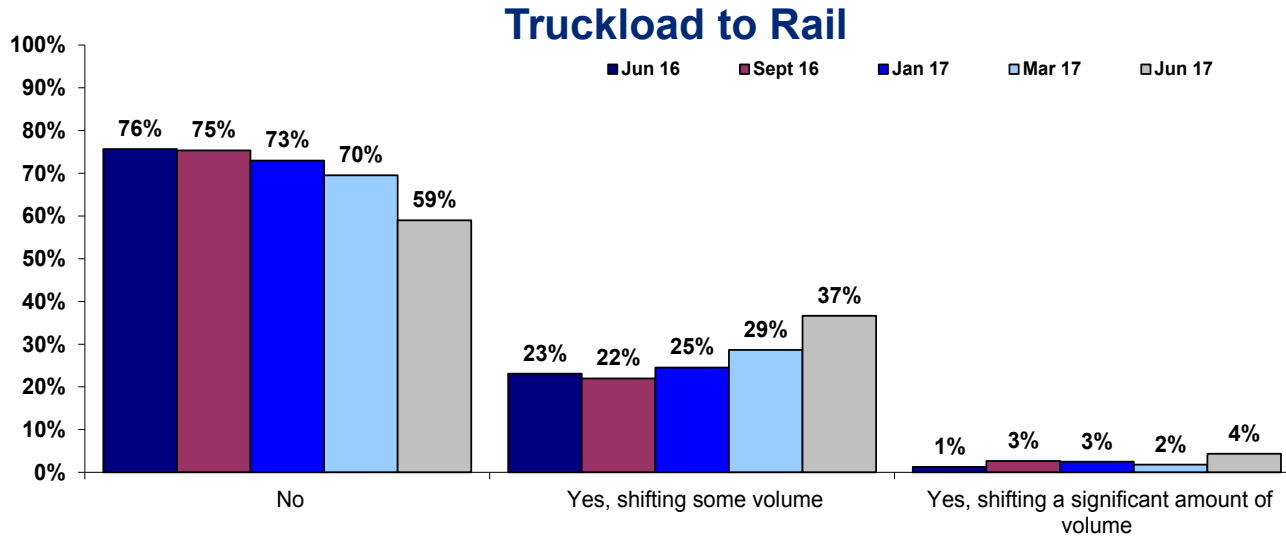


Projected Capacity in 6 Months

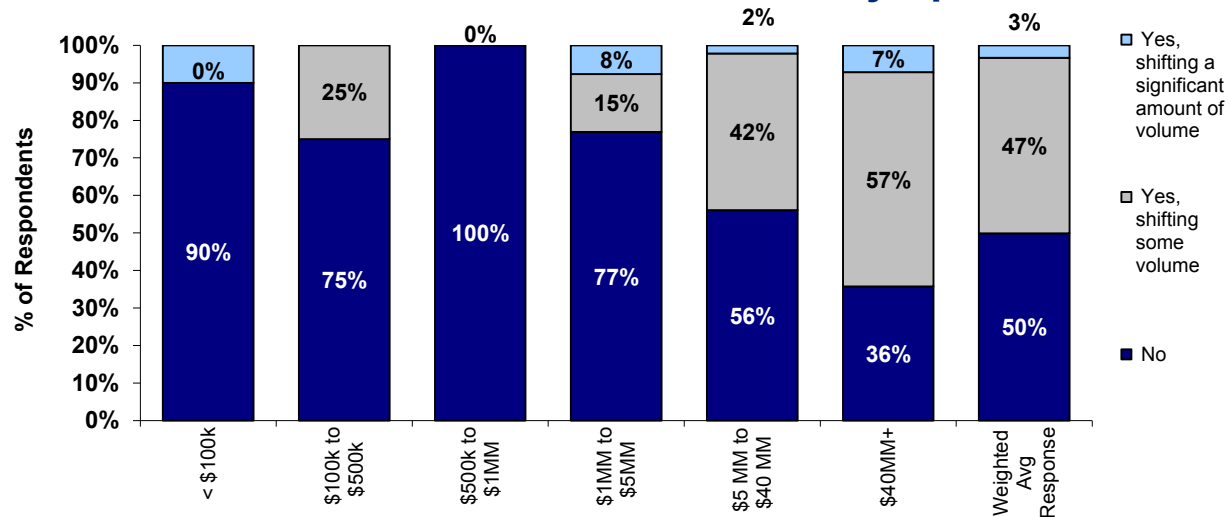
Barge - % of Shippers Providing Rankings



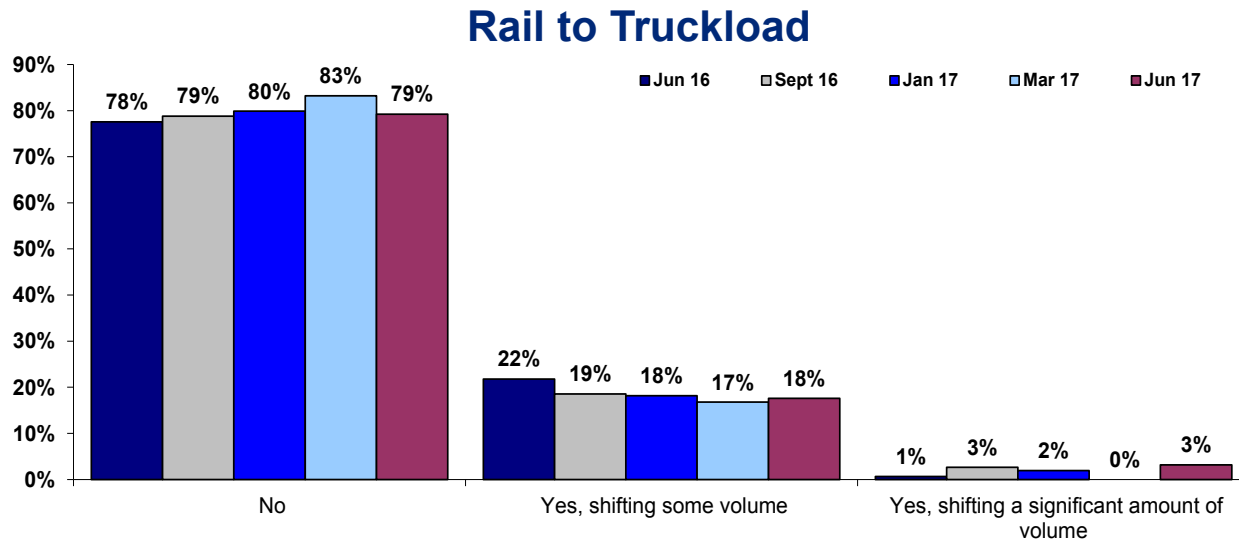
Shipper Modal Shift Statistics – Truckload to Rail



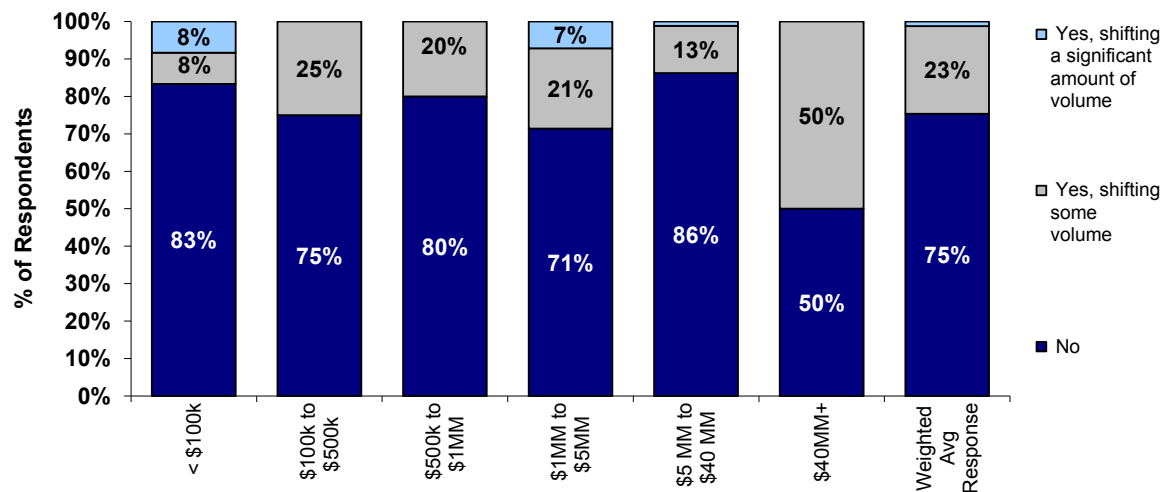
Truckload to Rail - Modal Shift by Spend



Shipper Modal Shift Statistics – Rail to Truckload

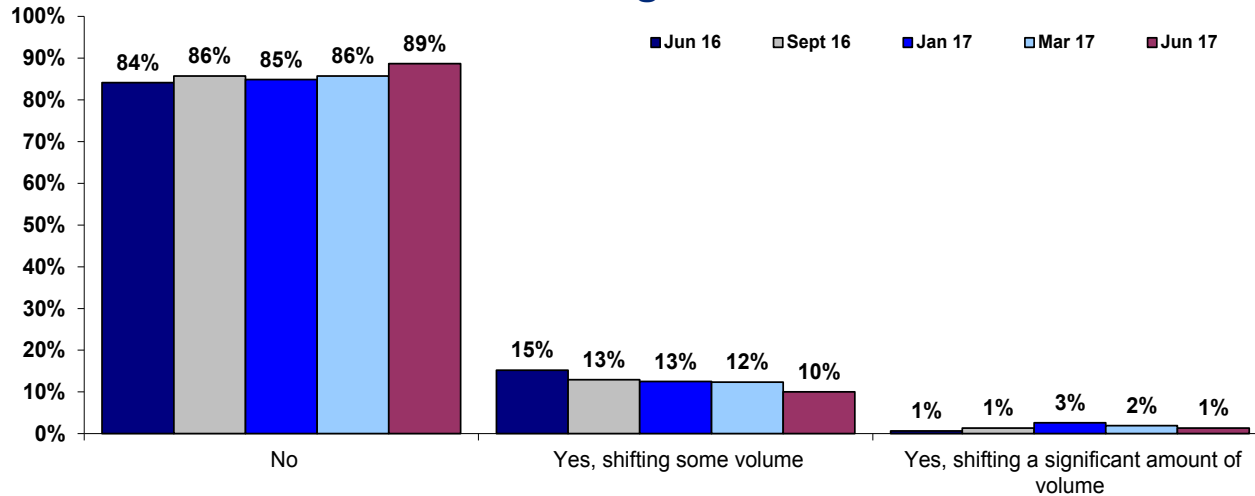


Rail to Truckload - Modal Shift by Spend

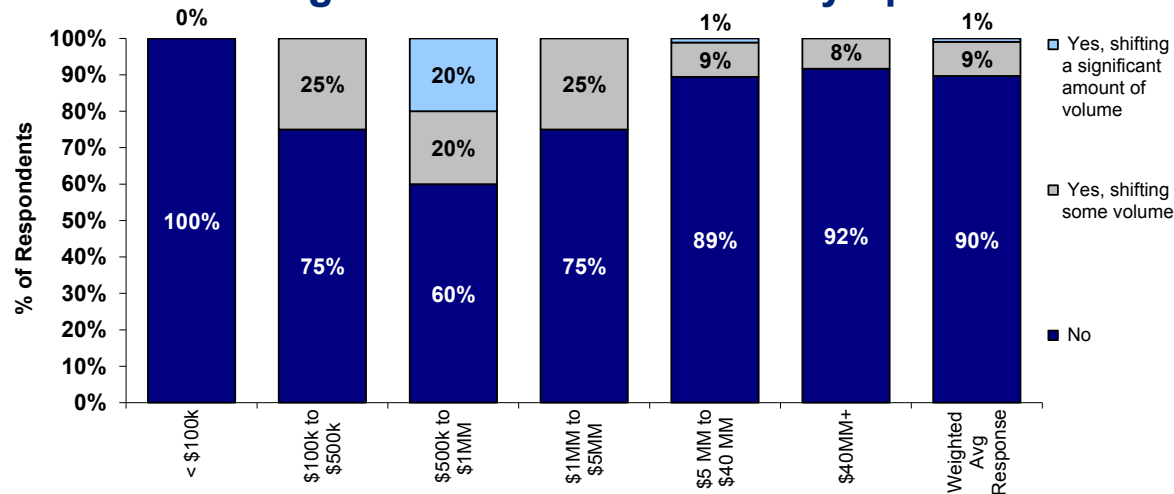


Shipper Modal Shift Statistics – Airfreight to LTL

Airfreight to LTL

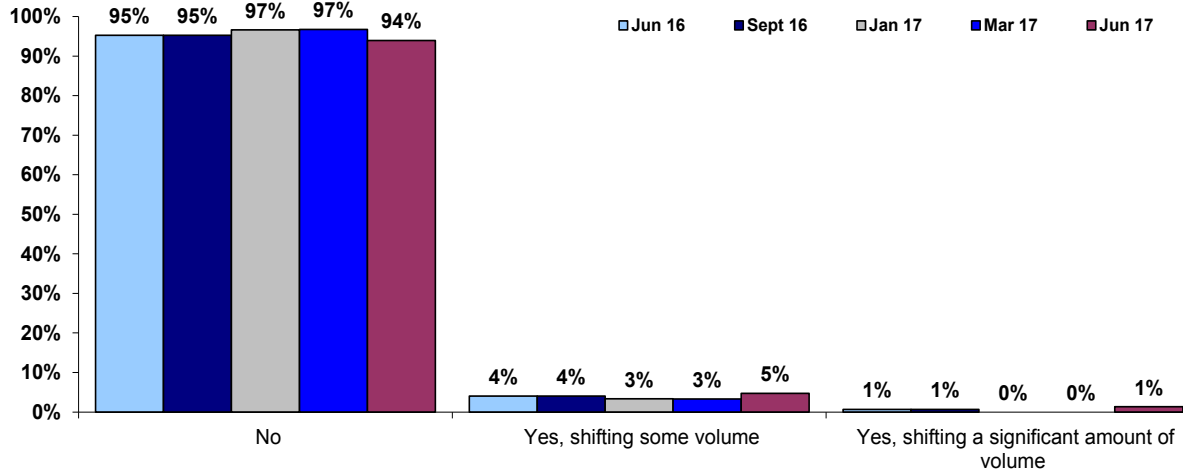


Airfreight to LTL - Modal Shift by Spend

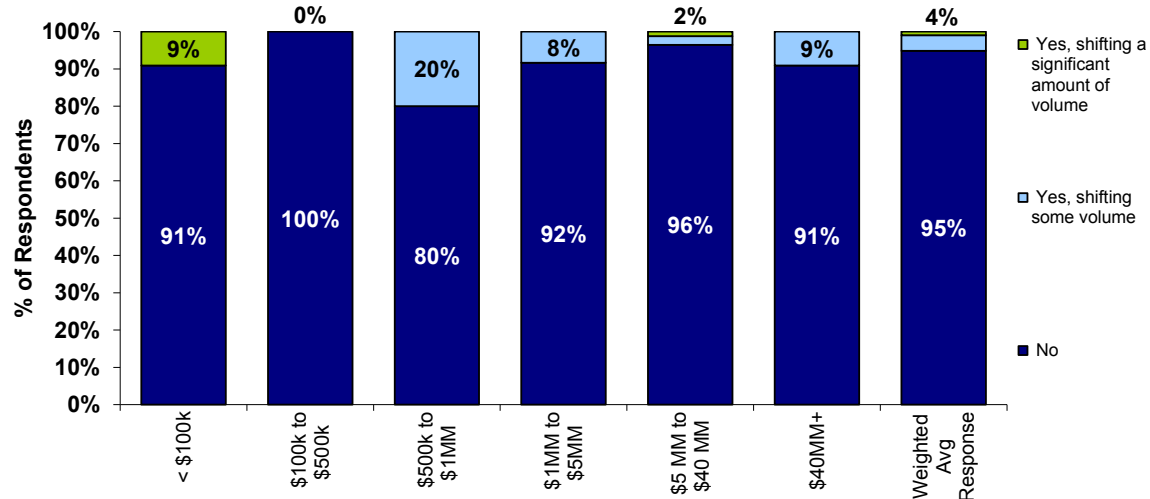


Shipper Modal Shift Statistics – LTL to Airfreight

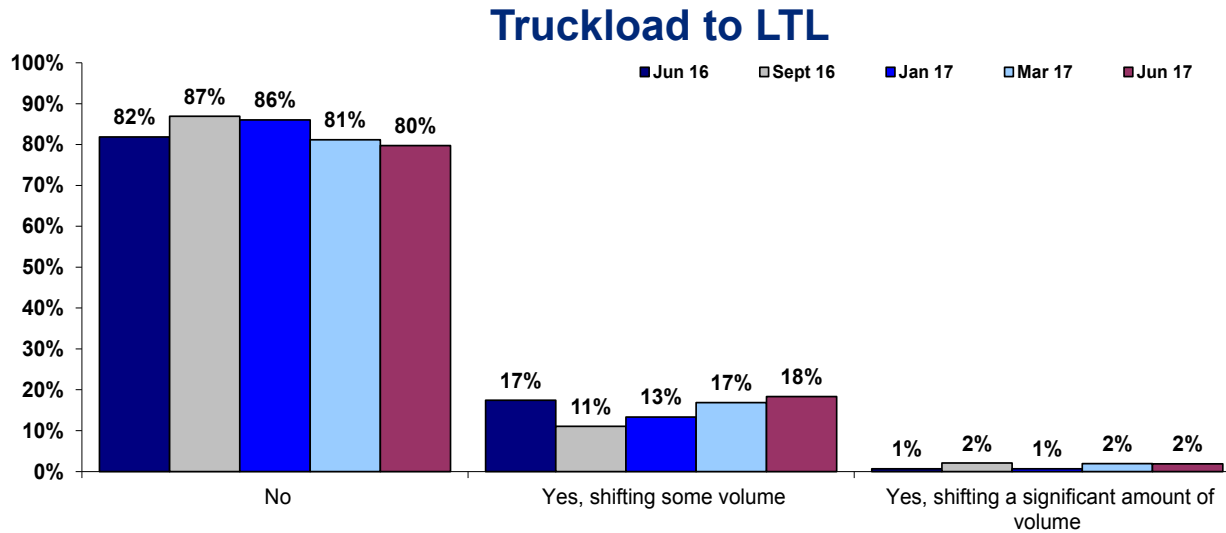
LTL to Airfreight



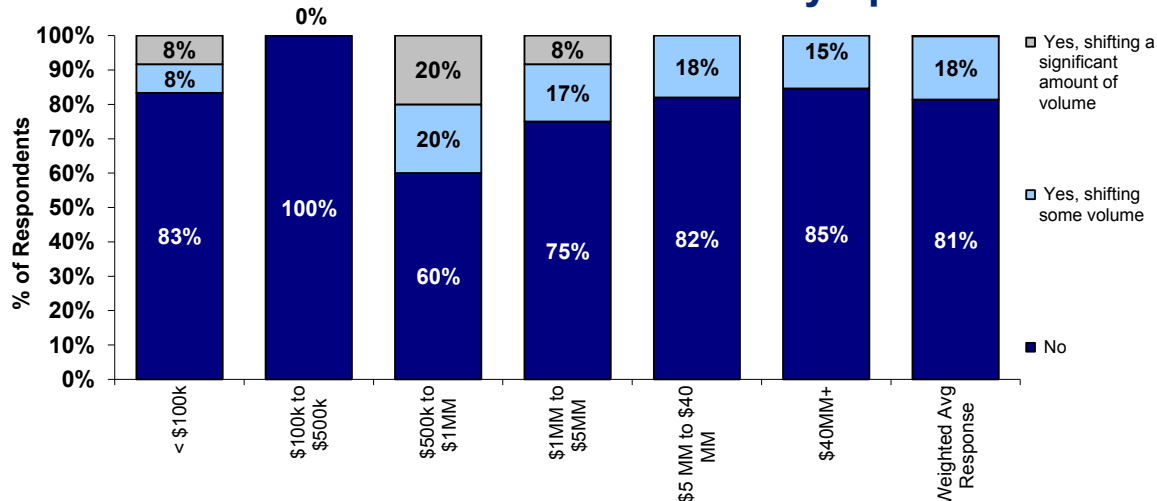
LTL to Airfreight - Modal Shift by Spend



Shipper Modal Shift Statistics – Truckload to LTL

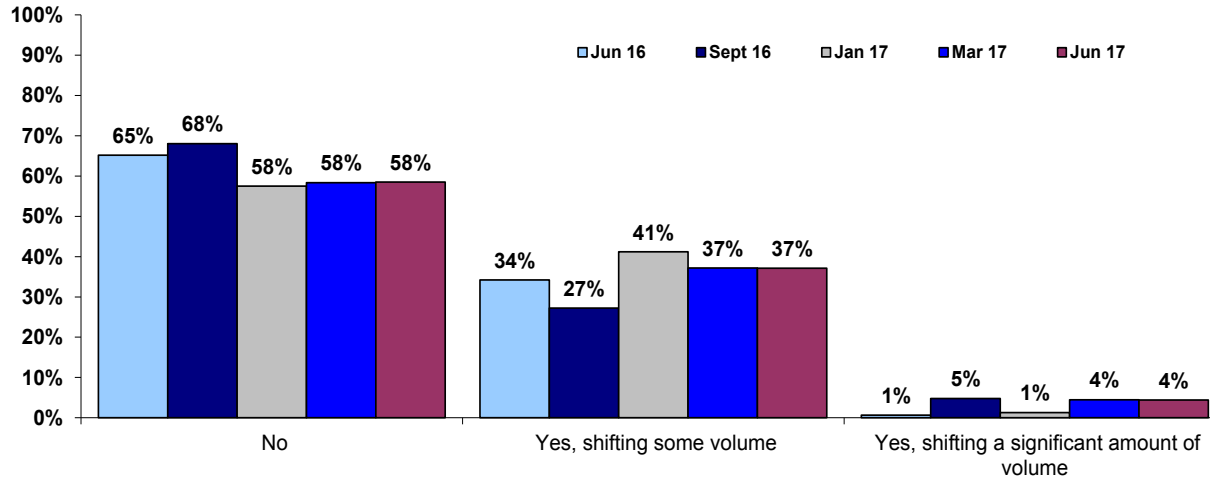


Truckload to LTL - Modal Shift by Spend

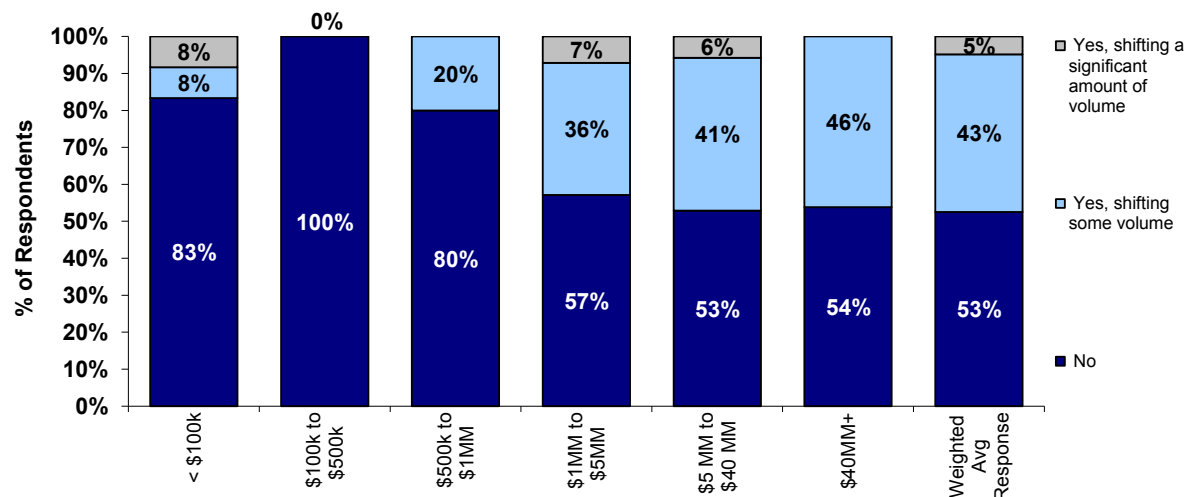


Shipper Modal Shift Statistics – LTL to Truckload

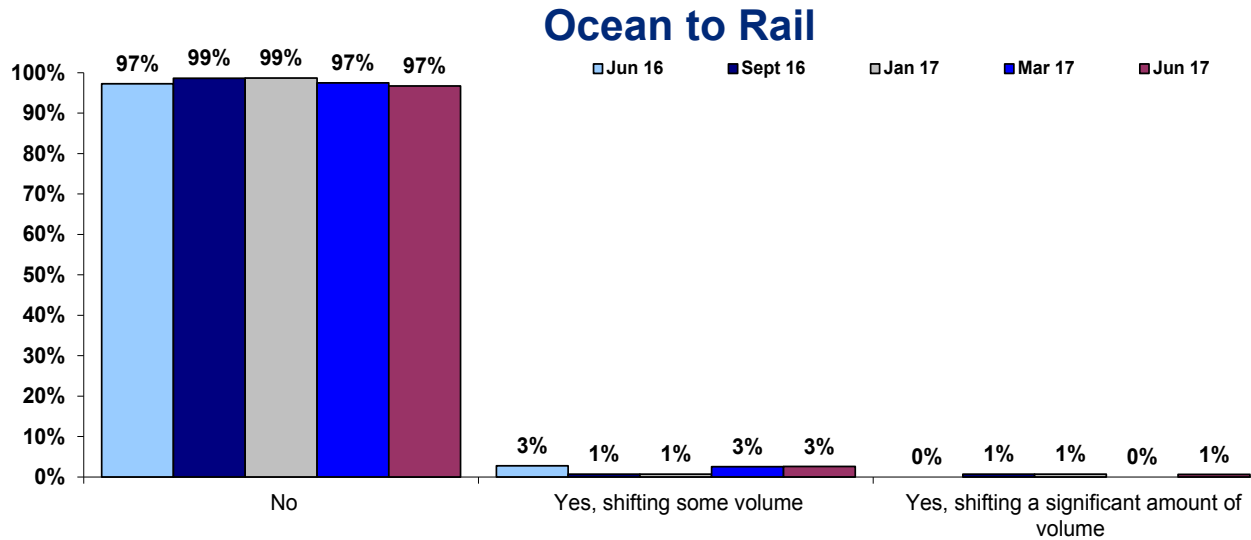
LTL to Truckload



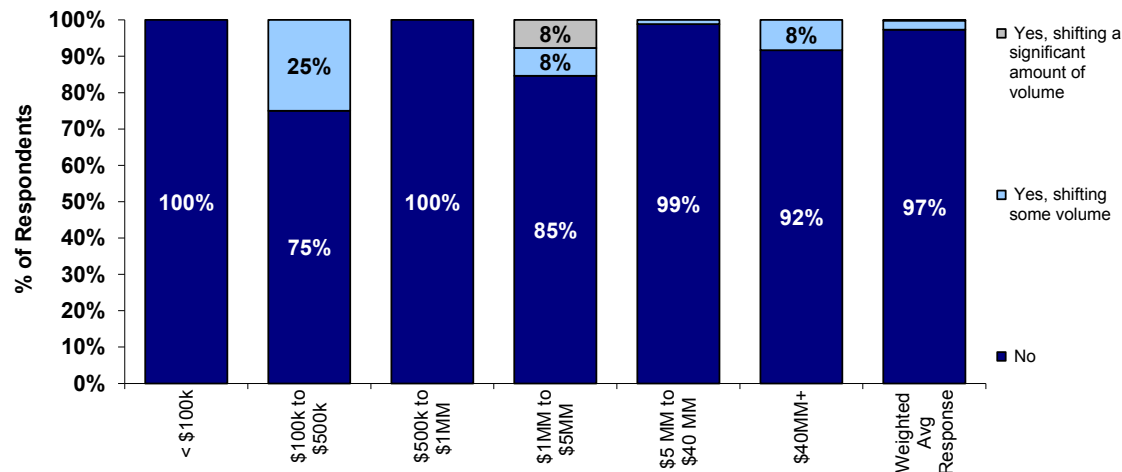
LTL to Truckload - Modal Shift by Spend



Shipper Modal Shift Statistics – Ocean to Rail

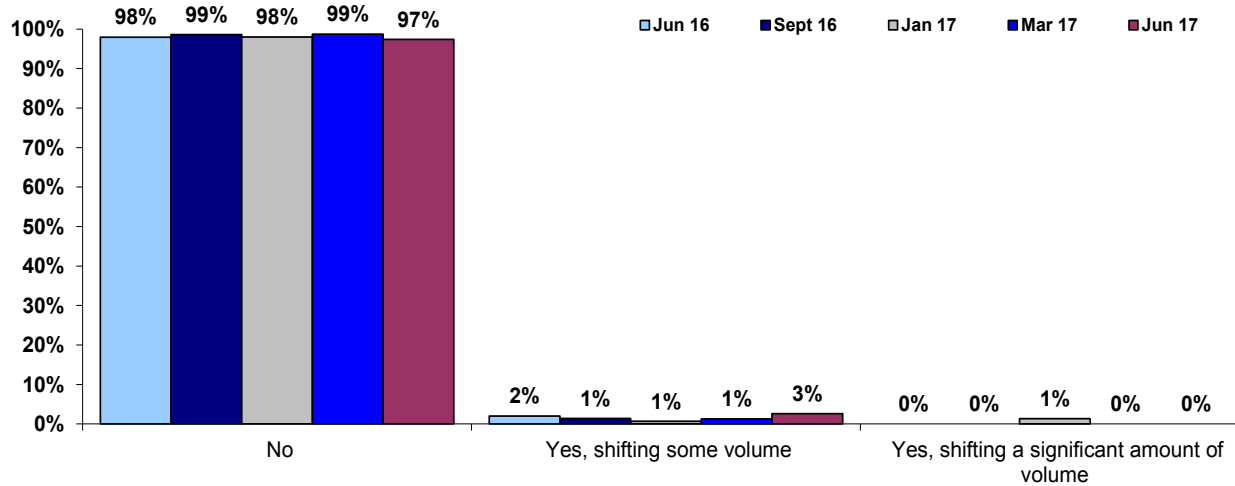


Ocean to Rail - Modal Shift by Spend

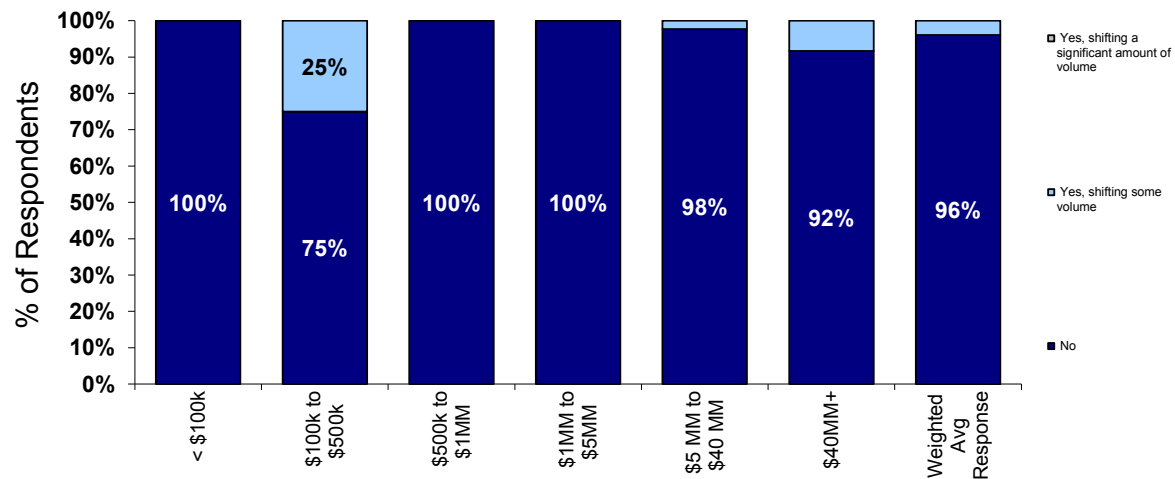


Shipper Modal Shift Statistics – Rail to Ocean

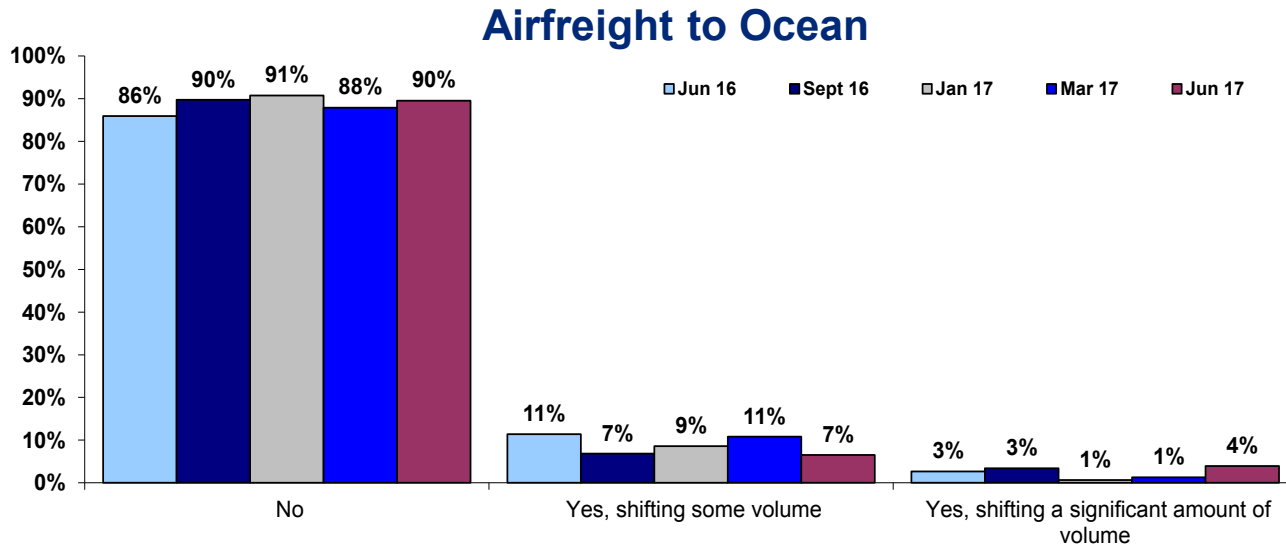
Rail to Ocean



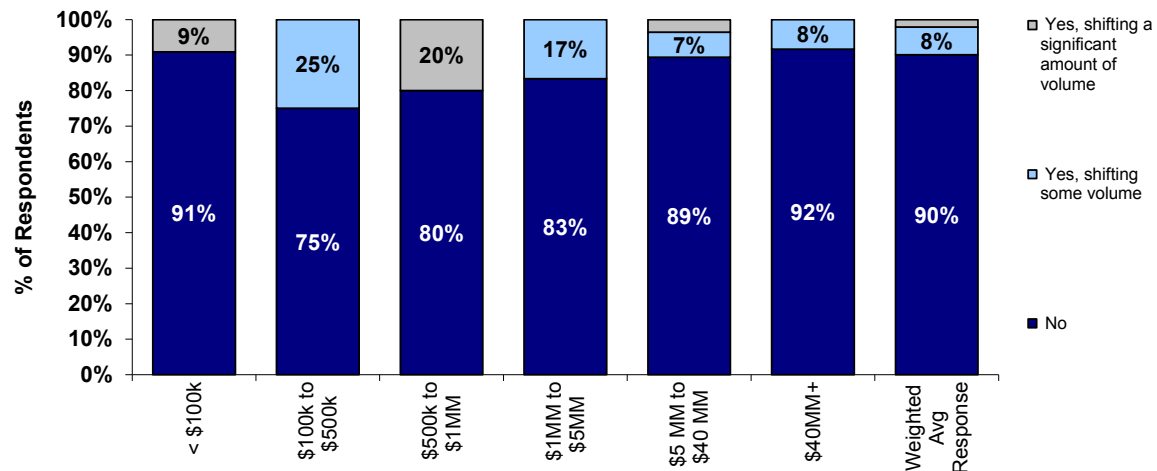
Rail to Ocean - Modal Shift by Spend



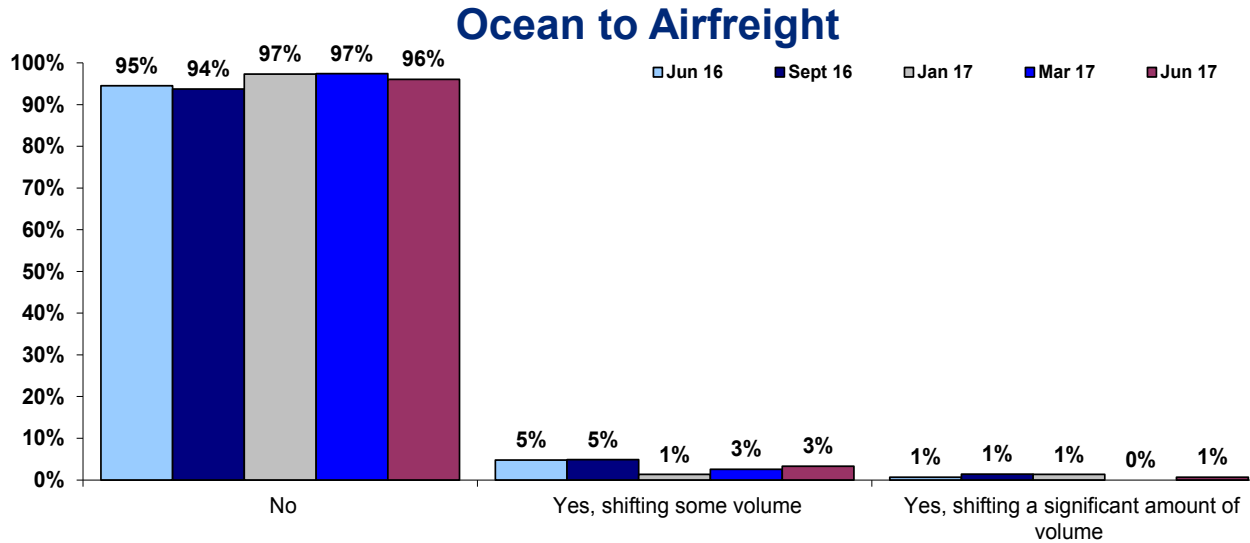
Shipper Modal Shift Statistics – Airfreight to Ocean



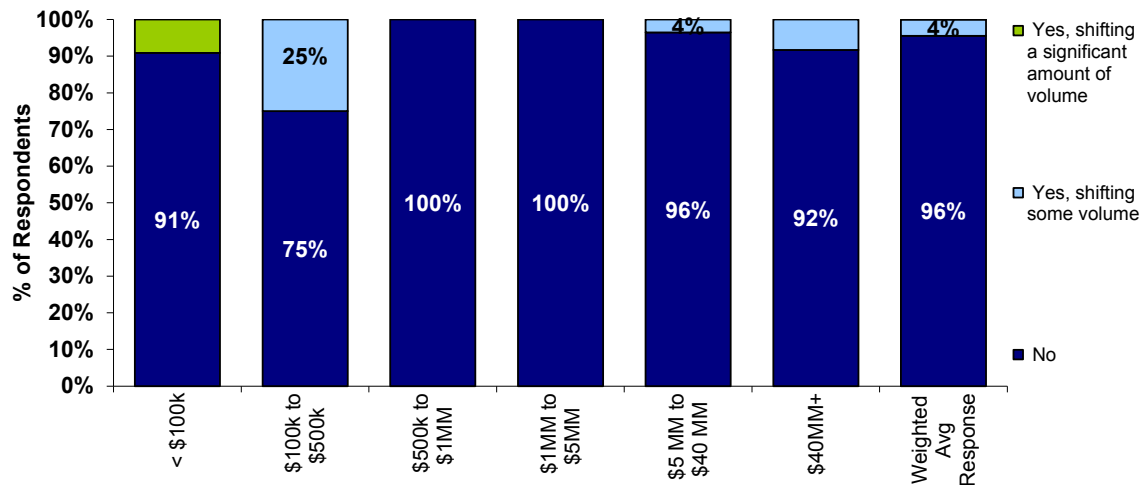
Airfreight to Ocean - Modal Shift by Spend



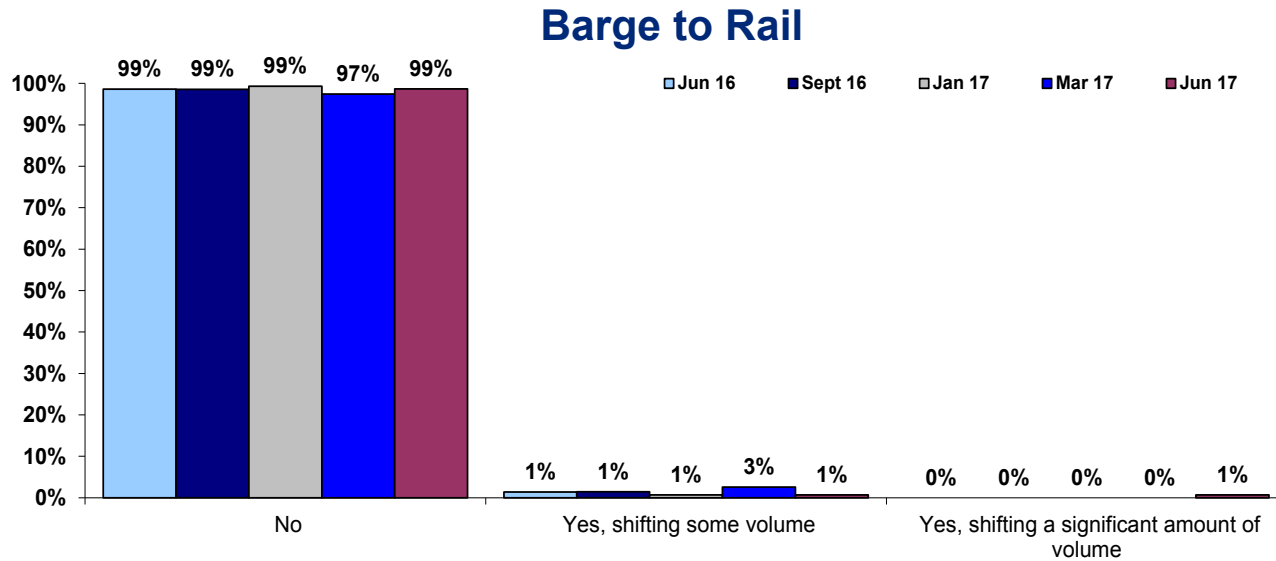
Shipper Modal Shift Statistics – Ocean to Airfreight



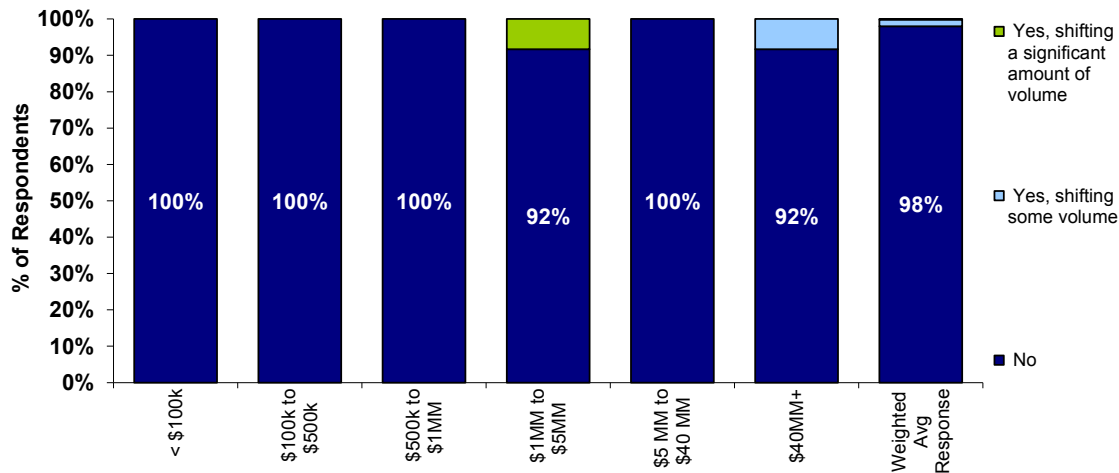
Ocean to Airfreight - Modal Shift by Spend



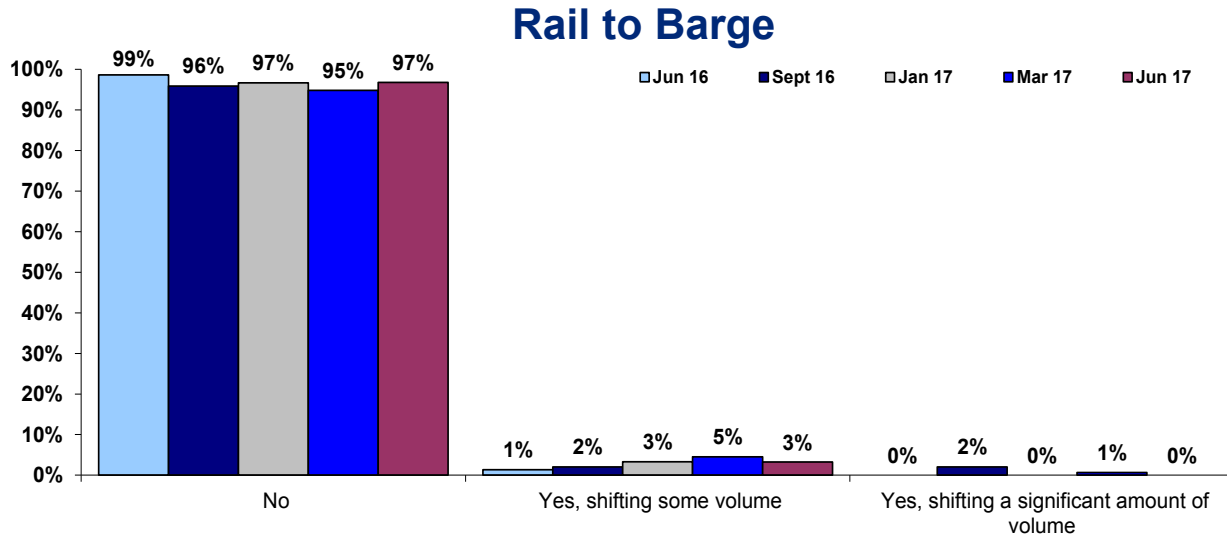
Shipper Modal Shift Statistics – Barge to Rail



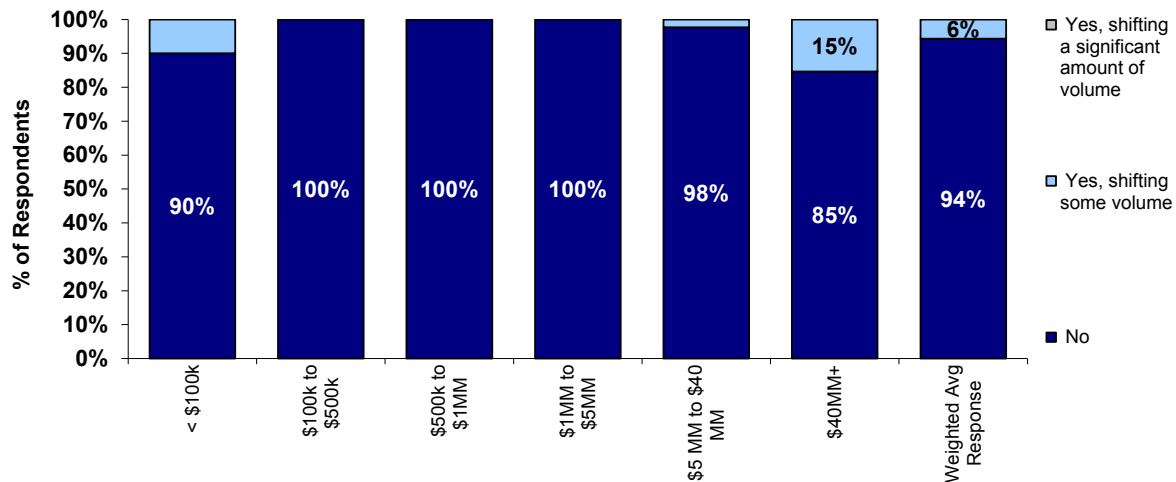
Barge to Rail - Modal Shift by Spend



Shipper Modal Shift Statistics – Rail to Barge

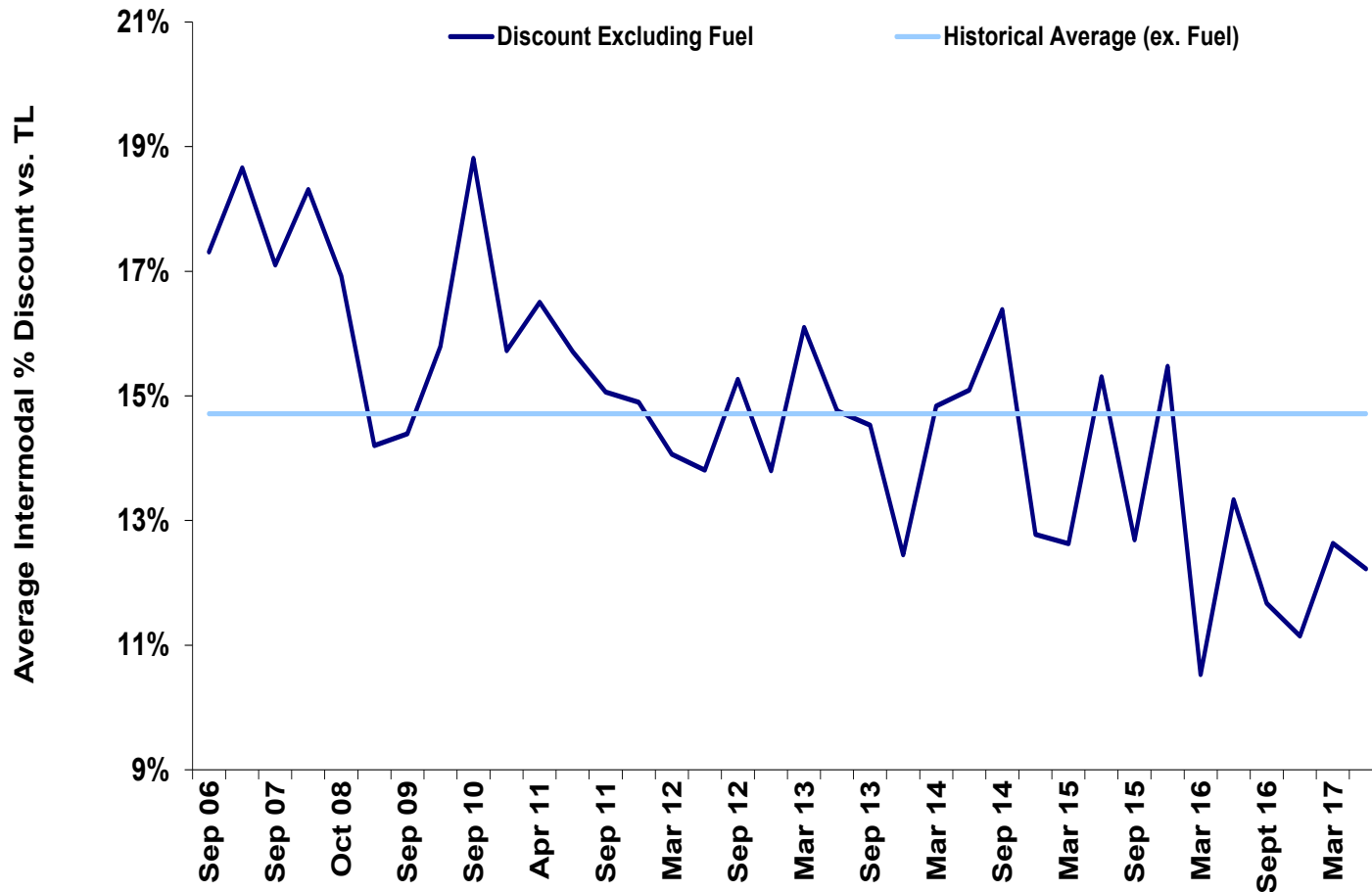


Rail to Barge - Modal Shift by Spend



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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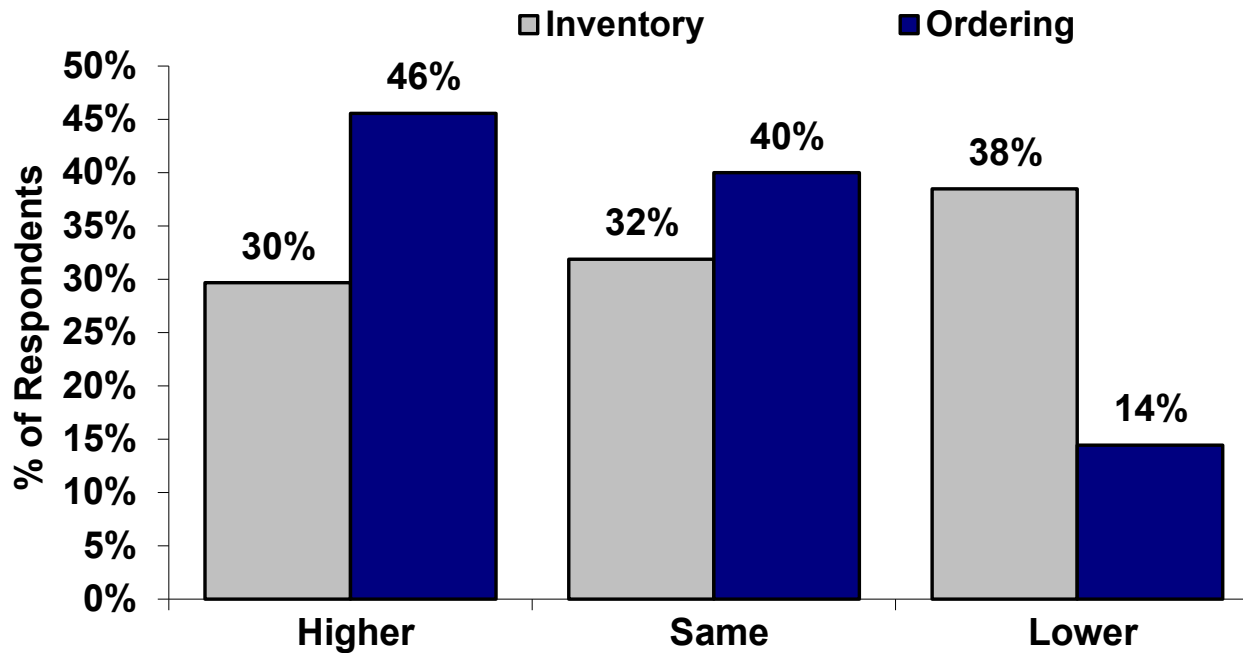
1. Service Trends
2. Capacity Trends
3. Modal Shift
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1. Inventories and Orders
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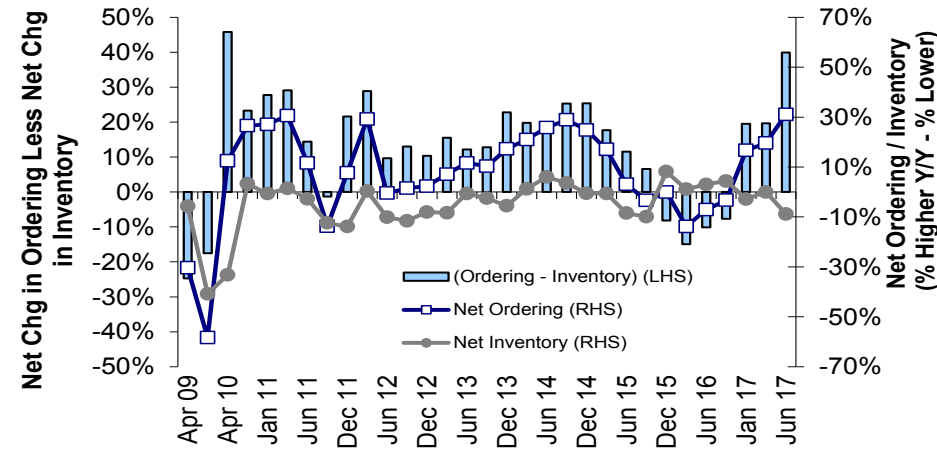
Shipper Inventory and Stocking Trends

Shipper Inventories and Orders Relative to Last Year

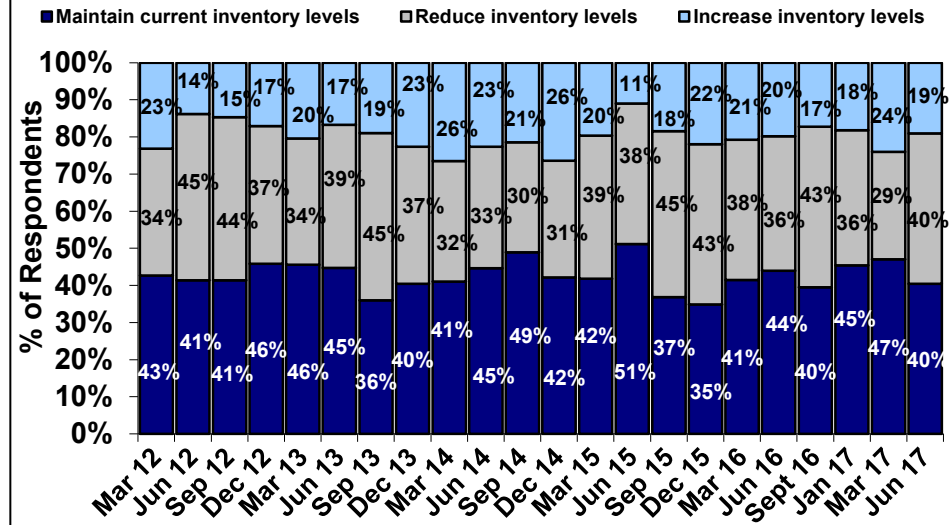


Assessing Restocking Potential: Net Inventory Trends and Inventory Plans

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

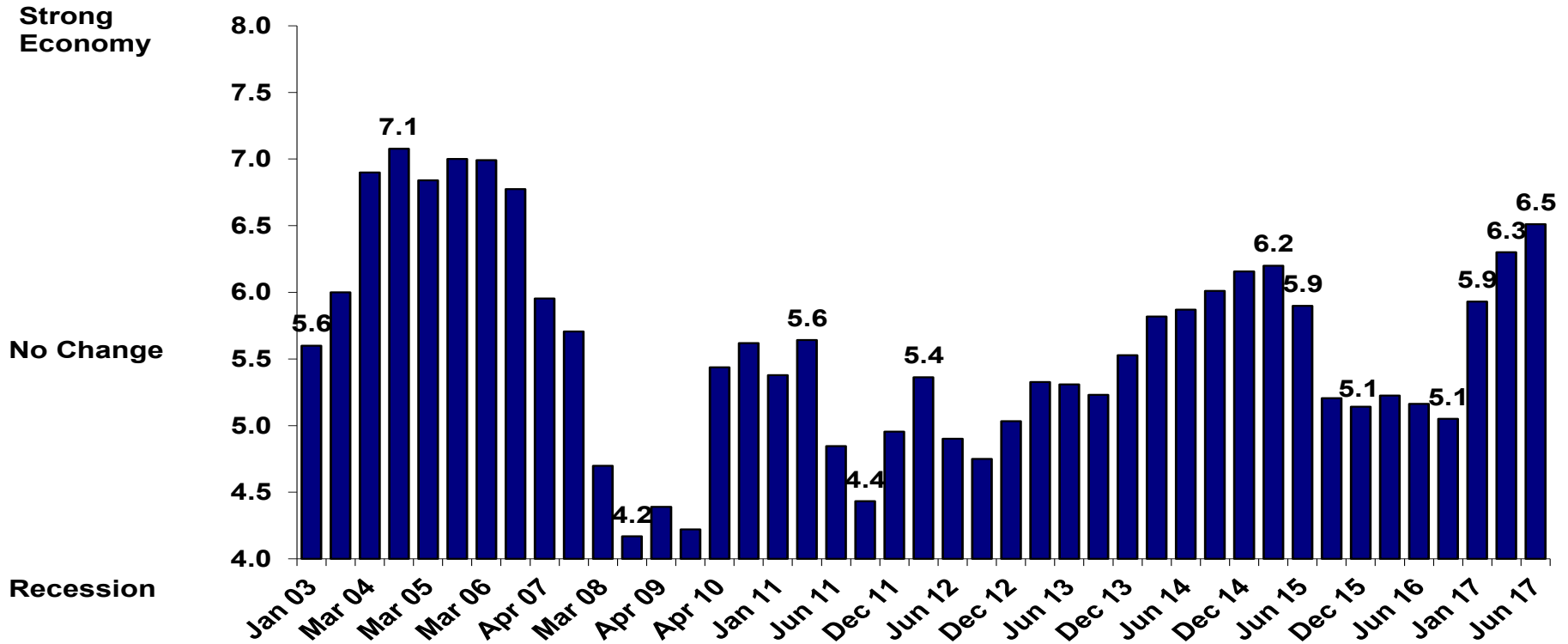


Shippers' Inventory Plans



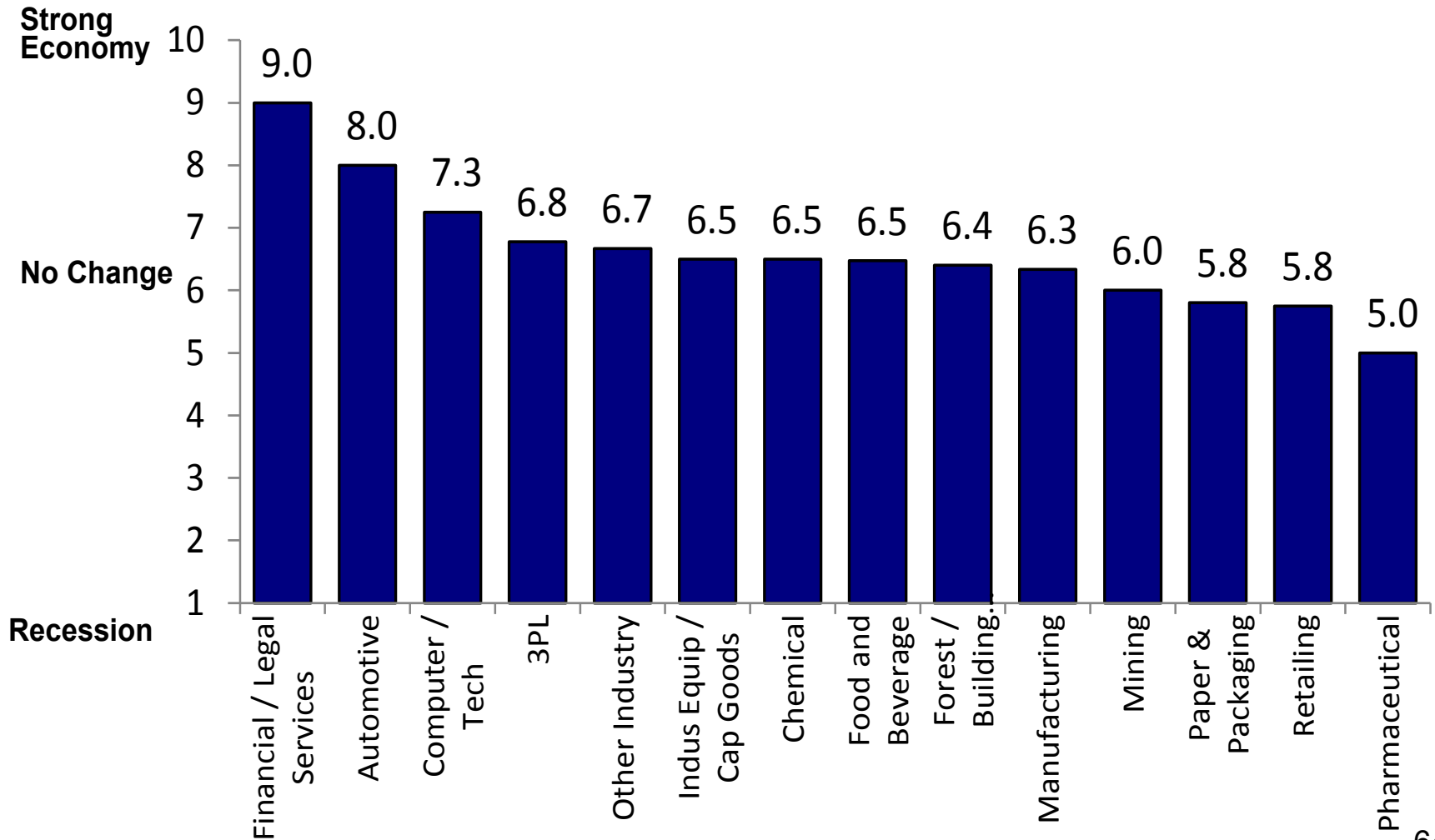
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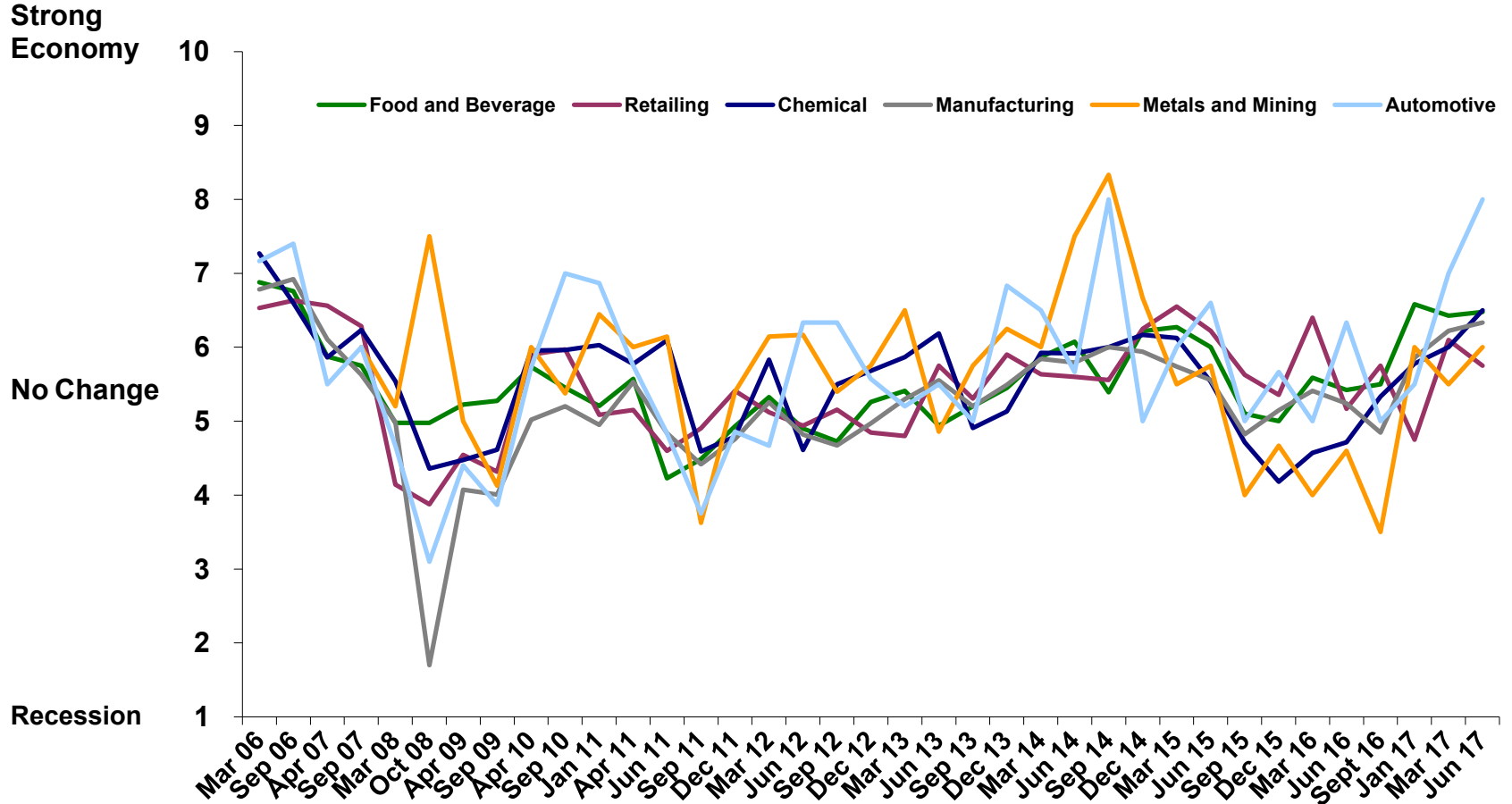
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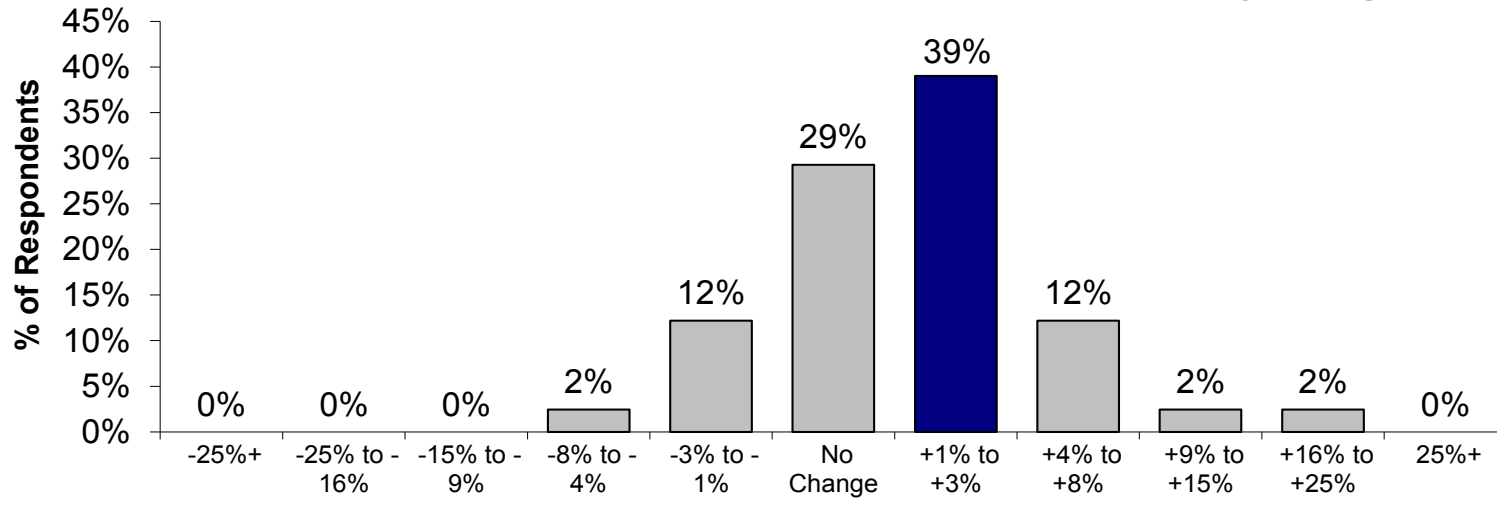
1. Volume Trends
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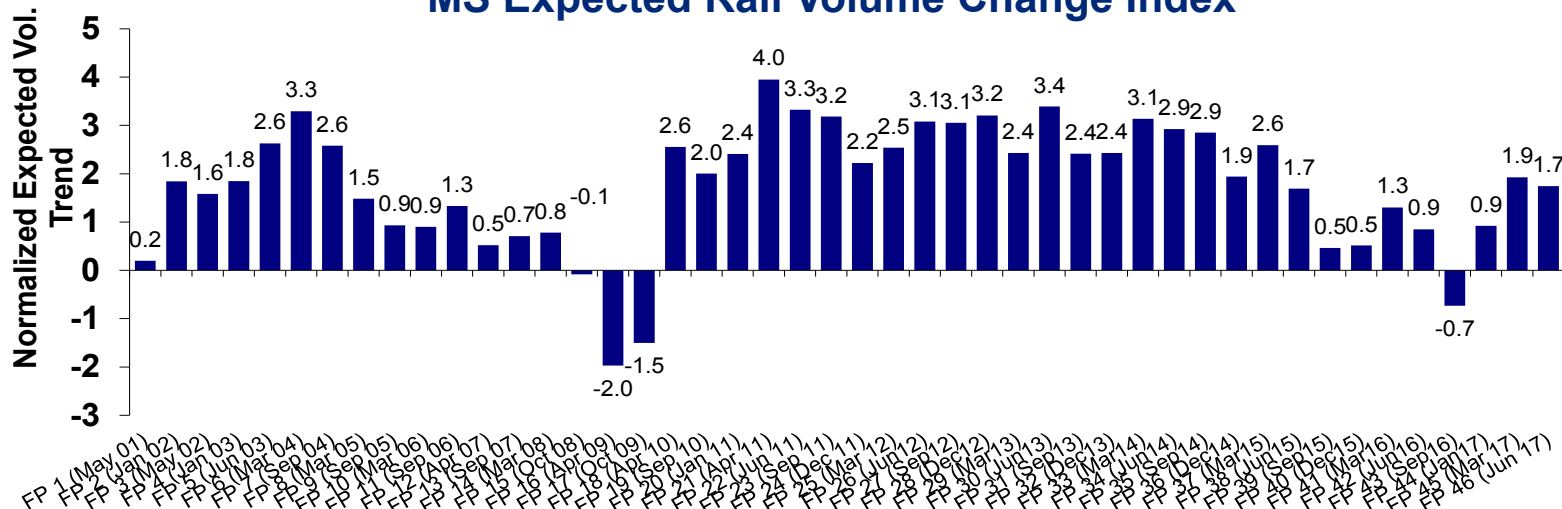
1. Intermodal
2. Rate Mitigation Efforts
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Rail Volume Trends: Forward 6 Month YoY Volume Expectations

YoY Volume Growth Expectations for Next 6 Mo. by Range

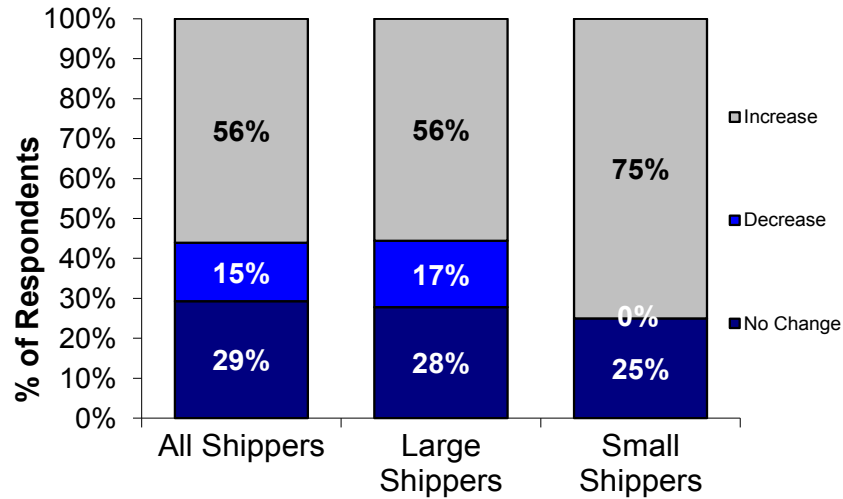


MS Expected Rail Volume Change Index

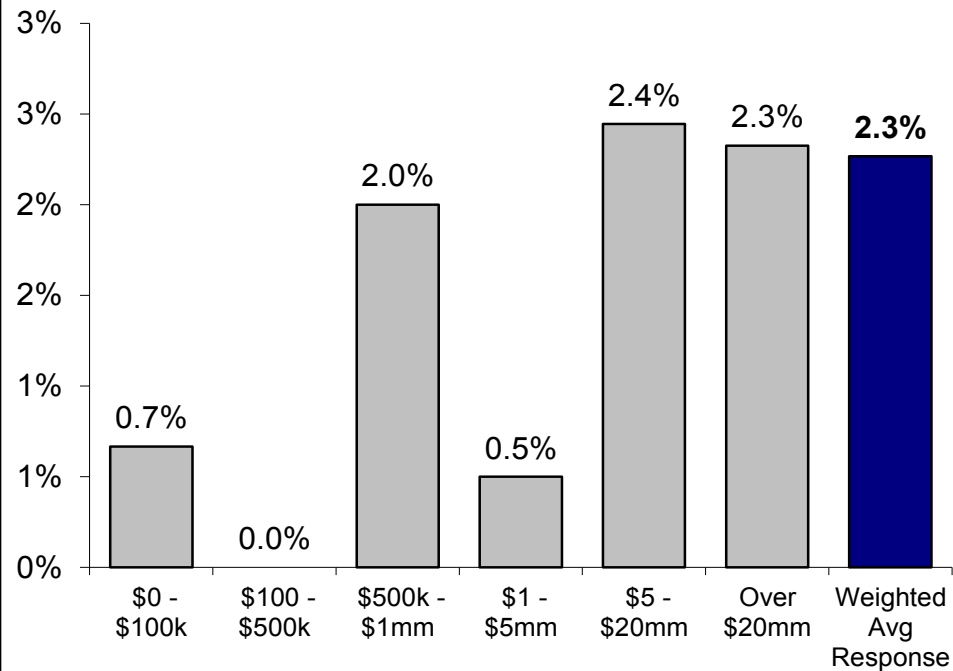


Rail Volume Trends: Forward 6 Month YoY Volume Expectations by Segment

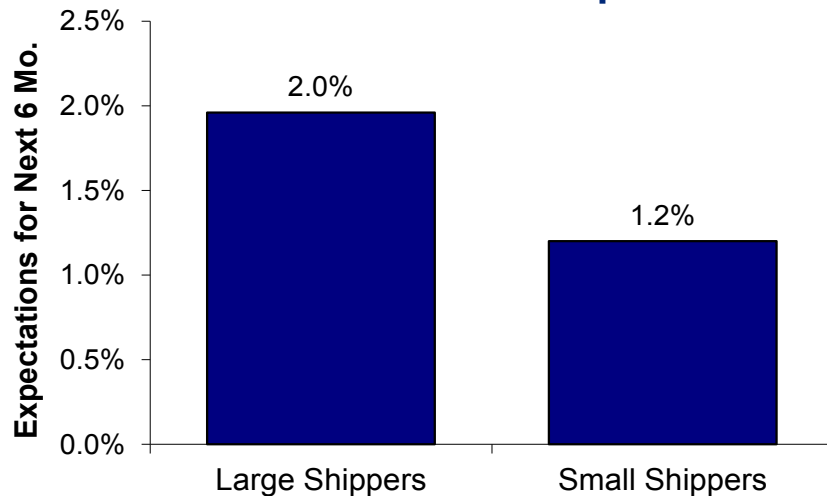
YoY Volume Growth Expectations



6 Mo. YoY Volume Growth Expectation by Spend

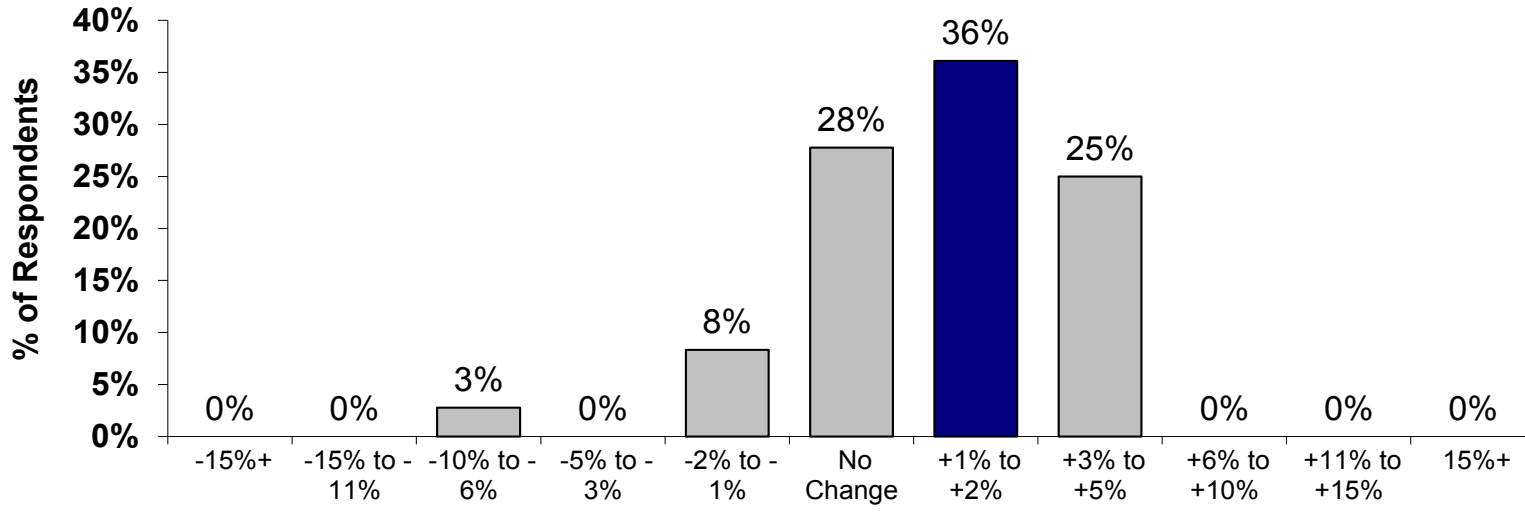


YoY Volume Growth Expectations

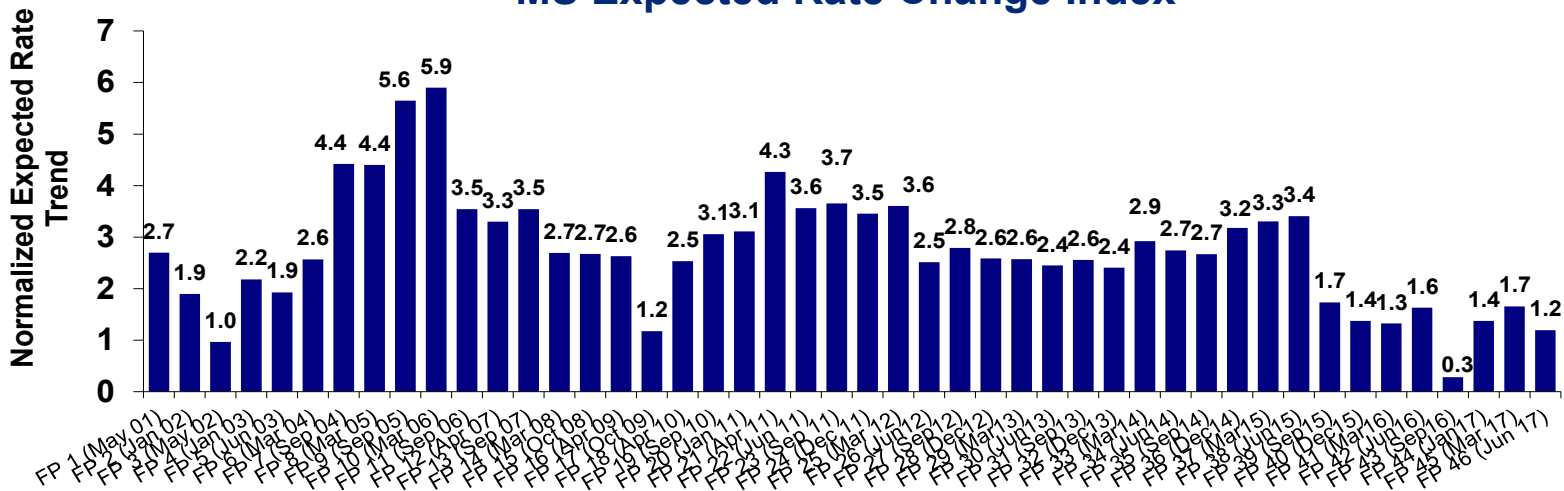


Rail Rate Trends: Forward 6 Month YoY Rate Expectations

YoY Rate Growth Expectations for Next 6 Mo. by Range

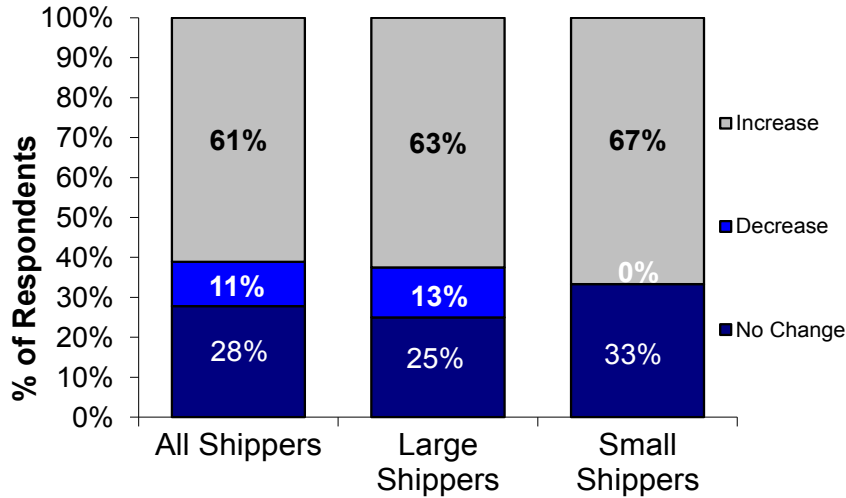


MS Expected Rate Change Index

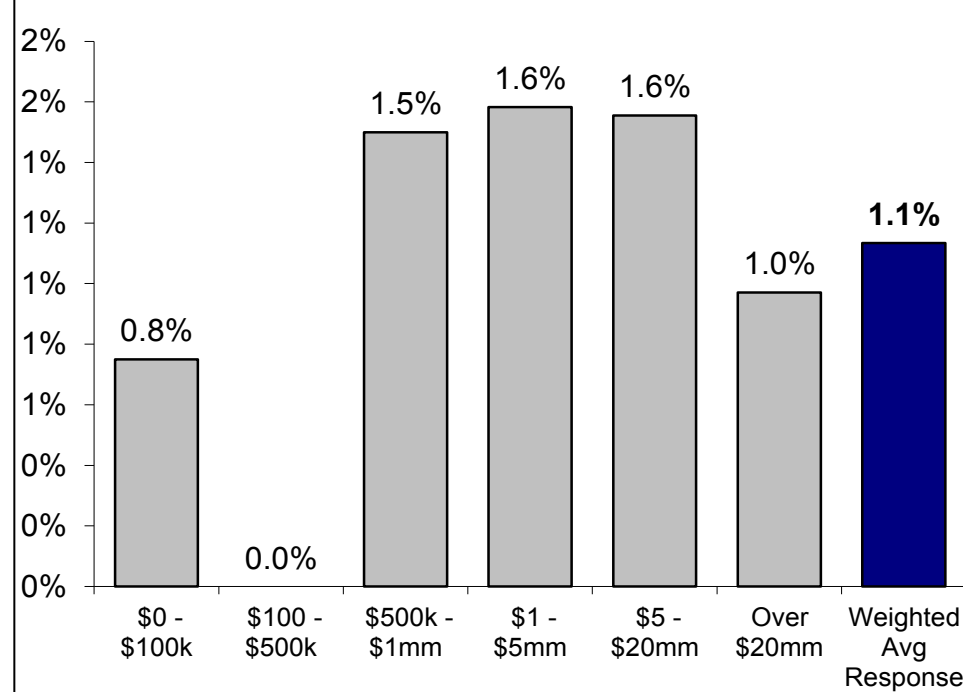


Rail Rate Trends: Forward 6 Month YoY Rate Expectations by Segment

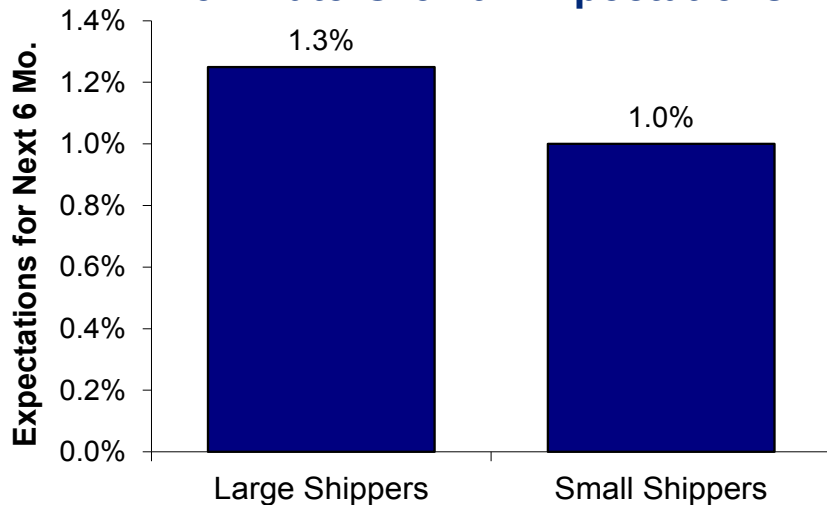
YoY Rate Growth Expectations



6 Mo. YoY Rate Growth Expectation by Spend

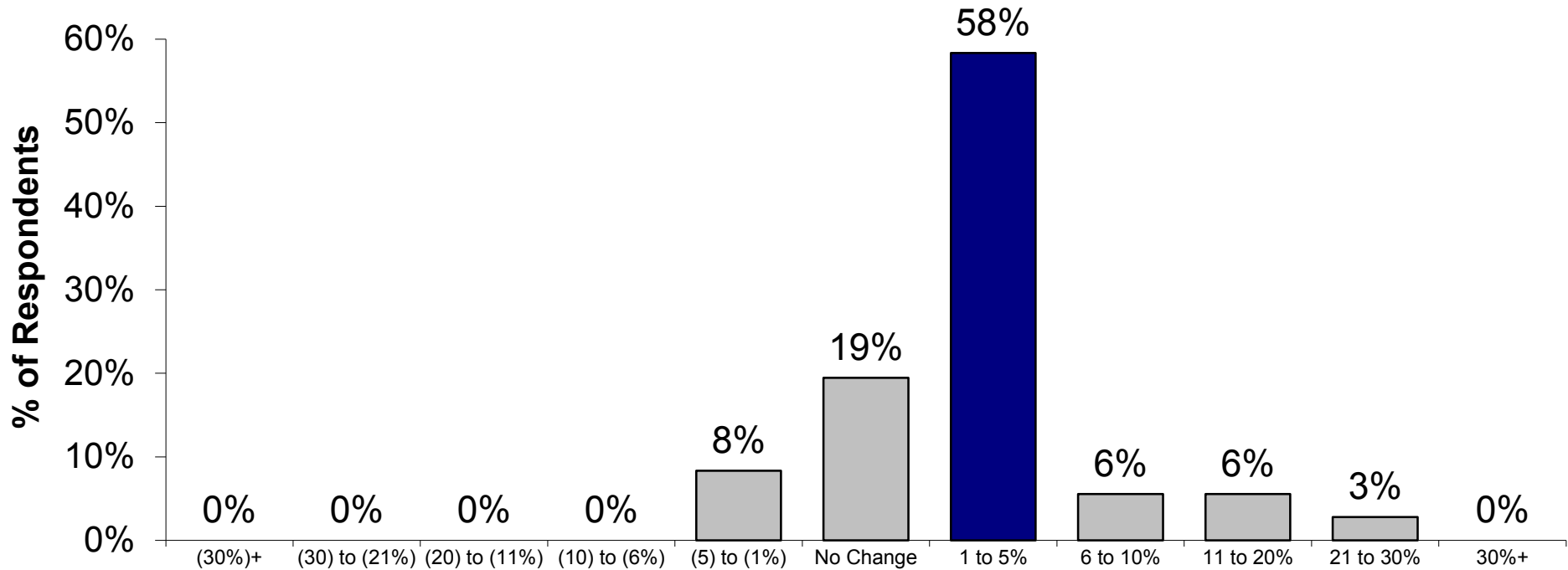


YoY Rate Growth Expectations



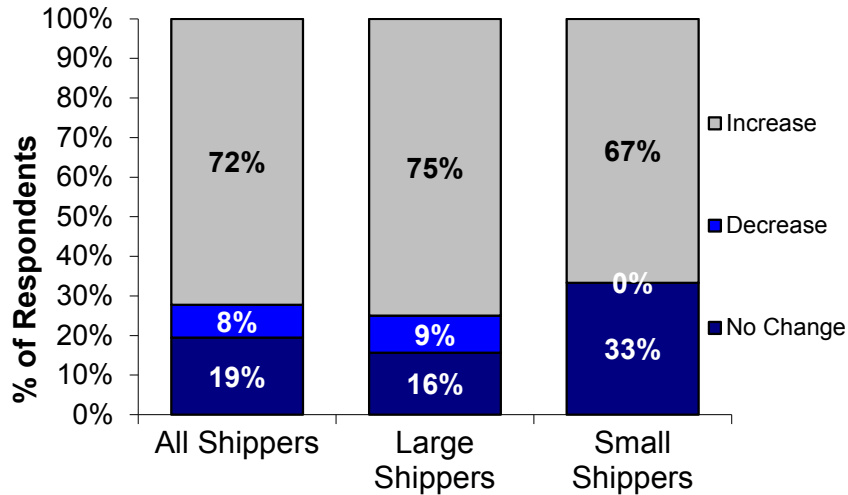
Rail Spend Trends: Forward 6 Month YoY Spend Expectations

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

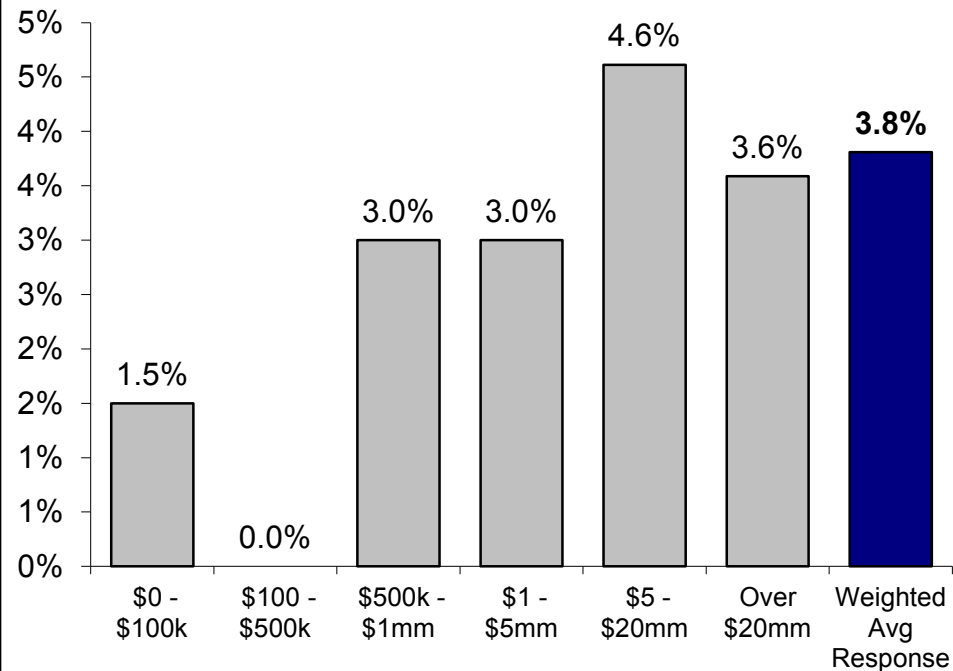


Rail Spend Trends: Forward 6 Month YoY Spend Expectations by Segment

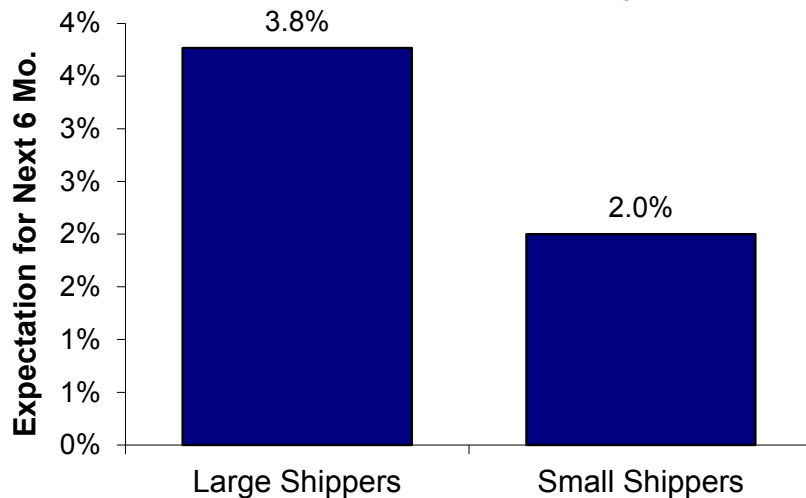
YoY Spend Growth Expectations



6 Mo. YoY Spend Growth Expectation by Spend

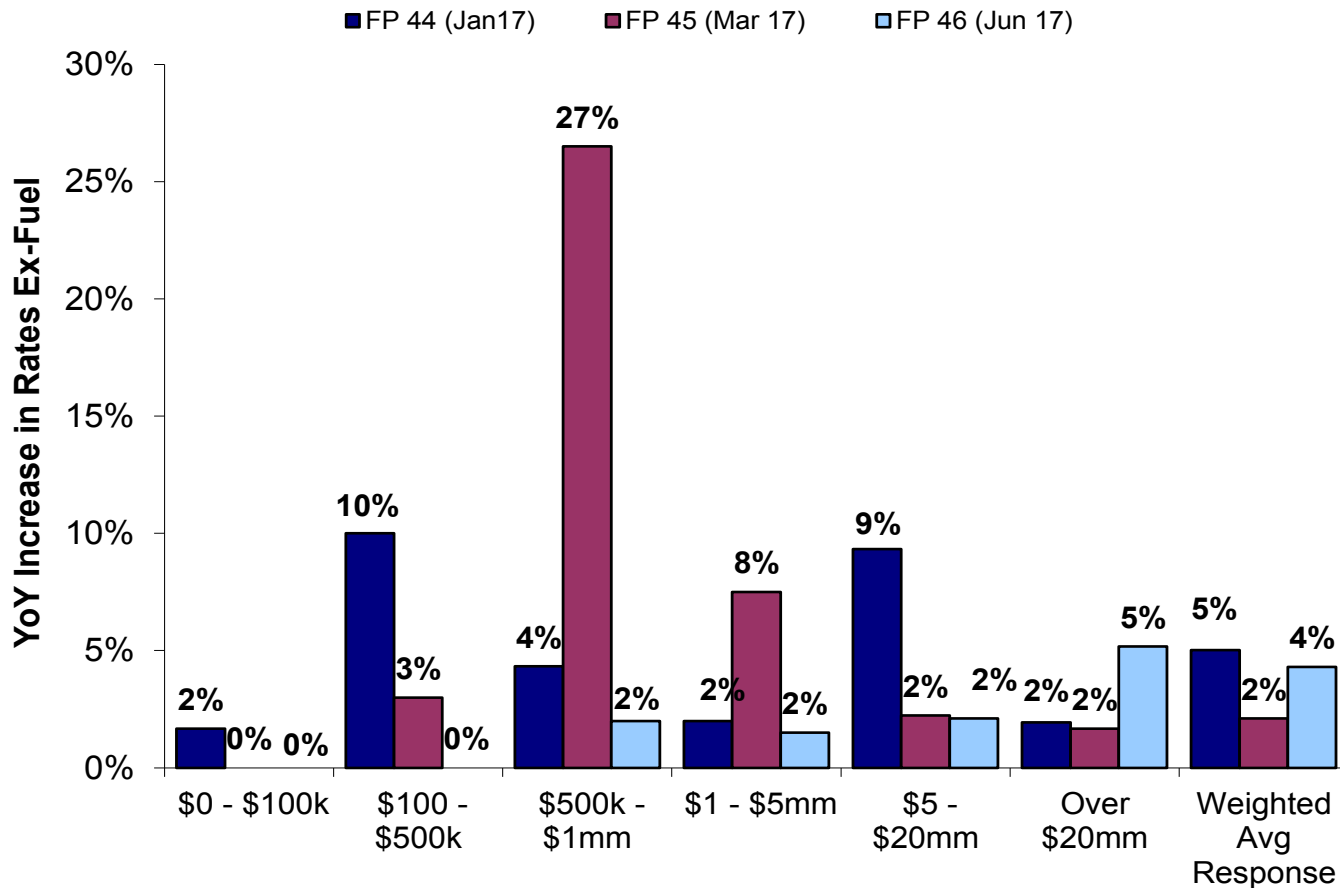


Spend Expectations by Size



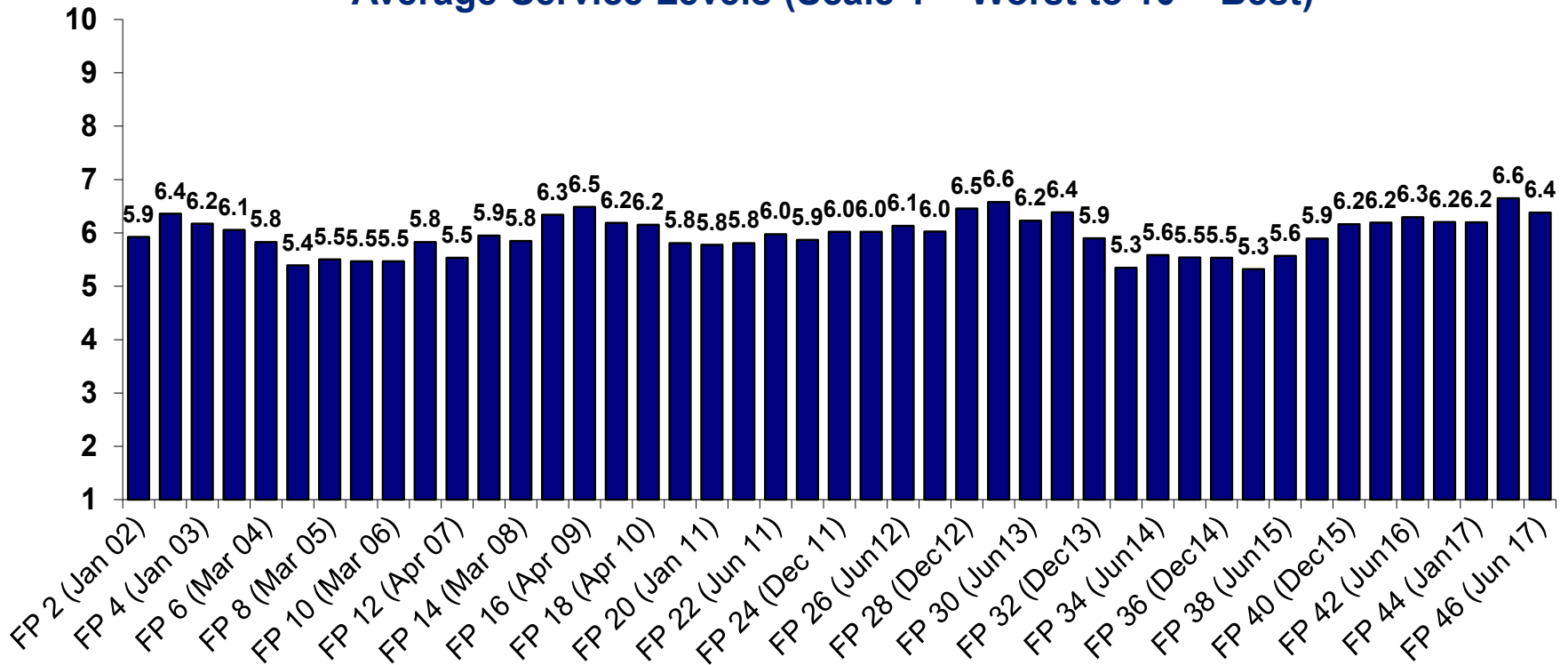
Rail Pricing Trends: Renewal Rates

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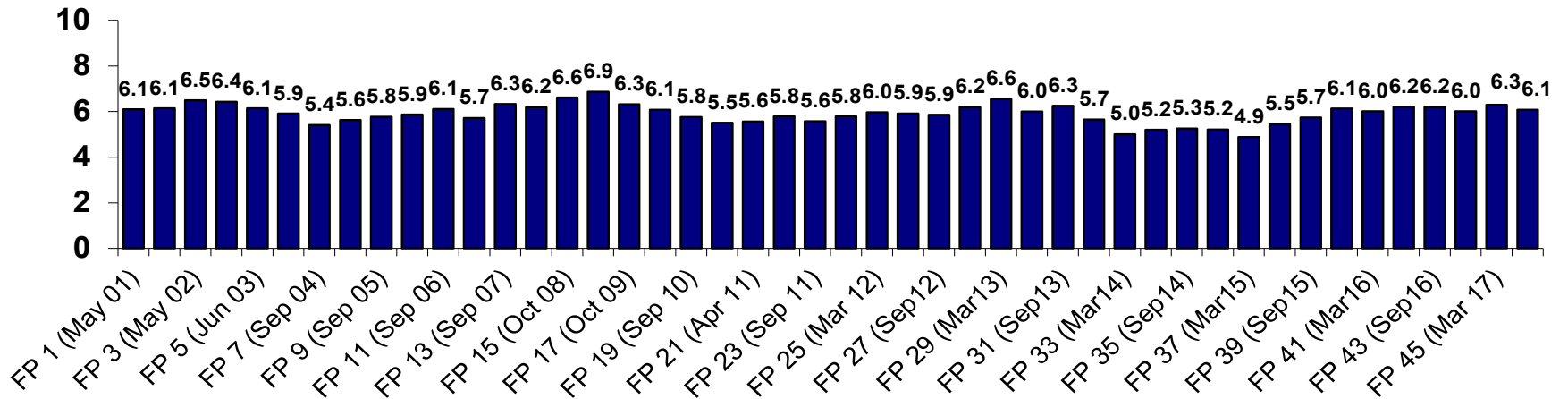
Rail Service Trends: Average Service Levels

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

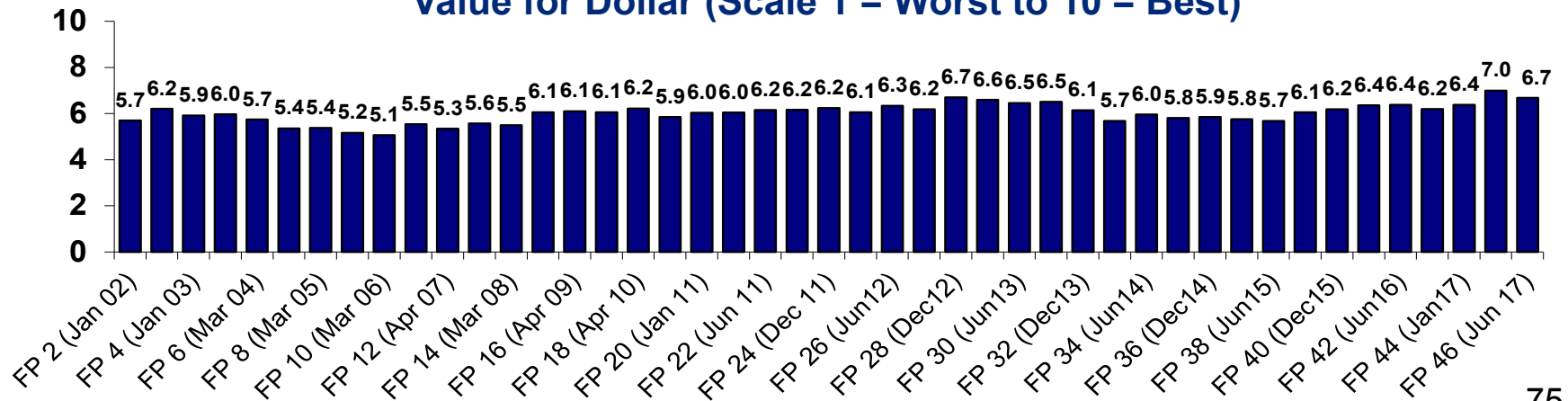


Rail Service Trends: Detail

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



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



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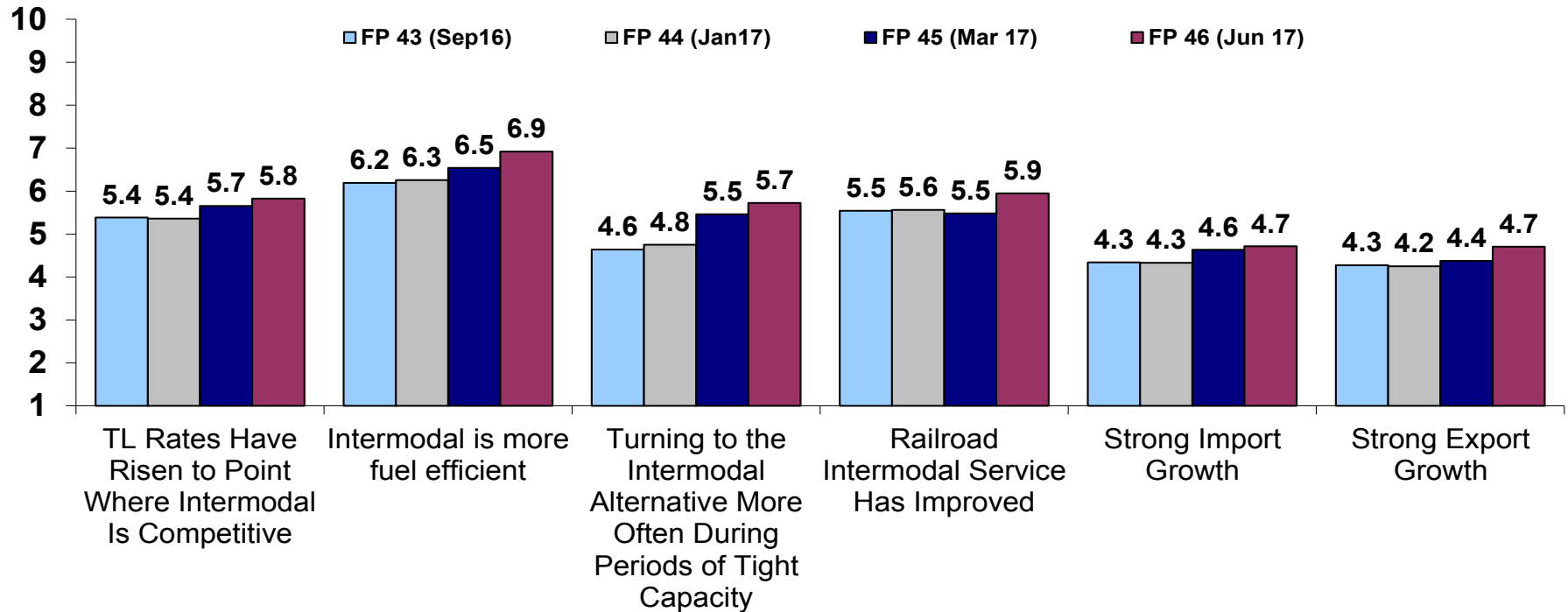
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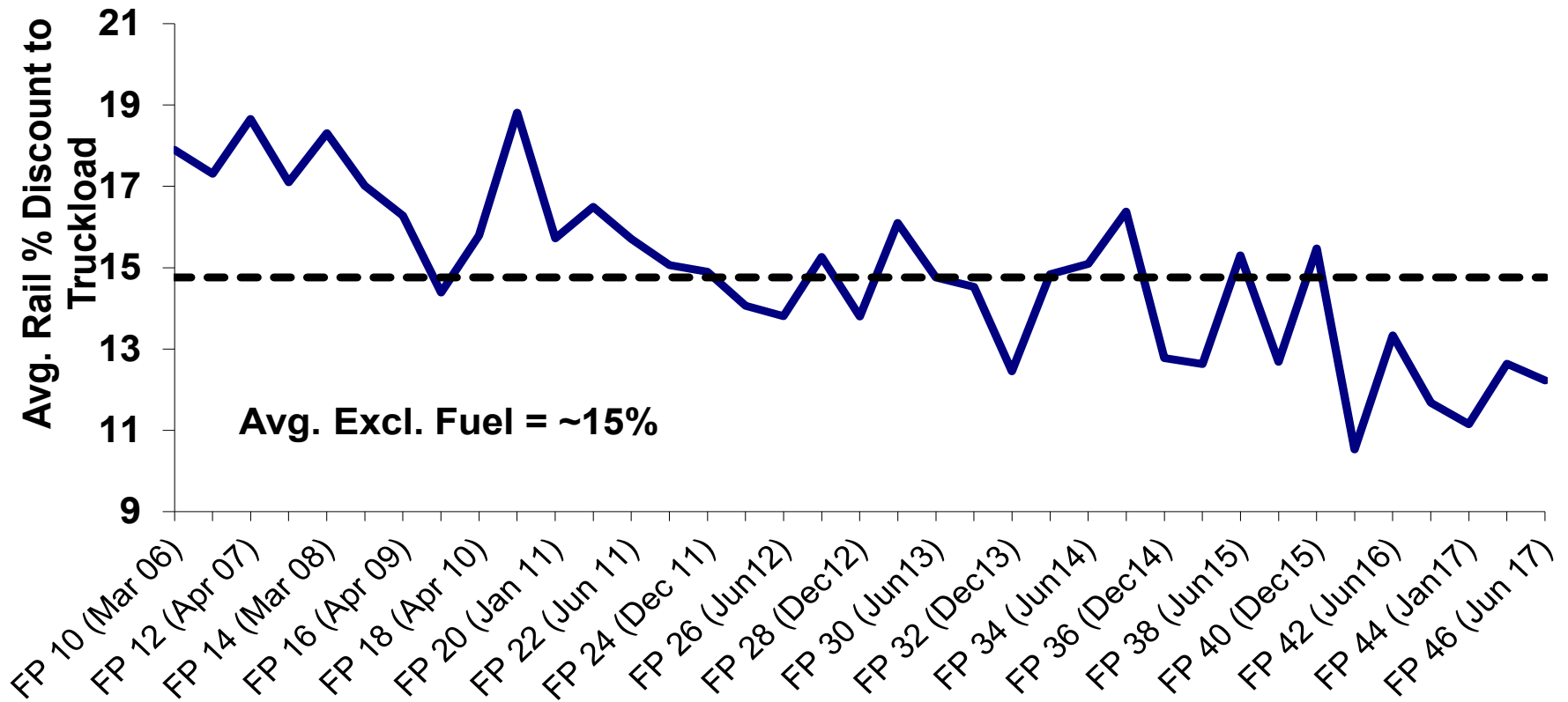
Intermodal: What Factors Are Impacting Your Use of Intermodal Most?

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



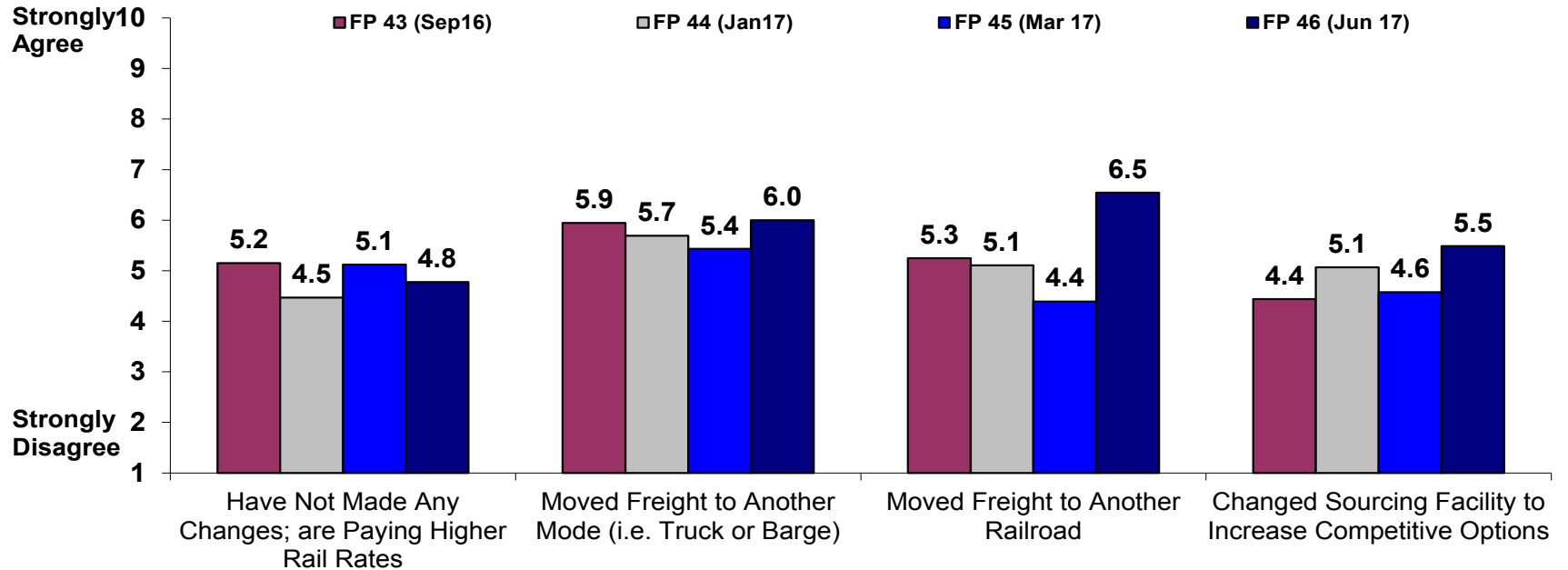
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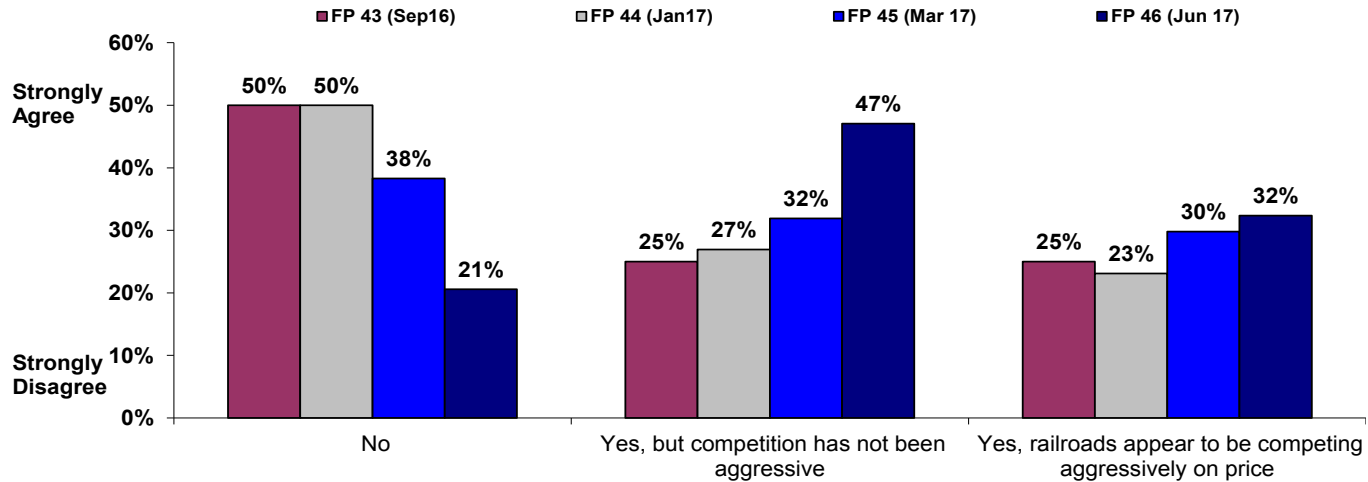
Rate Mitigation: What Have You Done in an Effort to Reduce Railroad Spend ?

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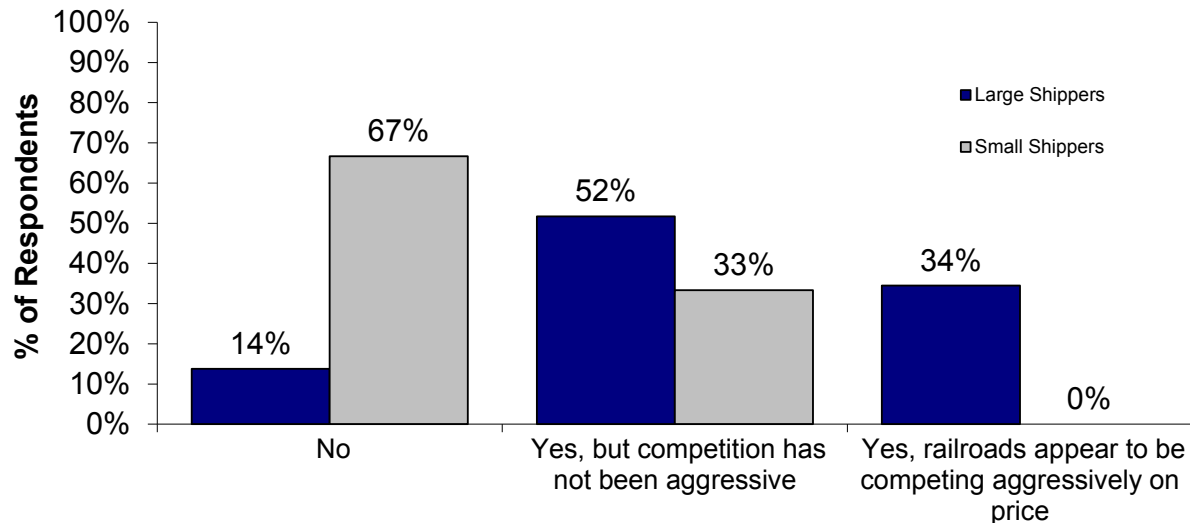


Competition: Have You Been Solicited With Competing Bids Offering Lower Rates?

All Shippers

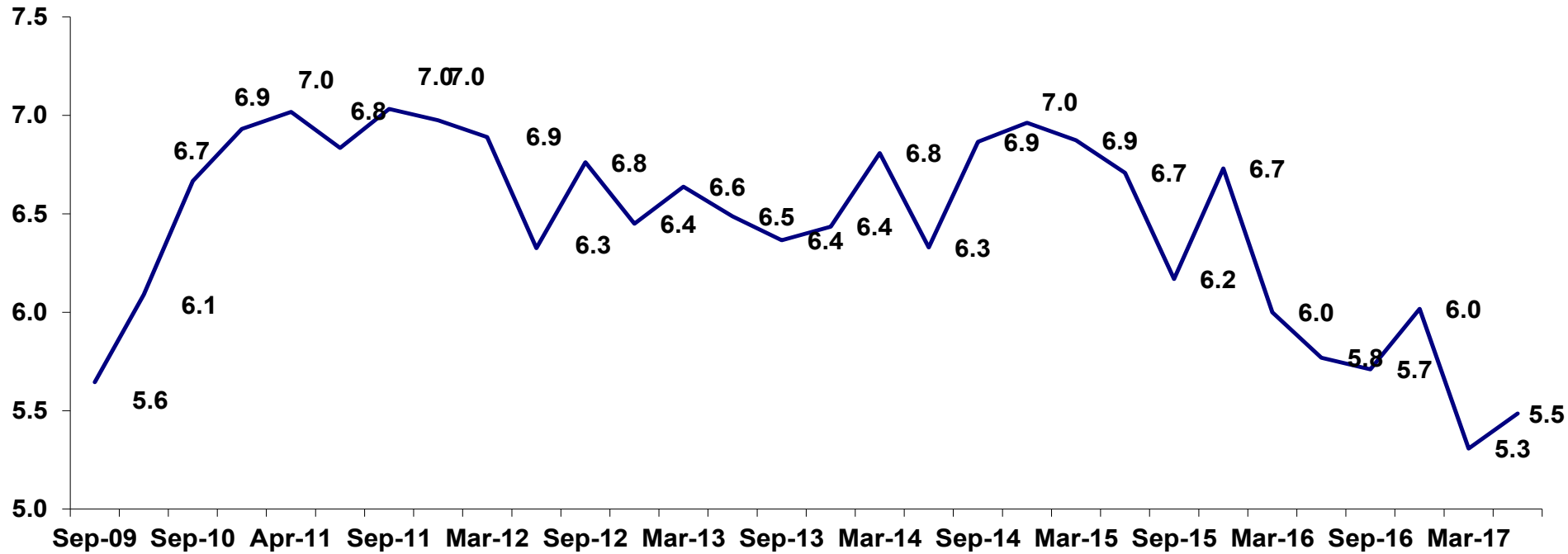


Price Competition from Railroads



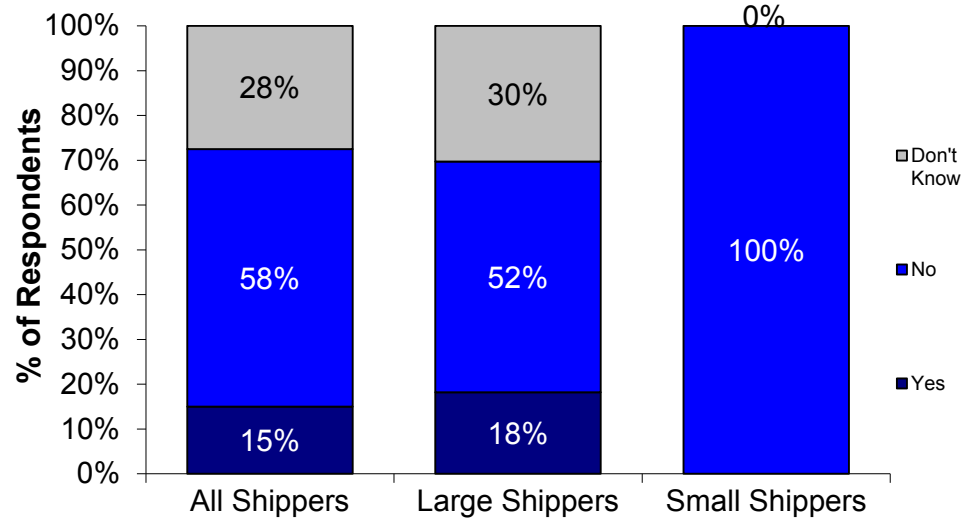
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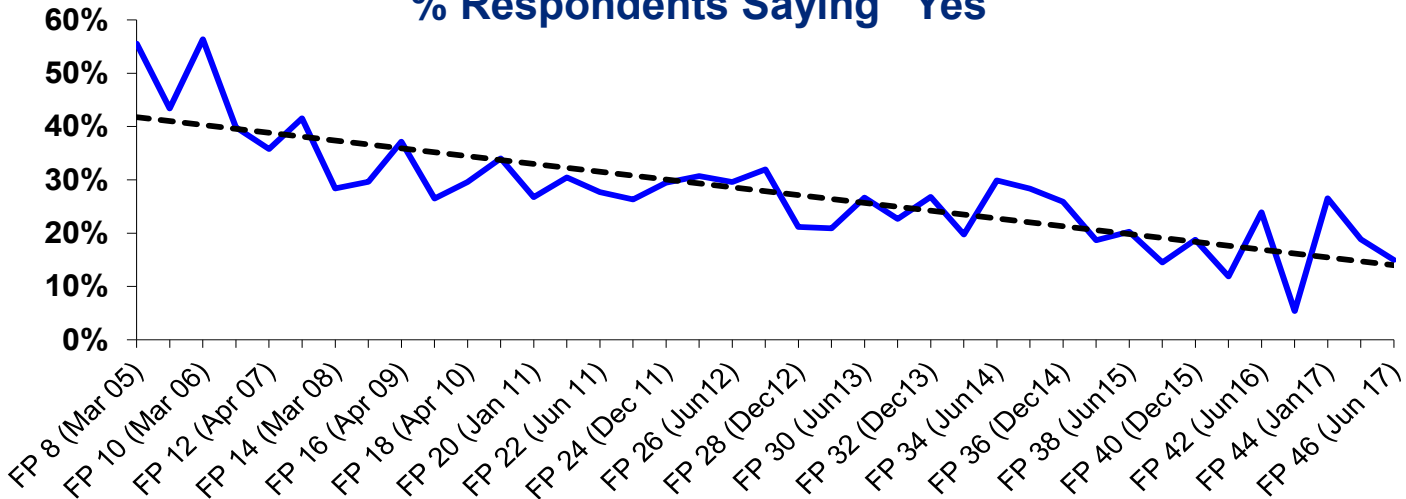


Legislation: Do You Expect to Take a More Active Role in Legislative Rail Reform?

Action on Legislative Rail Reform



% Respondents Saying "Yes"



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Shipper Measures for Availability of Truck Capacity

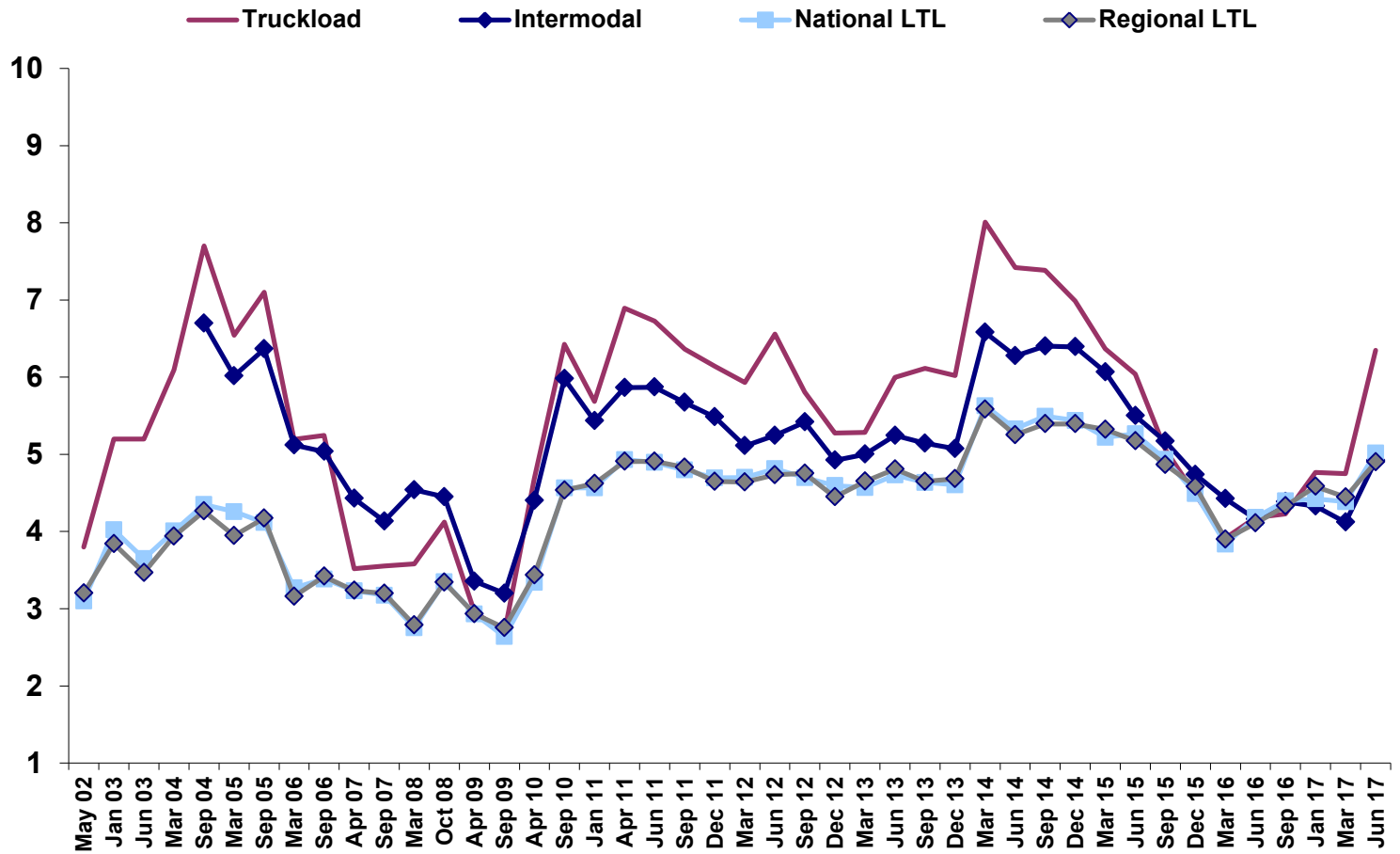
Trucking Shipper Responses to “How Would You Currently Characterize the Availability of Equipment?”

Capacity is:

Very Tight

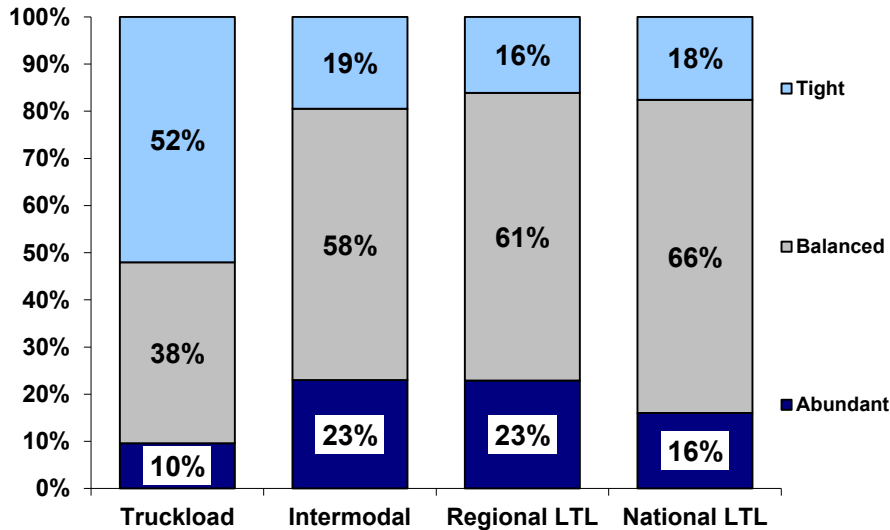
Balanced

Abundant

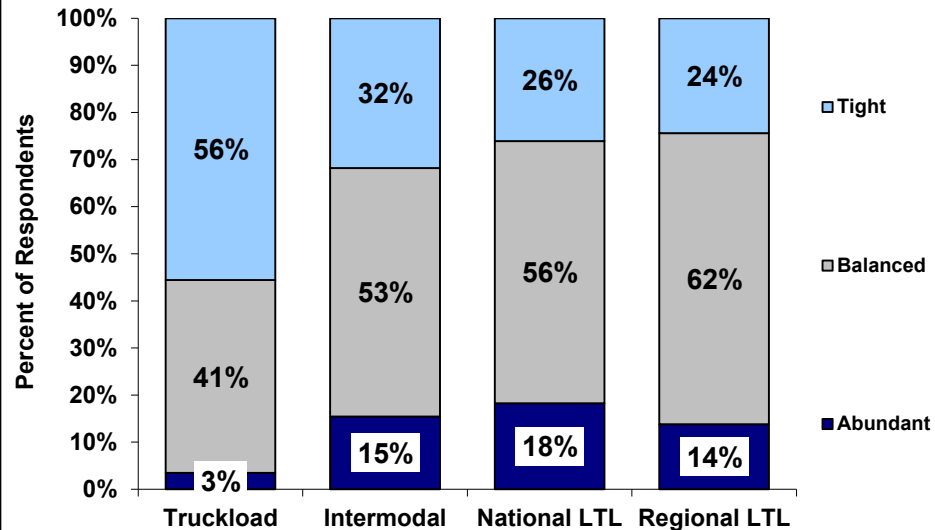


Shipper Expectations for Availability of Truck Capacity

Current Capacity



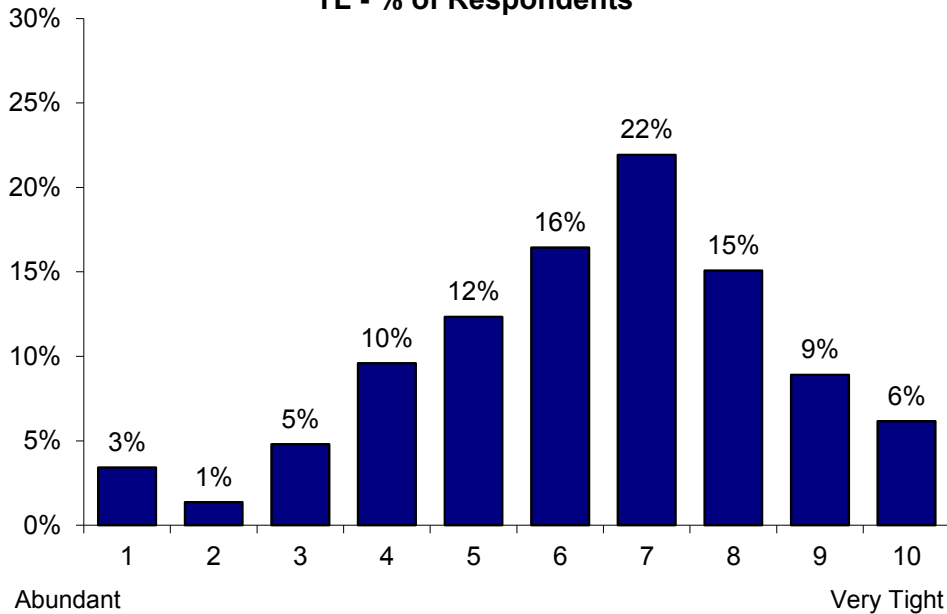
Projected Capacity in 6 Months



Capacity: Distribution of Truckload Capacity Rankings

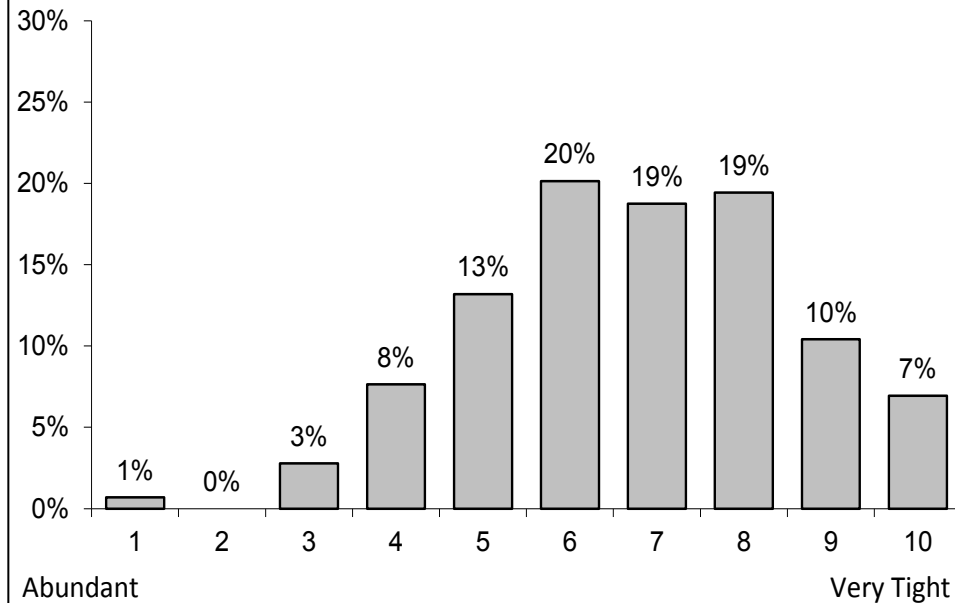
Current Capacity

TL - % of Respondents



Projected Capacity in 6 Months

TL - % of Respondents



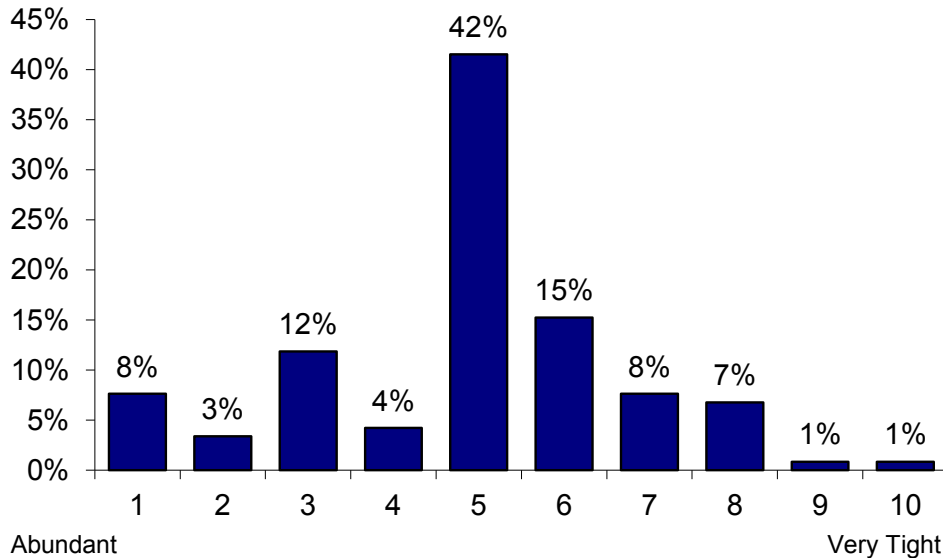
* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

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

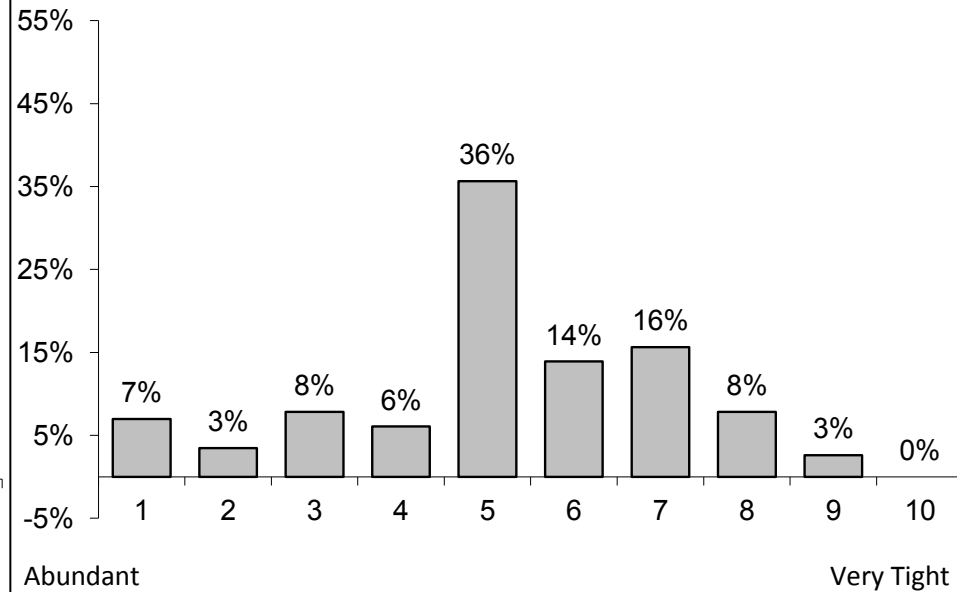
Current Capacity

Regional LTL - % of Respondents



Projected Capacity in 6 Months

Regional LTL - % of Respondents



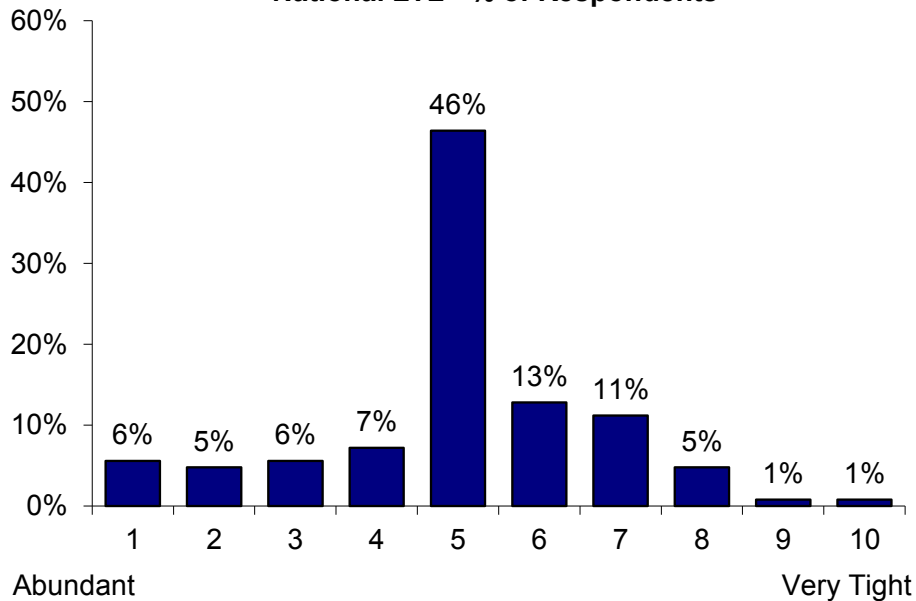
* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

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

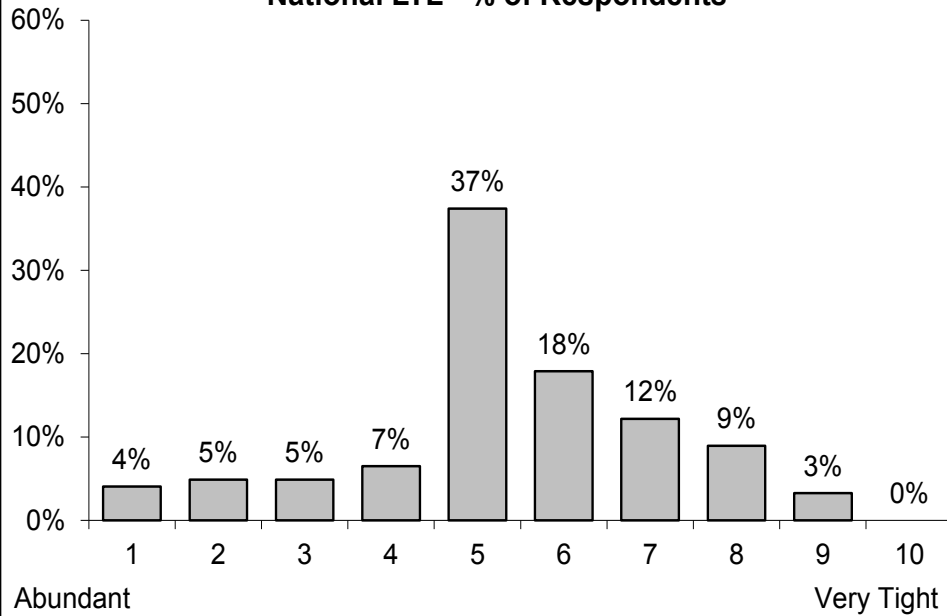
Current Capacity

National LTL - % of Respondents



Projected Capacity in 6 Months

National LTL - % of Respondents



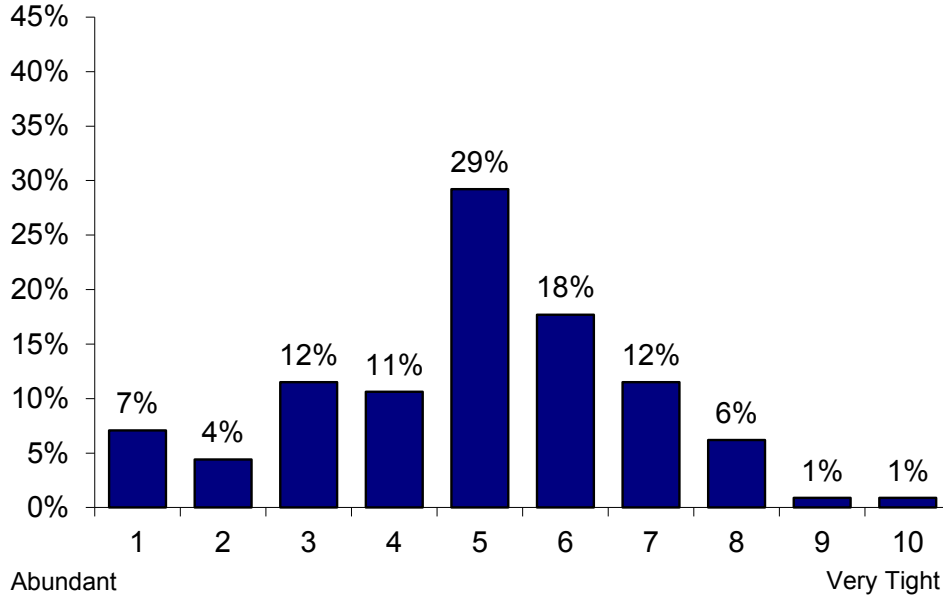
* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

Capacity: Distribution of Intermodal Capacity Rankings

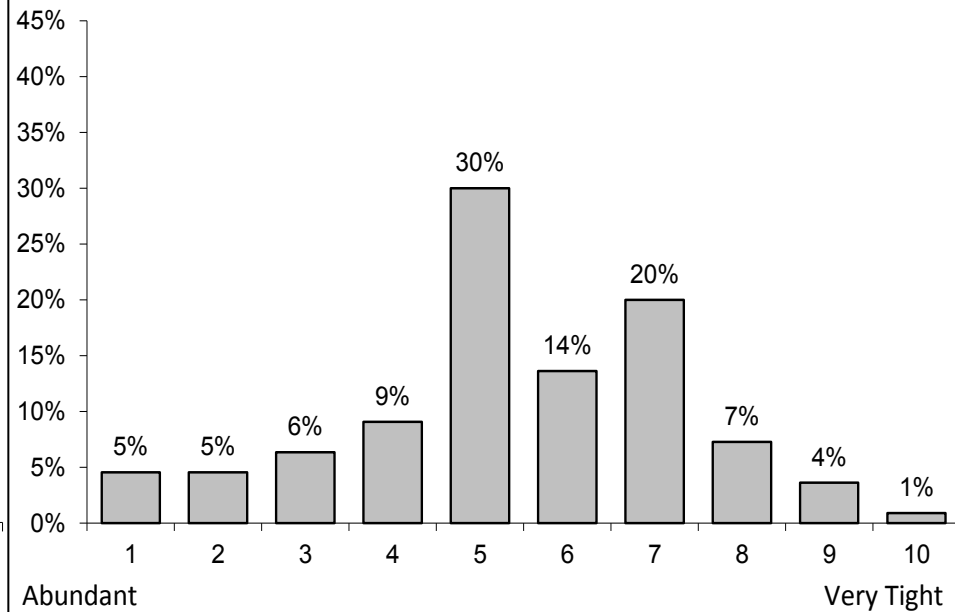
Current Capacity

Intermodal - % of Respondents



Projected Capacity in 6 Months

Intermodal - % of Respondents

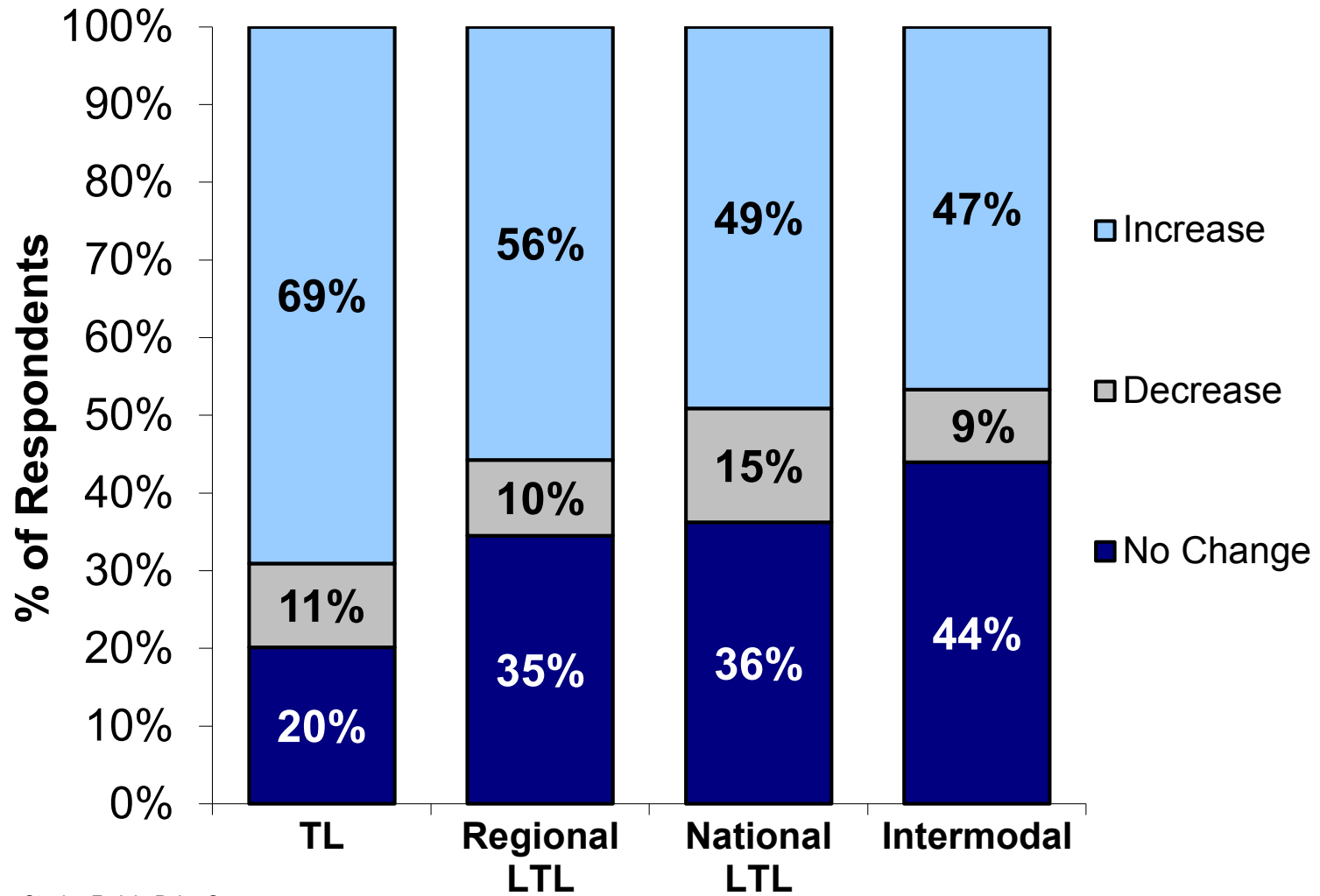


* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

Truck Volume Outlook Over The Next 6 Months

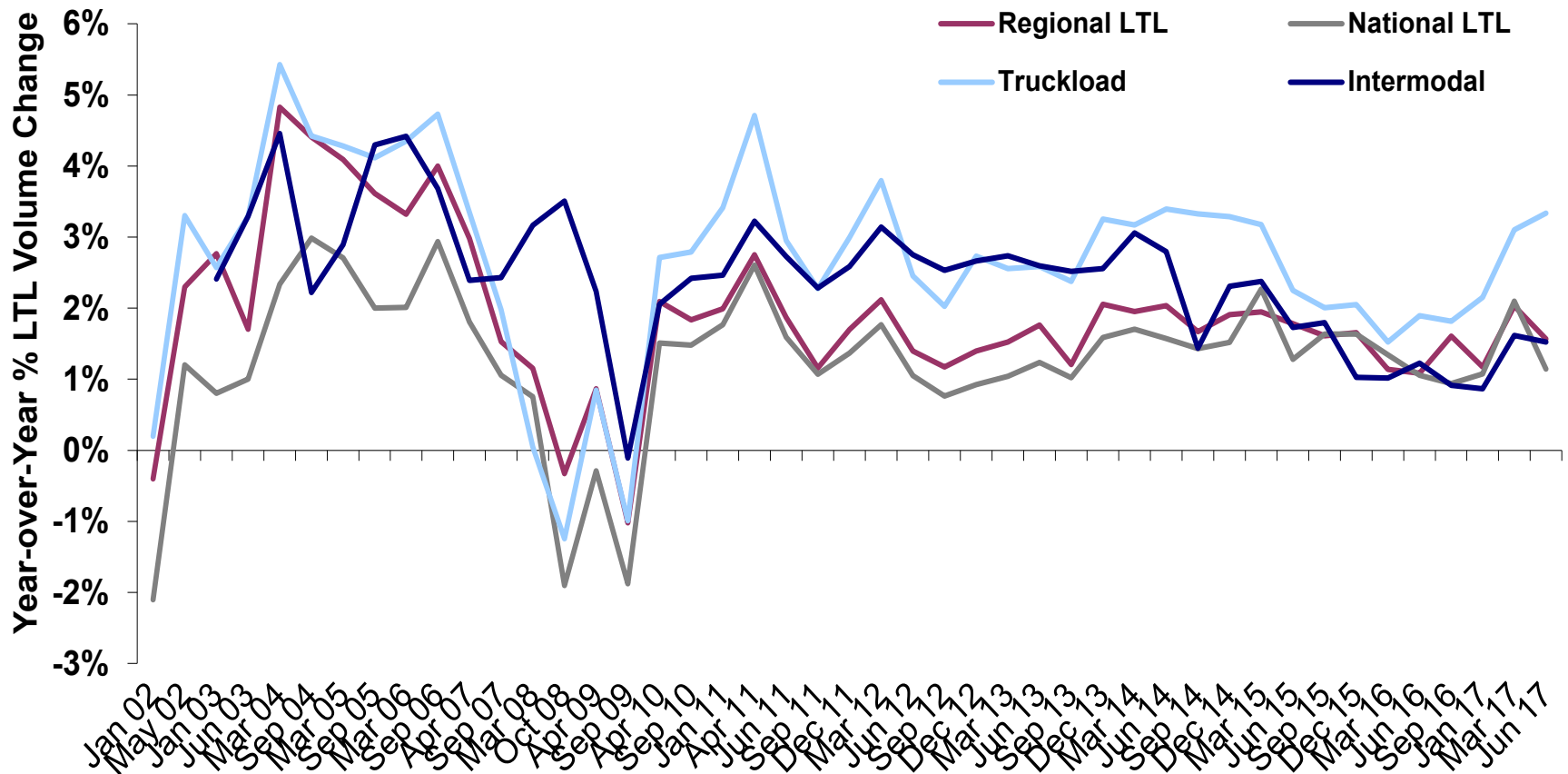
Shipper Growth Expectations by Mode



Source: Morgan Stanley Freight Pulse Surveys

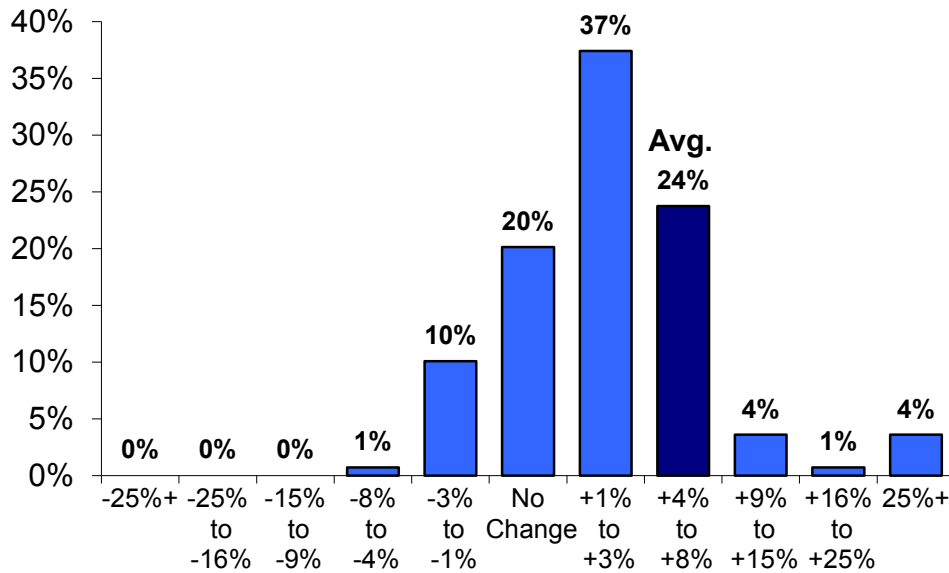
Volume Response History

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

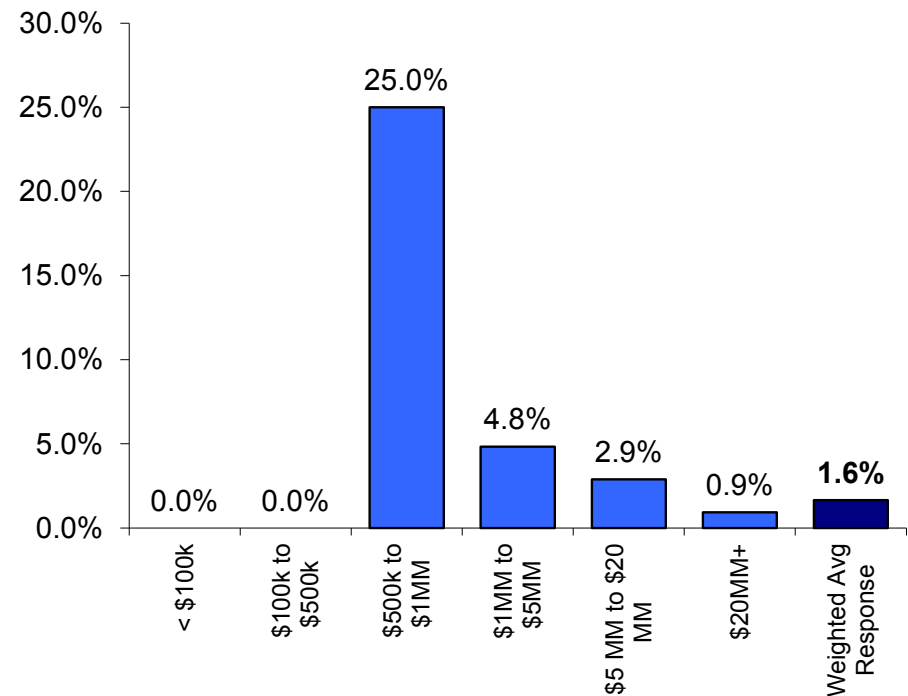


Truckload Volume Detail by Spend, Industry, and Response Skew

Truckload - Y/Y Volume Expectation by Range



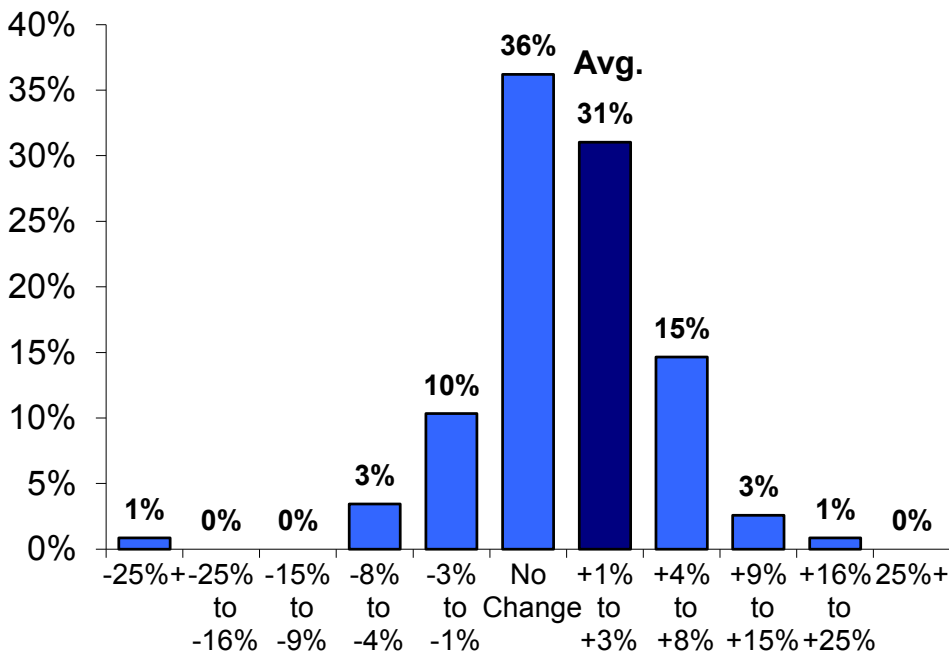
Truckload - Avg Volume Change by Spend



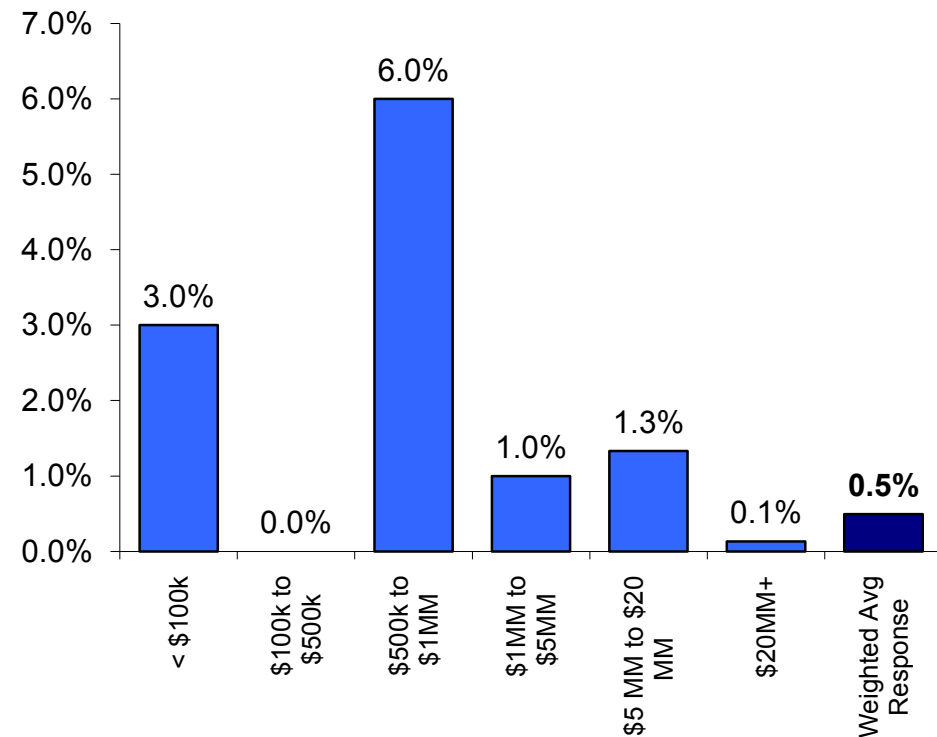
Source: Morgan Stanley Freight Pulse Surveys

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

National LTL - Y/Y Volume Expectation by Range



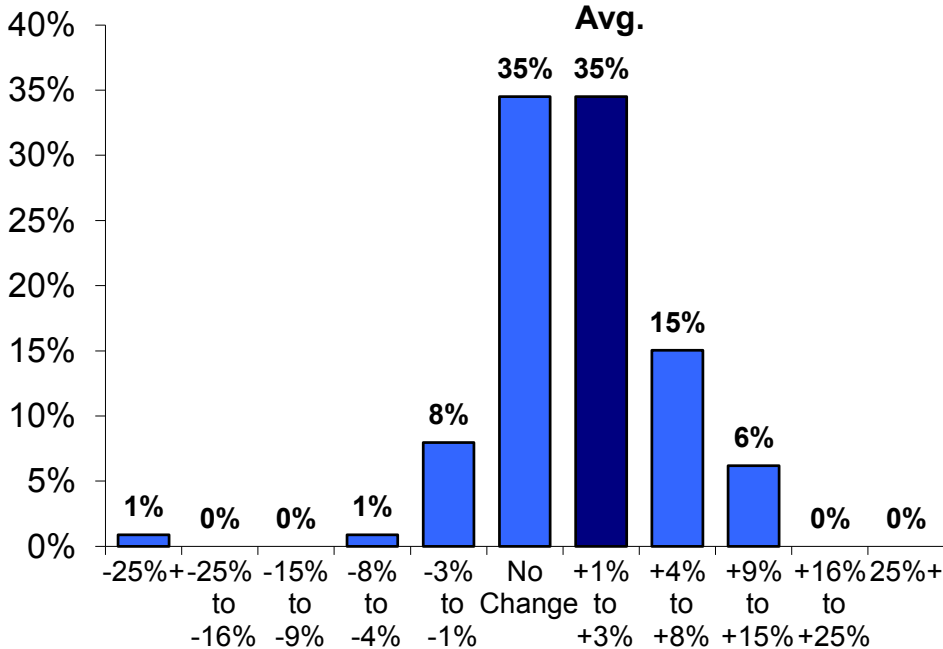
National LTL - Avg Volume Change by Spend



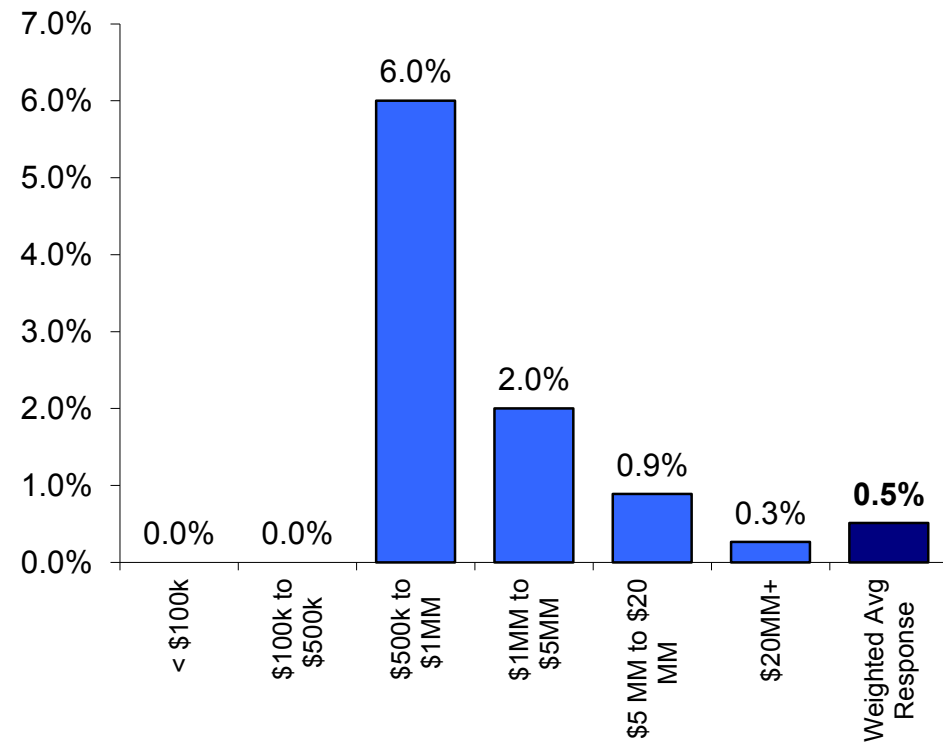
Source: Morgan Stanley Freight Pulse Surveys

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

Regional LTL - Y/Y Volume Expectation by Range



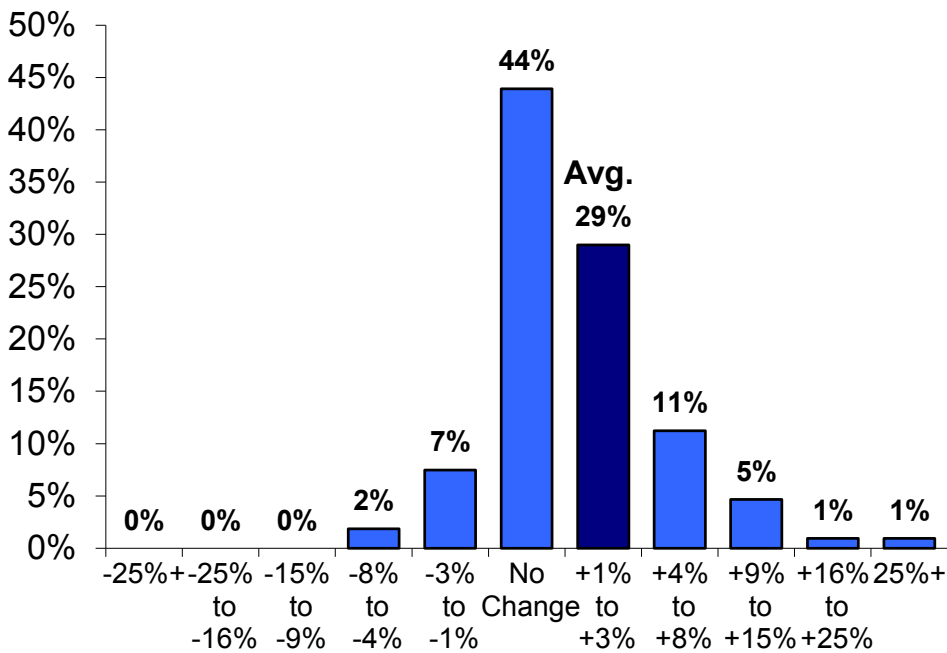
Regional LTL - Avg Volume Change by Spend



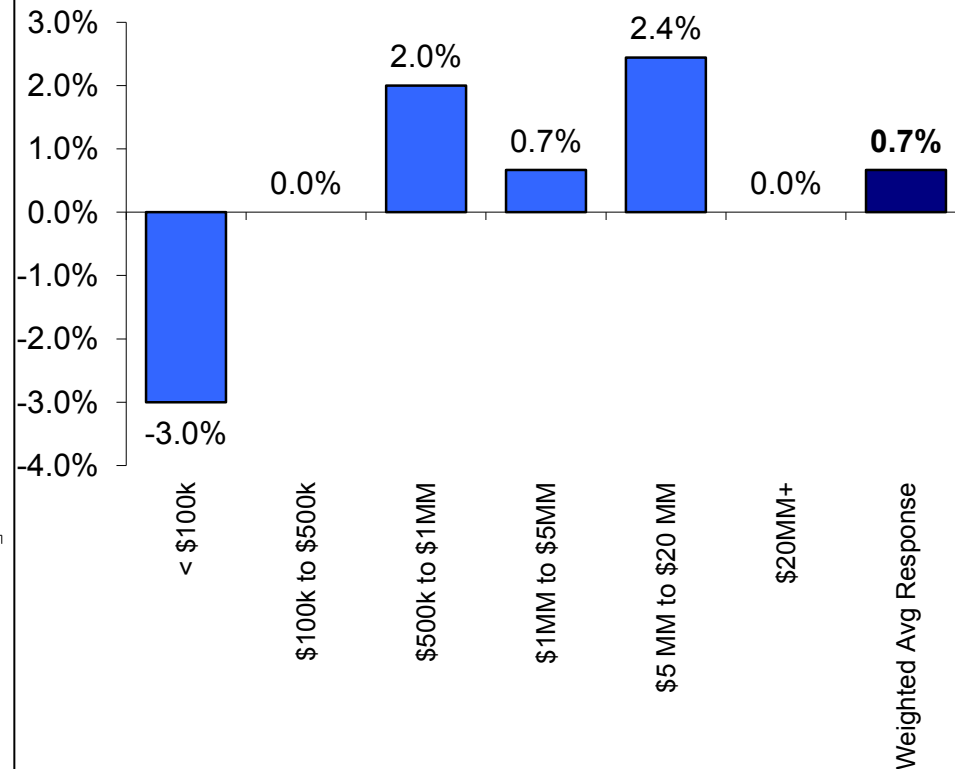
Source: Morgan Stanley Freight Pulse Surveys

Intermodal Volume Detail by Spend, Industry, and Response Skew

Intermodal - Y/Y Volume Expectation by Range



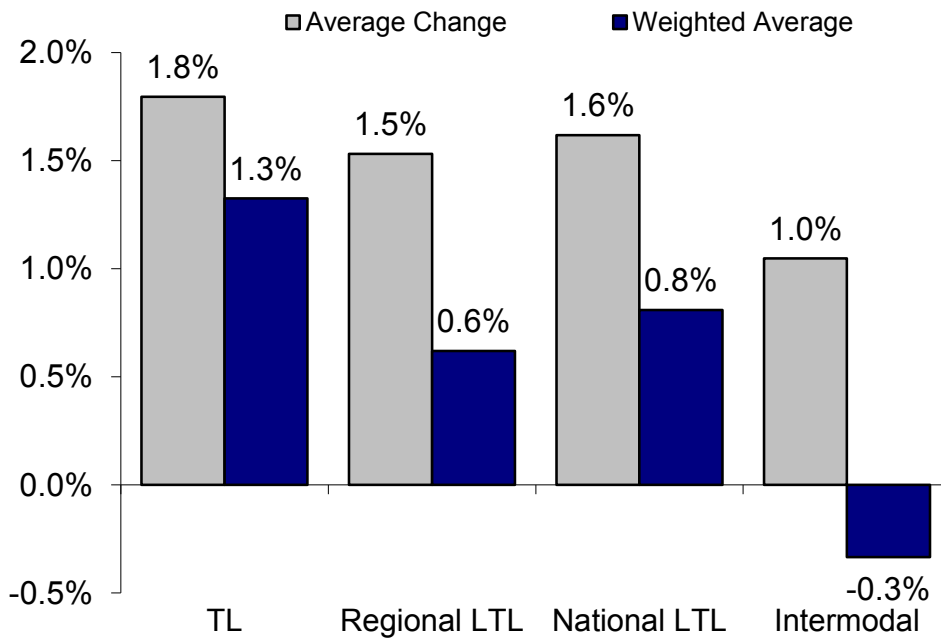
Intermodal - Avg Volume Change by Spend



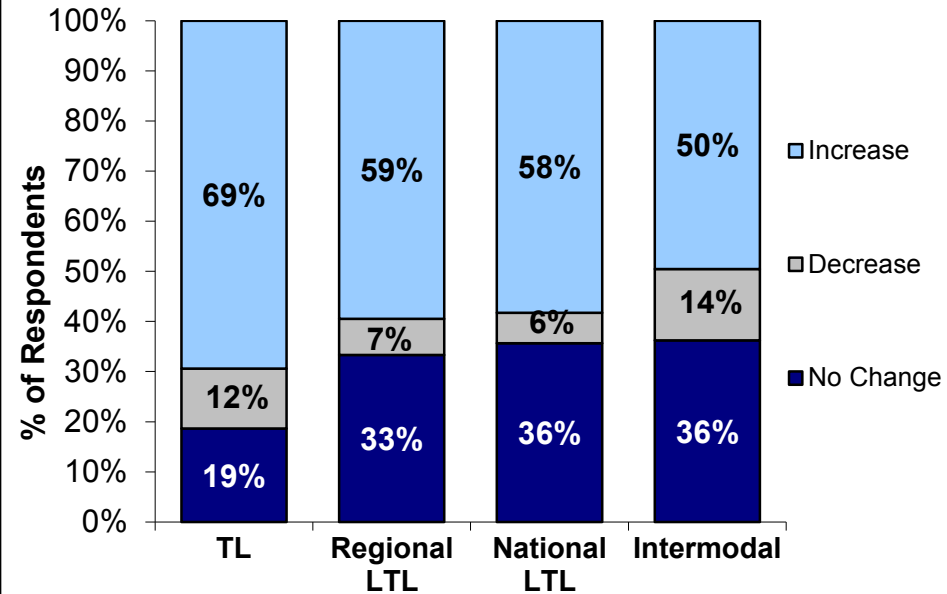
Source: Morgan Stanley Freight Pulse Surveys

Truck Base Rates Outlook Over The Next 6 Months

Base Rates: Average vs. Weighted Average

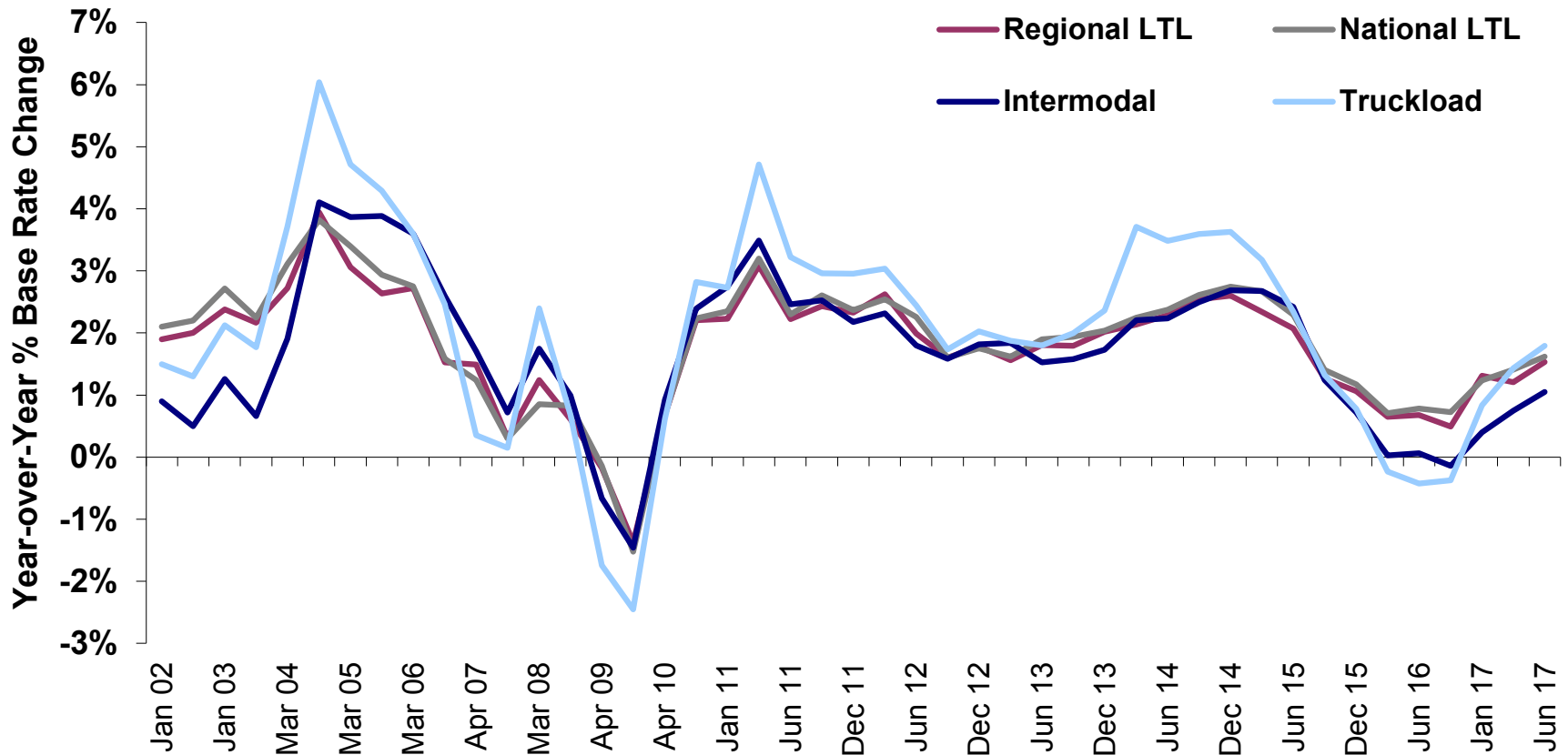


Shipper Rate Expectations by Mode



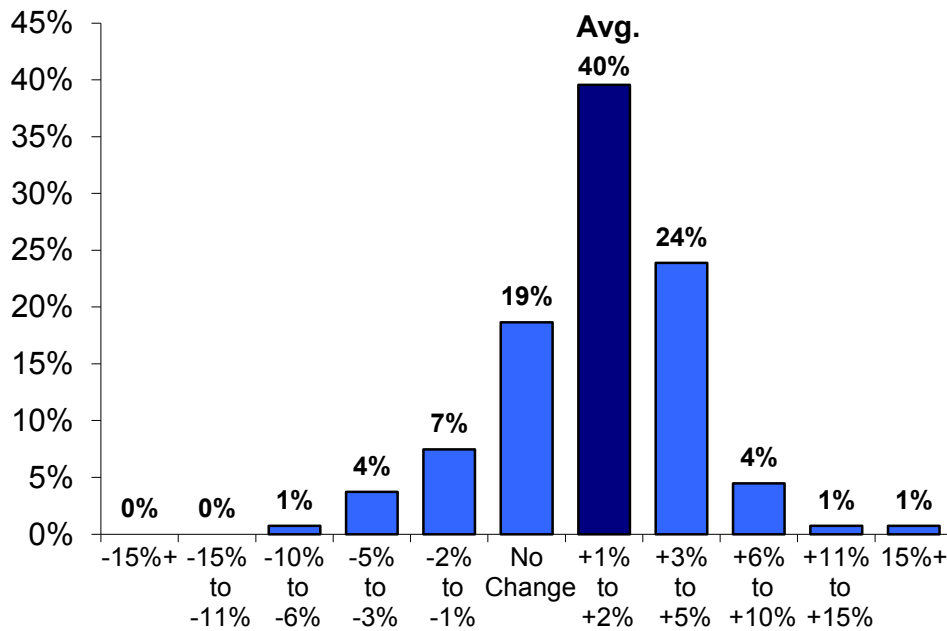
Base Rate Response History

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

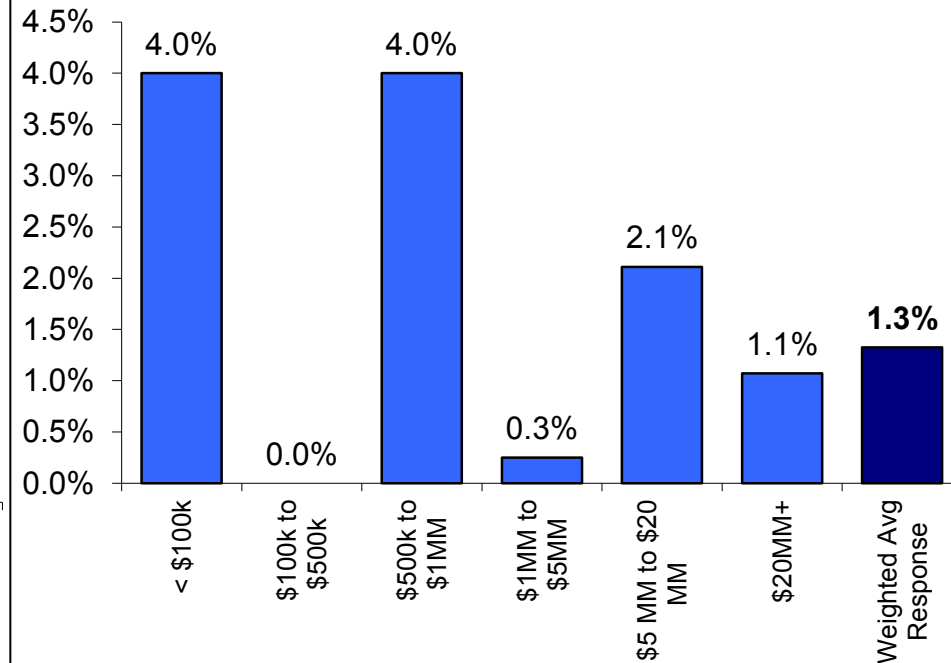


TL Base Rate Detail by Spend, Industry, and Response Skew

Truckload - Y/Y Base Rate Expectation by Range



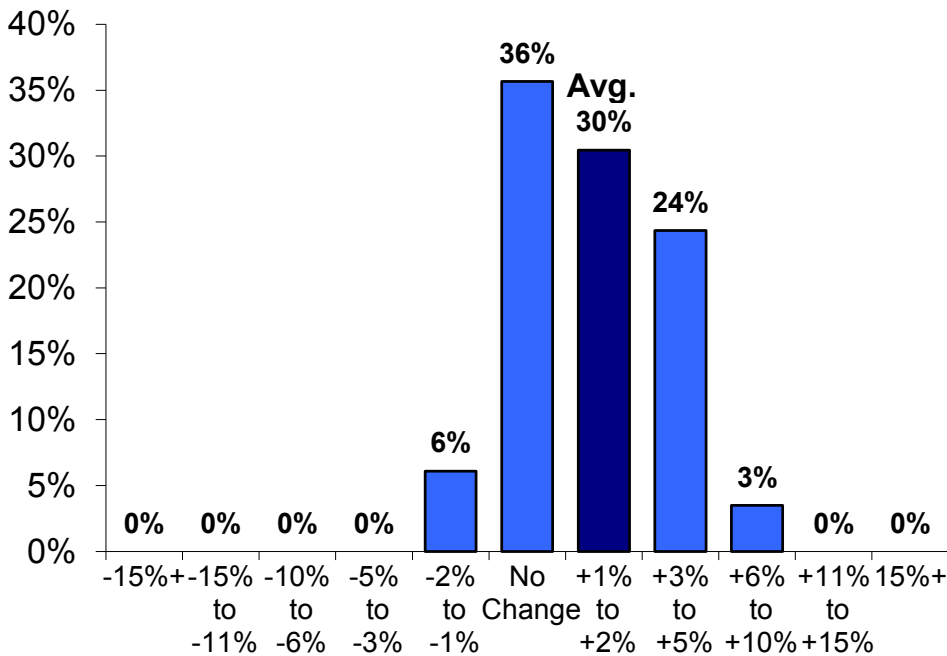
TL - Avg Change by Spend



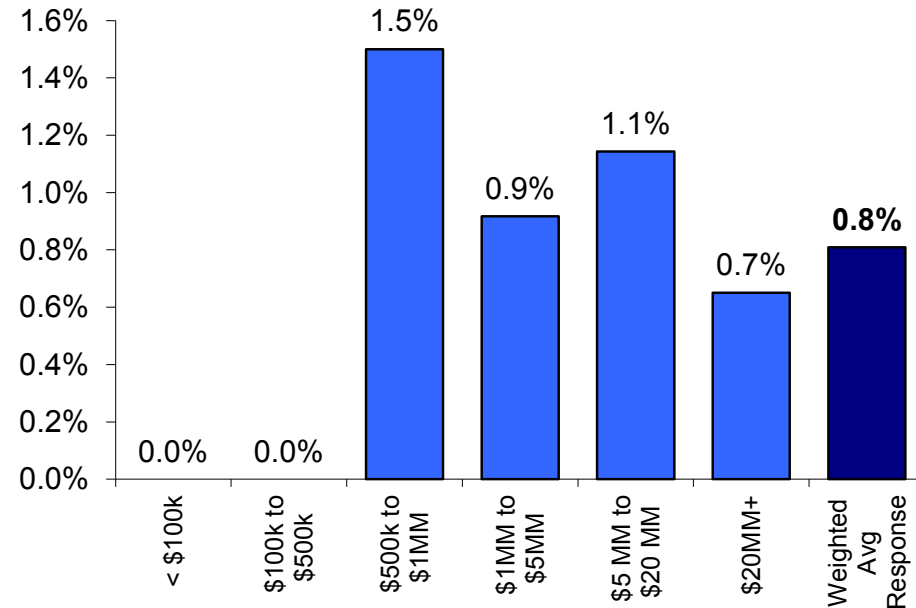
Source: Morgan Stanley Freight Pulse Surveys

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

National LTL - Y/Y Base Rate Expectation by Range



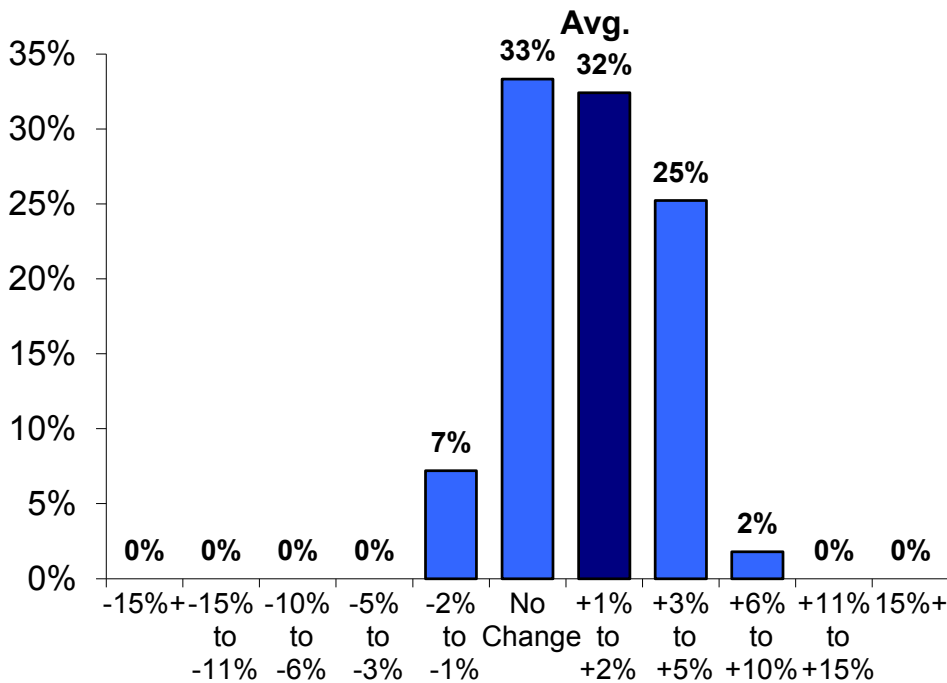
National LTL - Avg Change by Spend



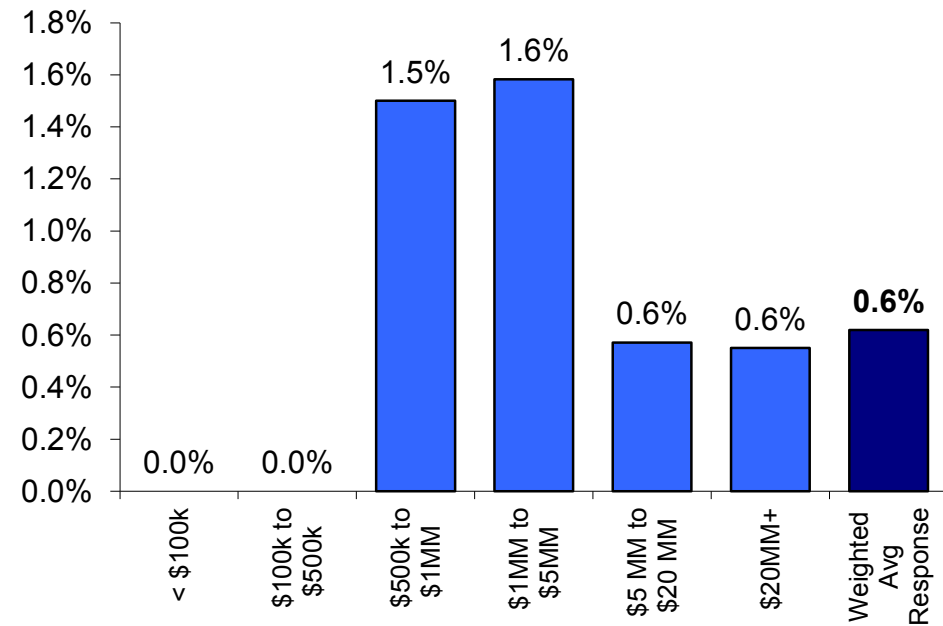
Source: Morgan Stanley Freight Pulse Surveys

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

Regional LTL - Y/Y Base Rate Expectation by Range

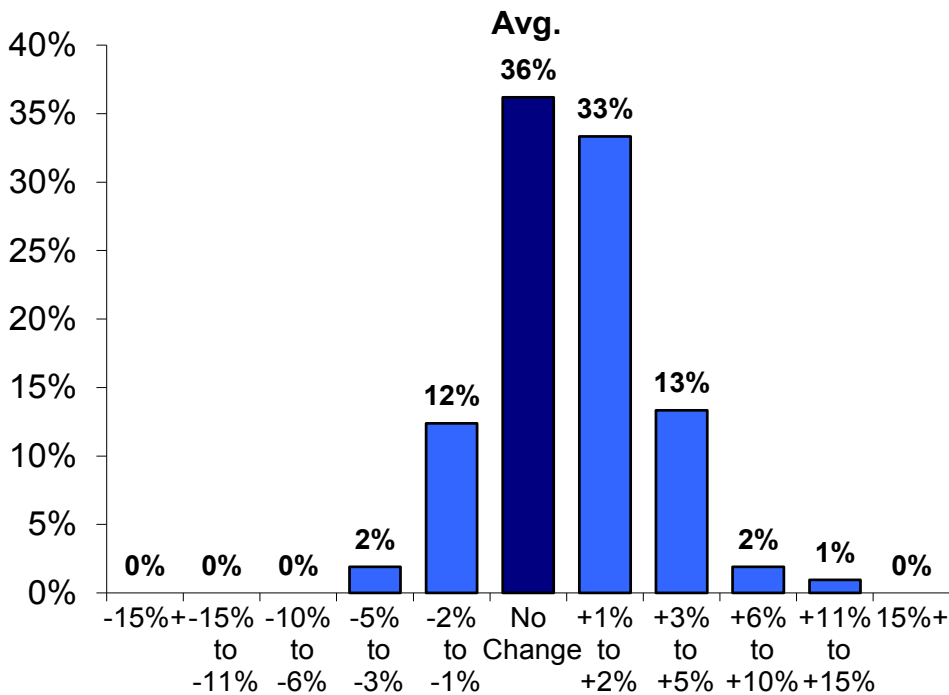


Regional LTL - Avg Change by Spend

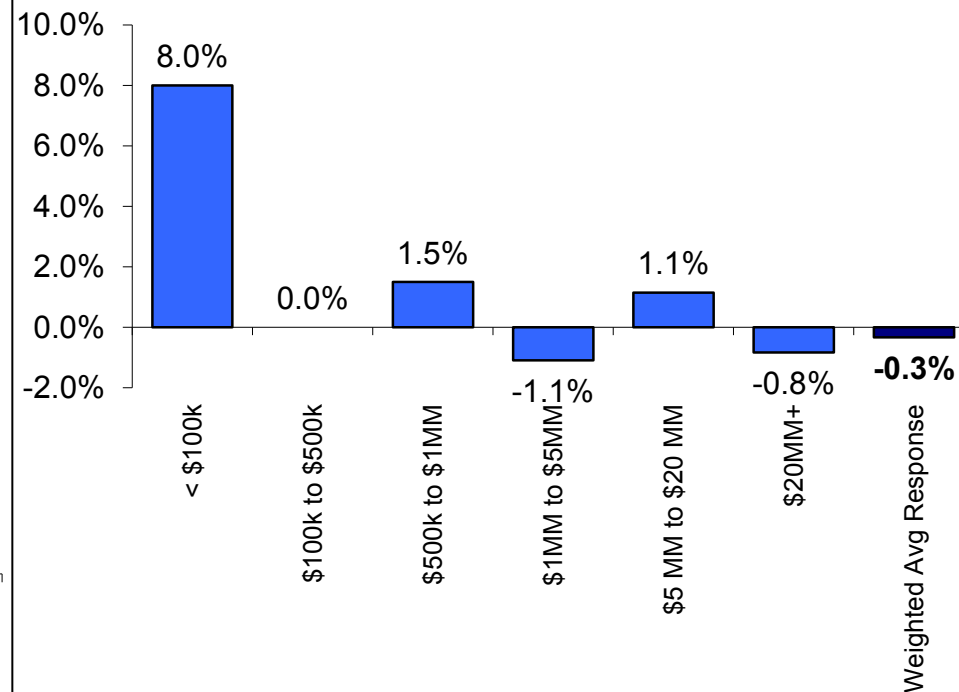


Intermodal Base Rate Detail by Spend, Industry, and Response Skew

Intermodal - Y/Y Base Rate Expectation by Range



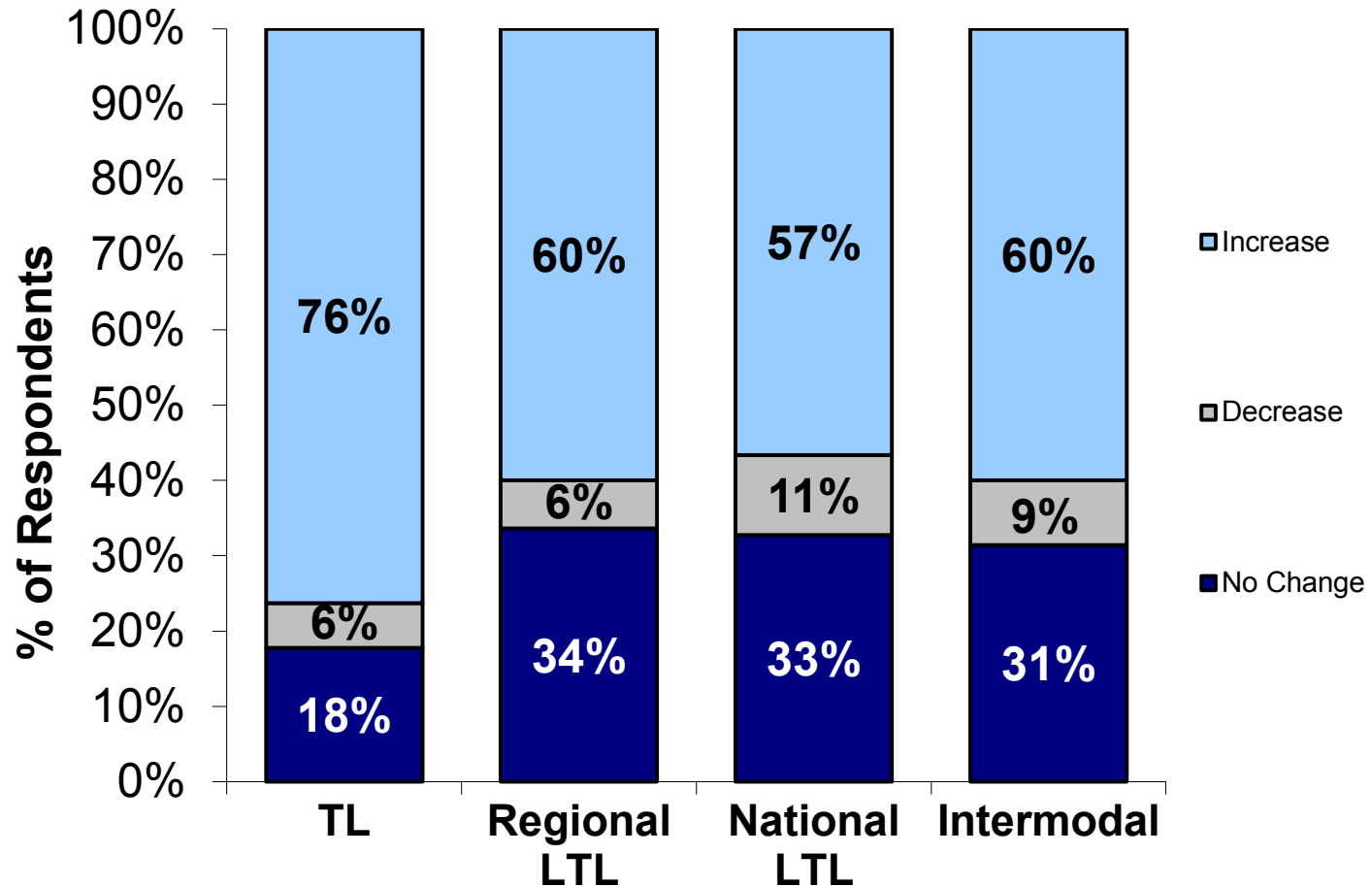
Intermodal - Avg Change by Spend



Source: Morgan Stanley Freight Pulse Surveys

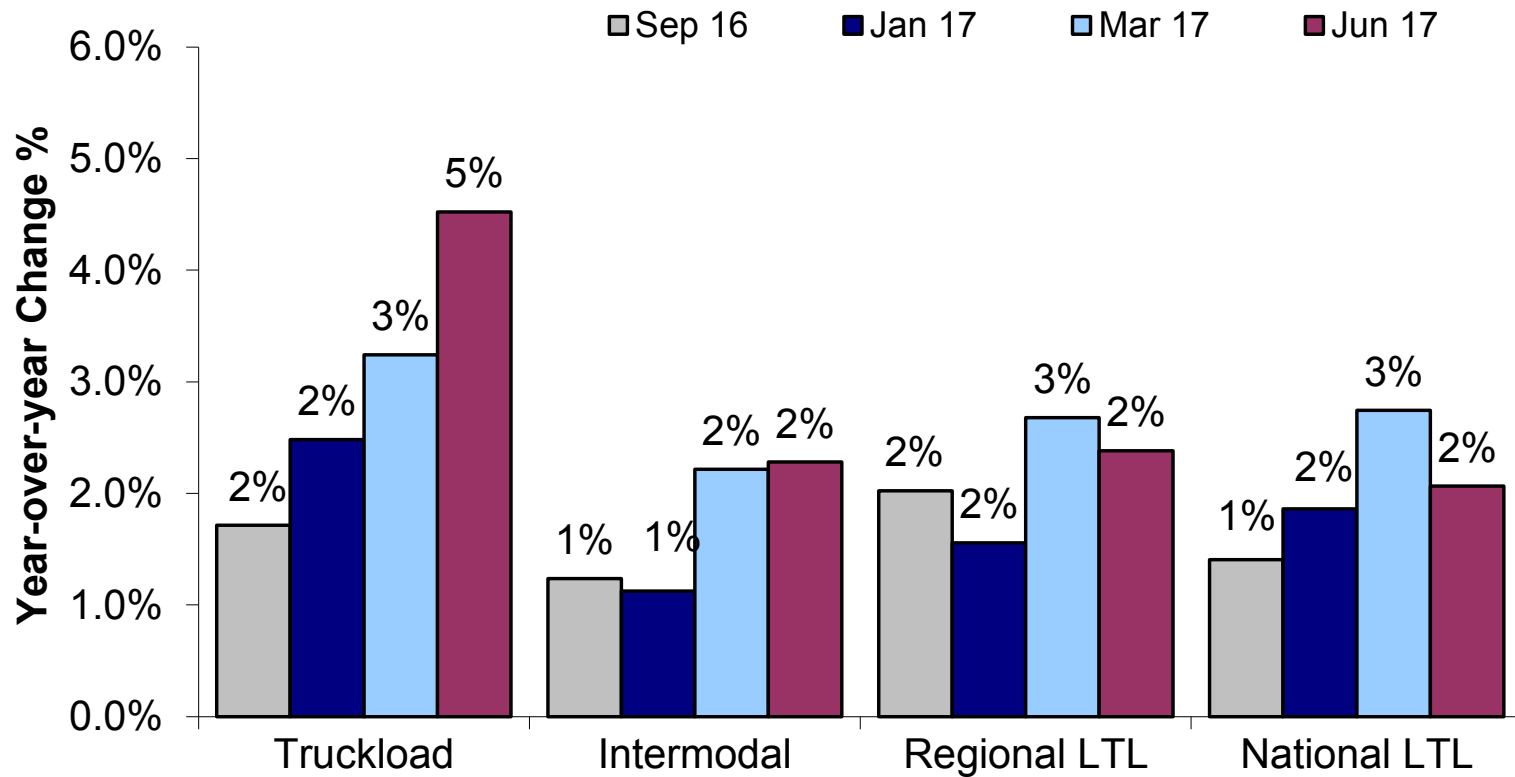
Truck Spend Outlook Over The Next 6 Months

Shipper Spend Expectations by Mode



Truck Spend: Change vs. Prior Survey

YoY % Change in You Organization's Spend Over the Next 6 Months



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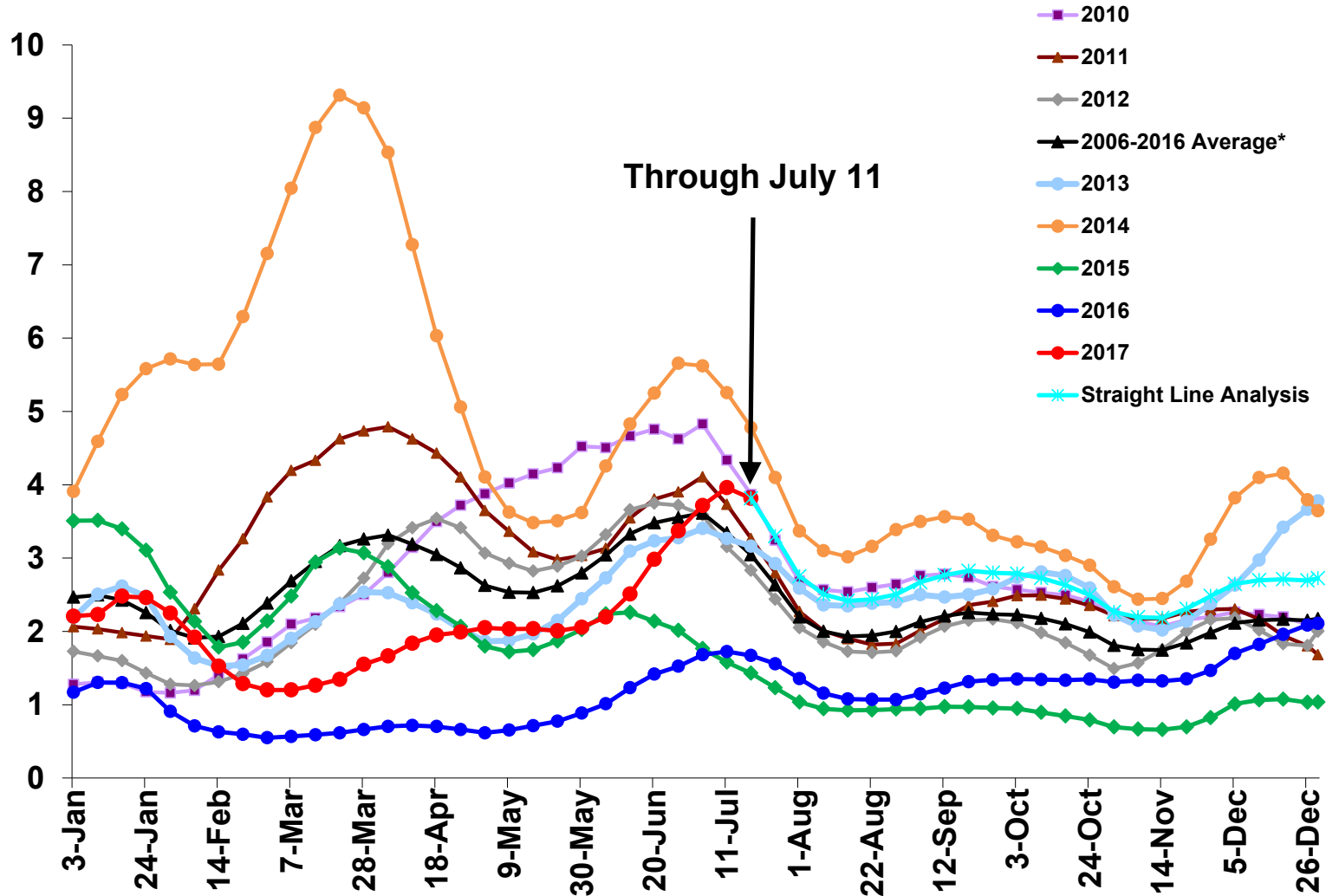
Part 1: Key Truck Trends

1. Capacity Trends
2. Volume Trends
3. Rate Trends
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

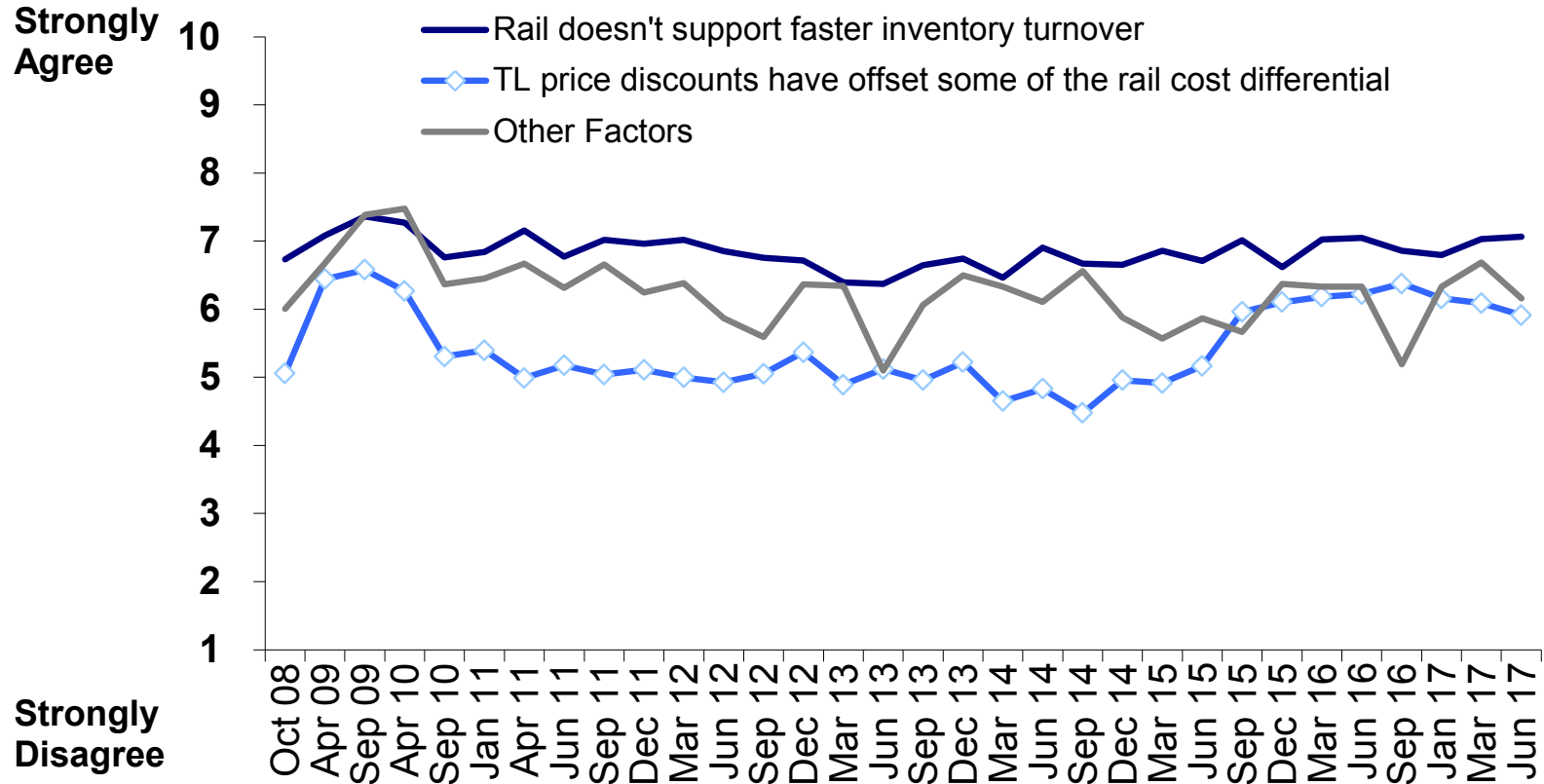


The index measures the demand for Dry-Van Truckload services compared to the number of Dry-Van trucks on the road. The index begins in April 1994. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior years' level, it means there is less freight demand relative to capacity

Source: Morgan Stanley Research

Truckload Fuel Surcharge Concession History

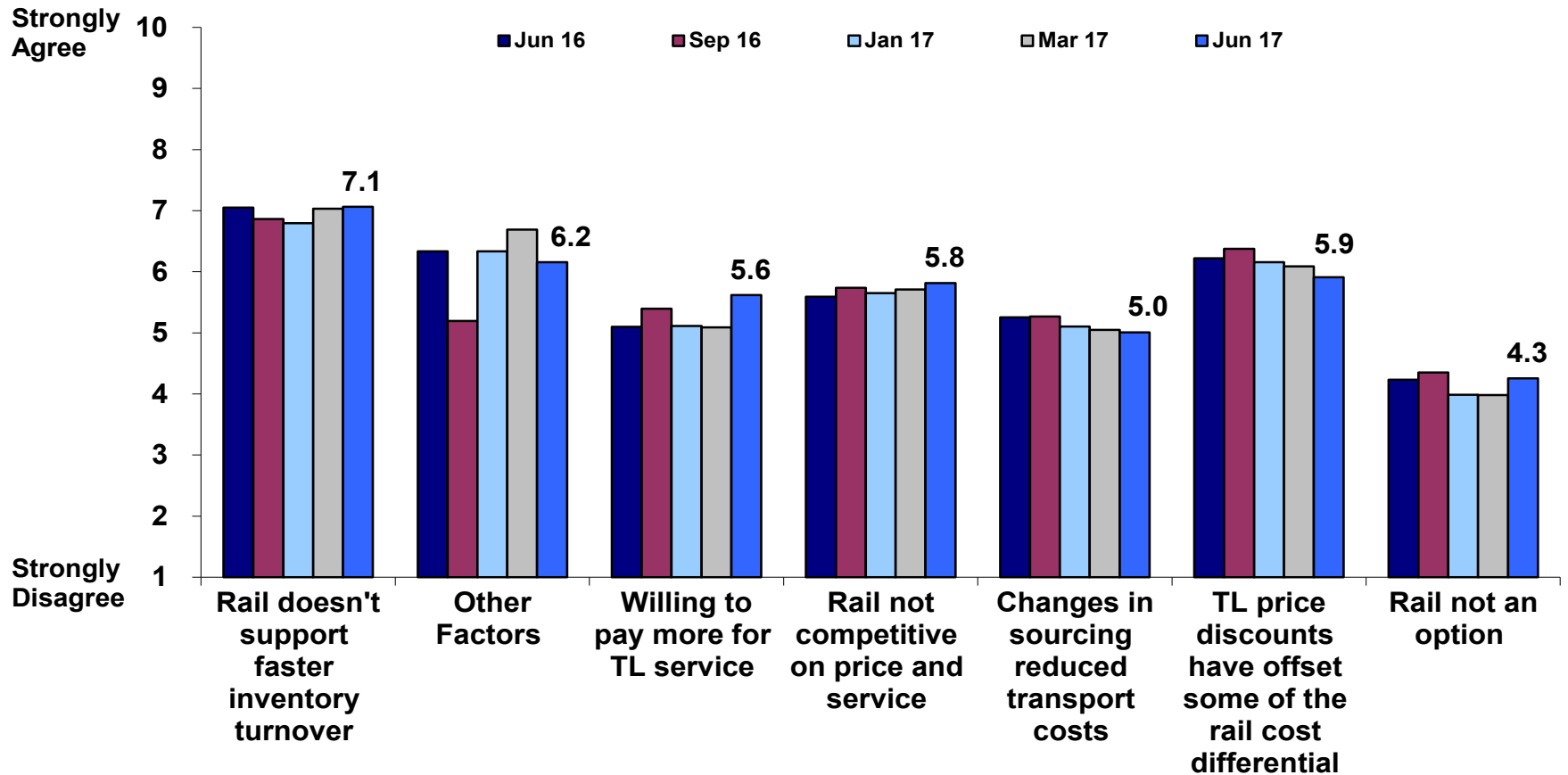
What Factors are Limiting your Organization from Shipping More Volume on the Railroads?



Source: Morgan Stanley Freight Pulse Surveys

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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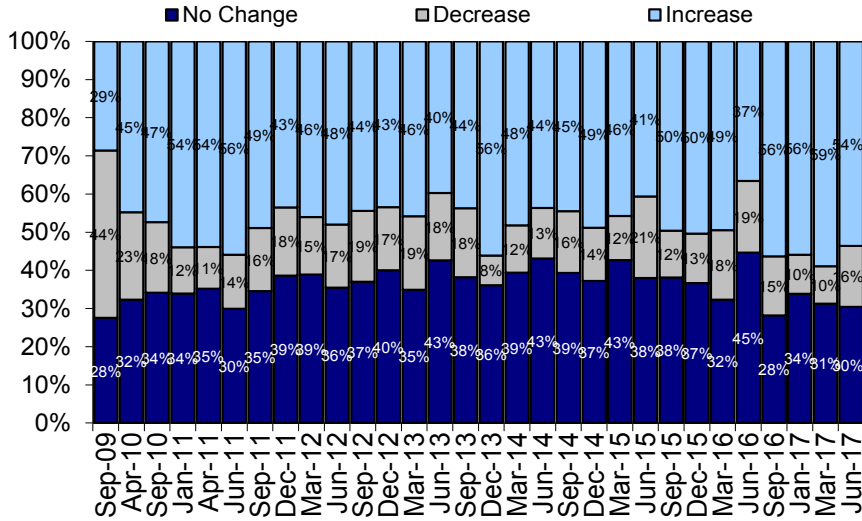
1. Outlook for Parcel Base Rates
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Part 3: Service & Value Trends

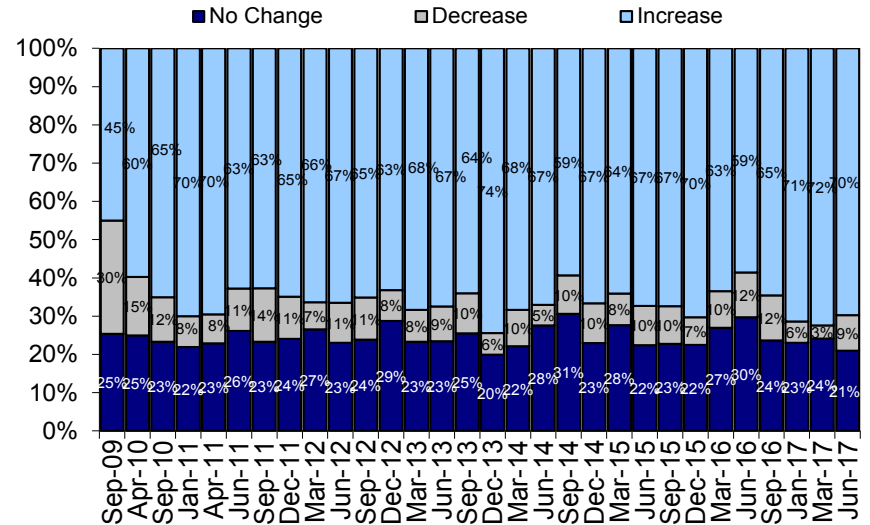
1. Service Reliability Rankings
2. Value of Service Rankings

Parcel Volume Outlook Over the Next 6 Months

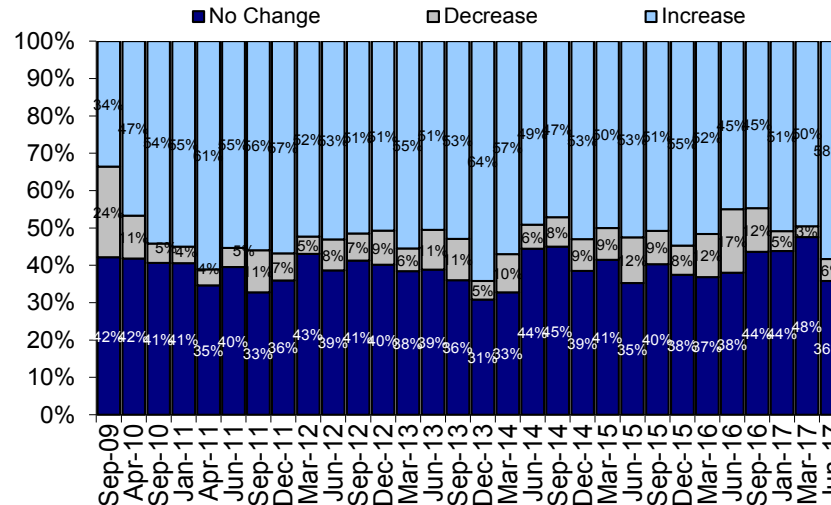
% of Shippers Expecting Air to:



% of Shippers Expecting Ground to:



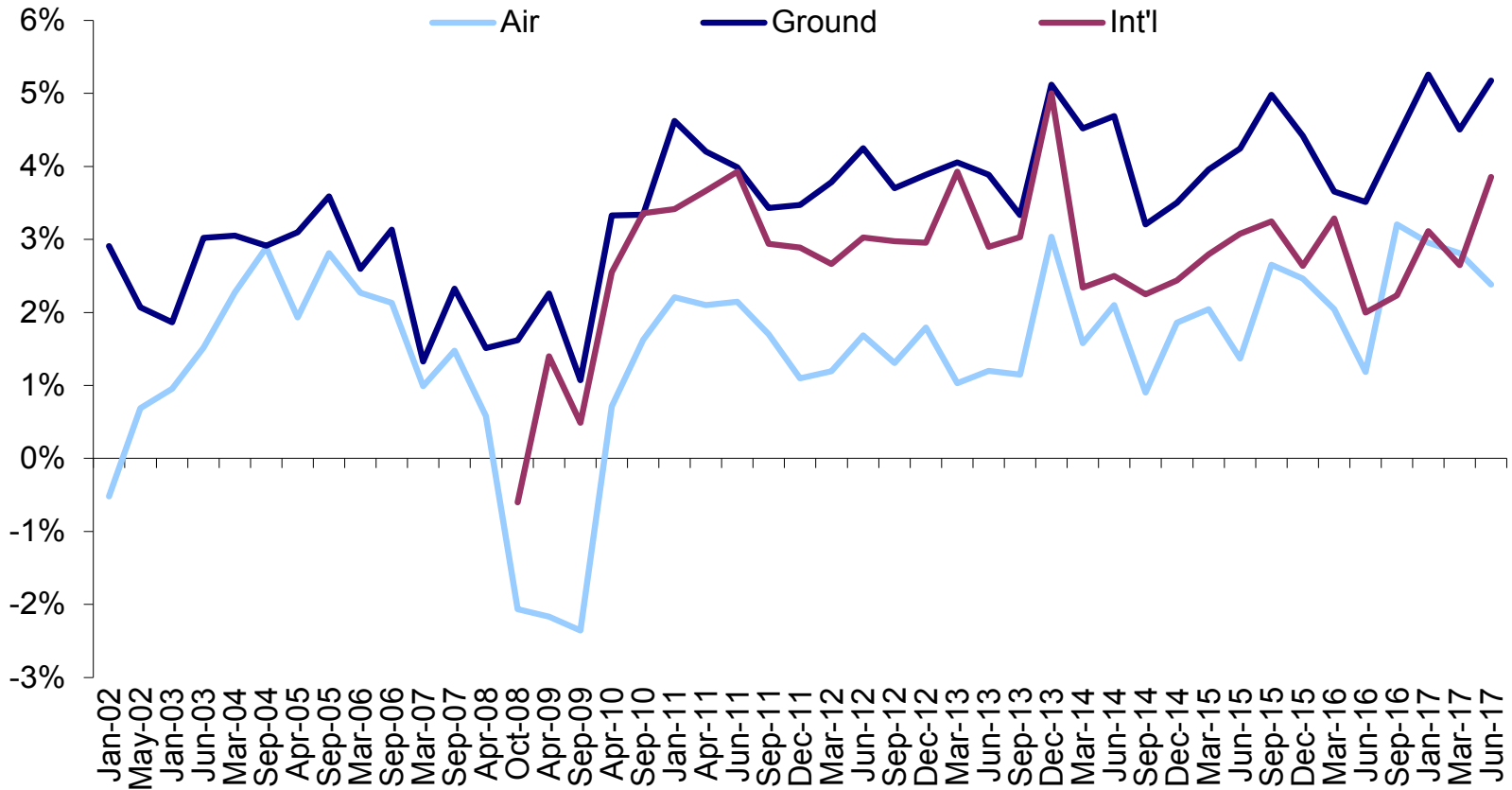
% of Shippers Expecting International to:



Source: Morgan Stanley Parcel Survey

Volume Trends by Product

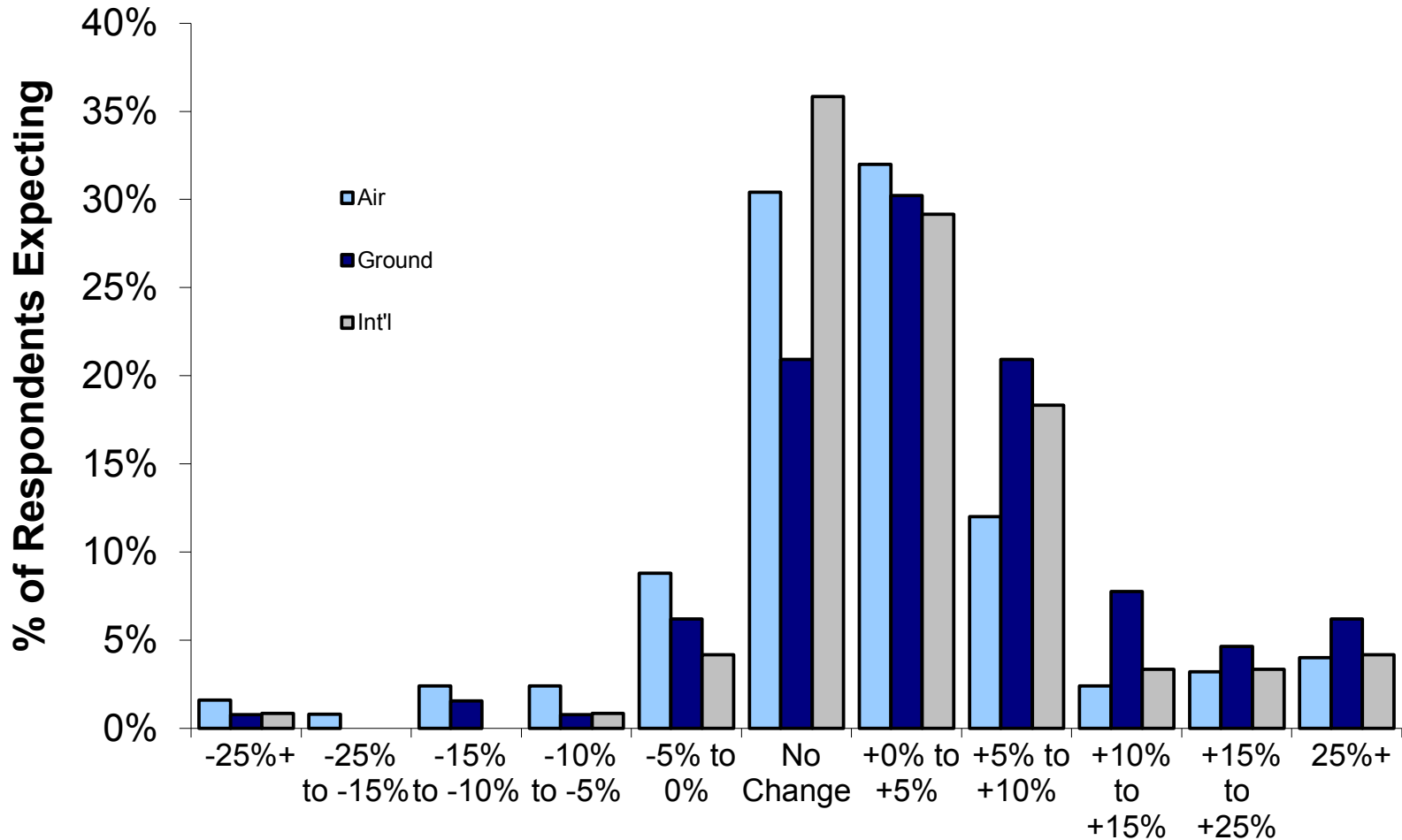
Volume Growth Expectations “Over the Next 6 Months” vs. Last Year



Source: Morgan Stanley Parcel Survey

Volume Response Skew – All Shippers

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

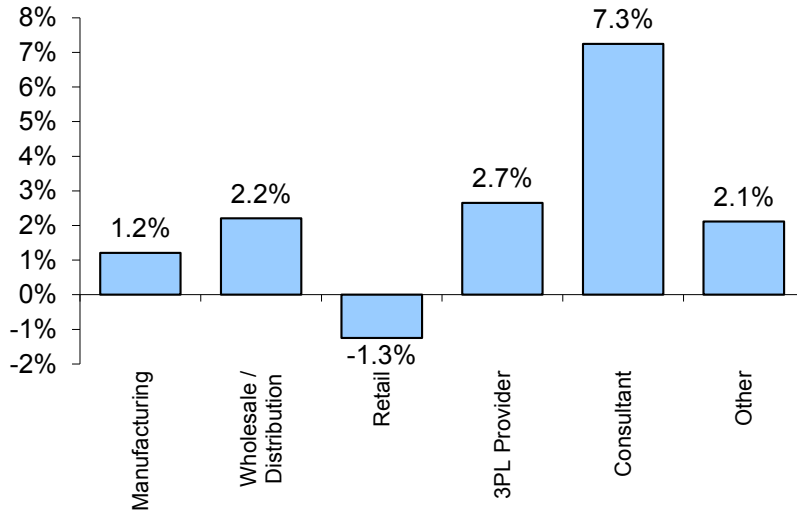


Source: Morgan Stanley Parcel Survey

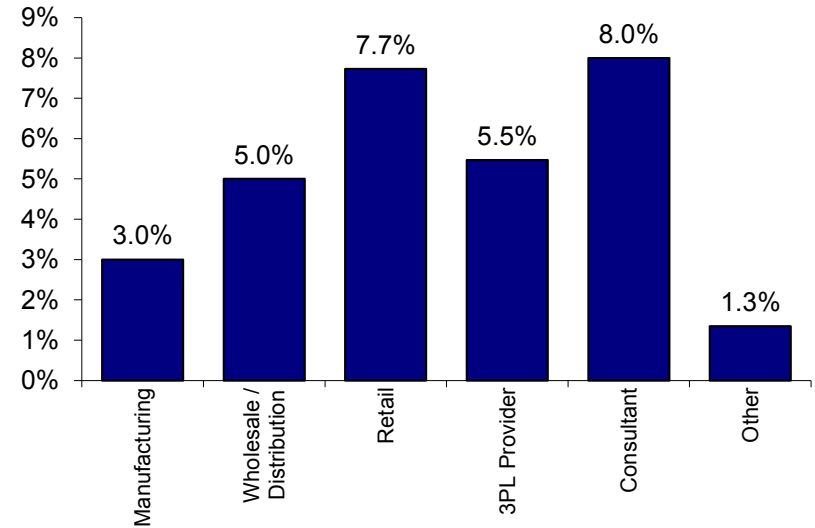
Ravi Shanker, (212) 761-6350, Ravi.Shanker@morganstanley.com

Volume Growth Outlook by Industry

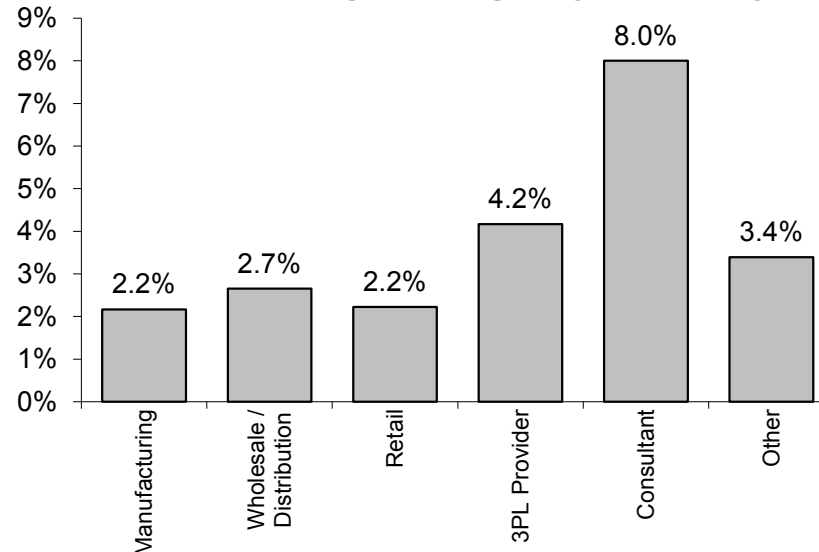
Air - Avg Change by Industry



Ground - Avg Change by Industry

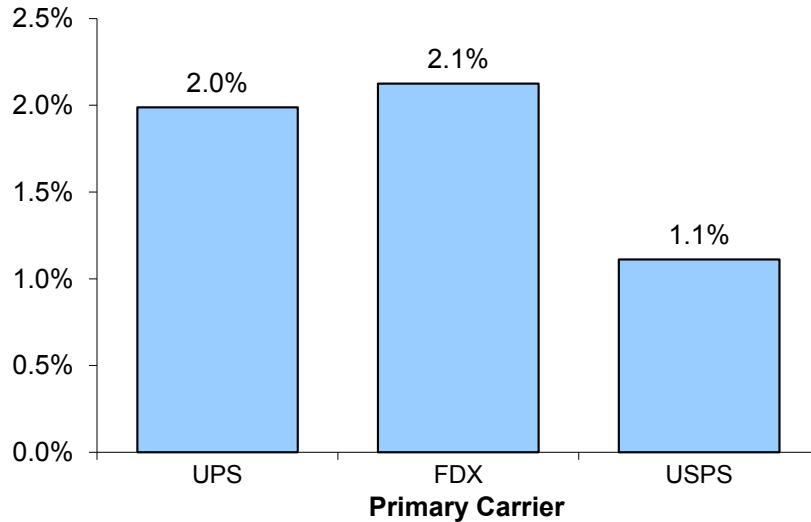


International - Avg Change by Industry

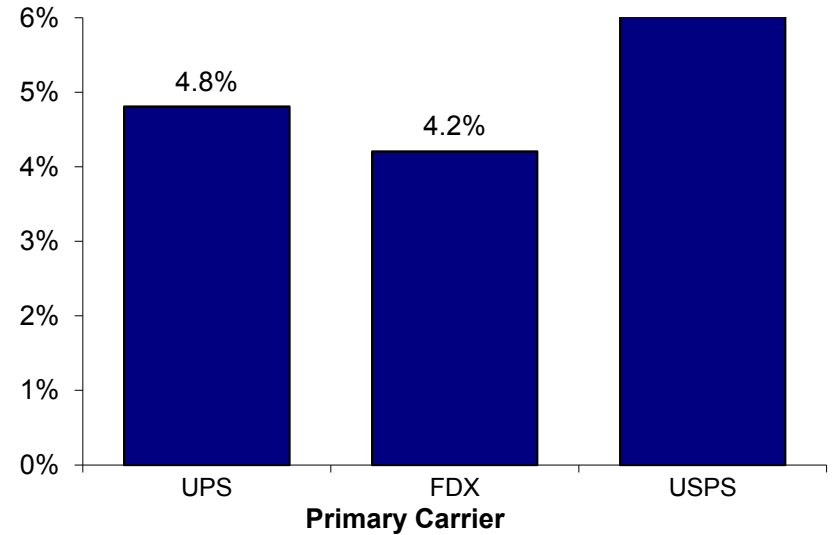


Volume Growth Outlook by Listed Primary Carrier

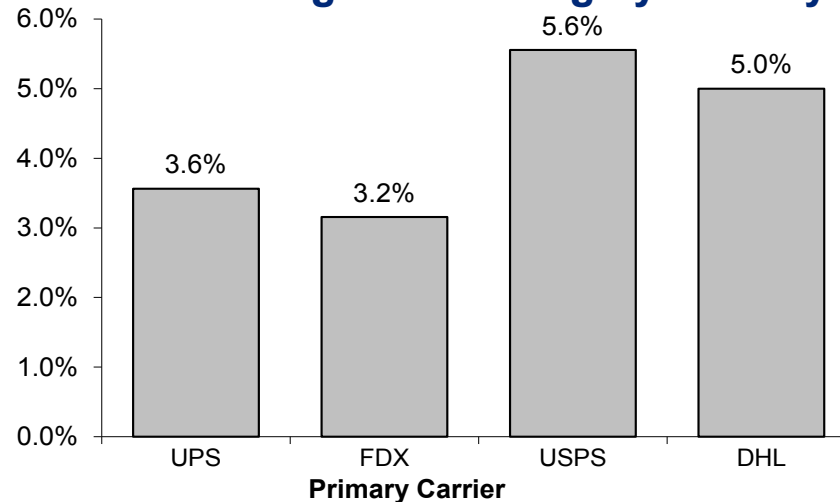
Air - Avg Volume Change by Primary Carrier



Ground - Avg Volume Change by Primary Carrier

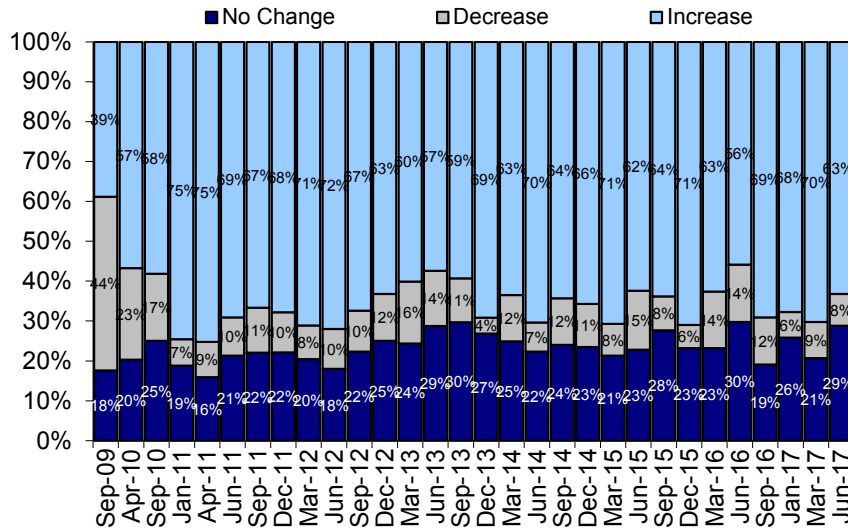


International - Avg Volume Chg by Primary Carrier

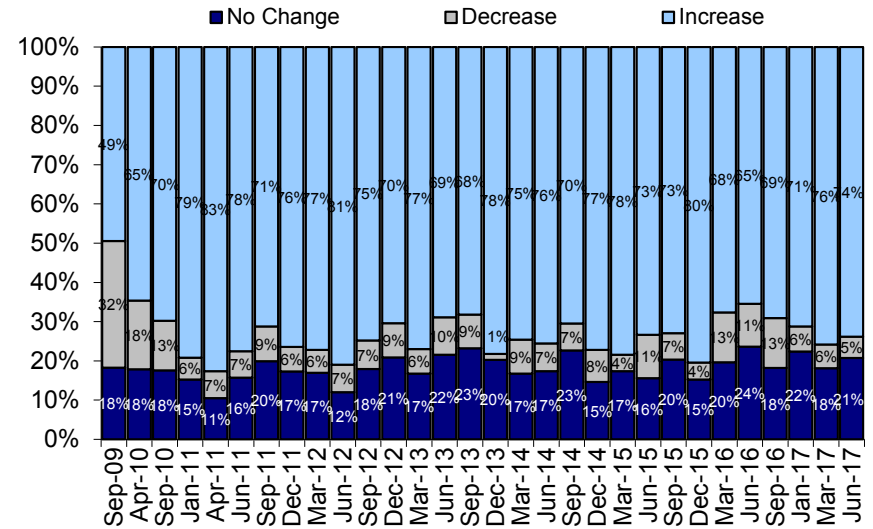


Parcel Spend Outlook Over the Next 6 Months

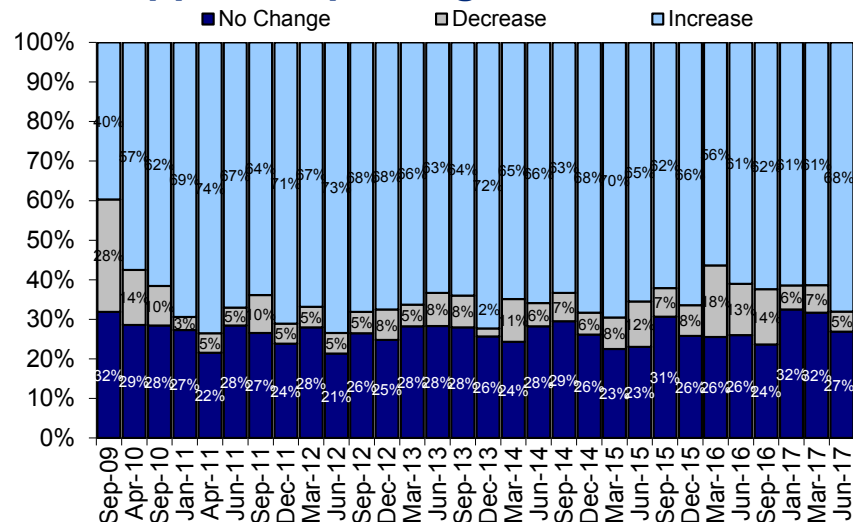
% of Shippers Expecting Air to:



% of Shippers Expecting Ground to:



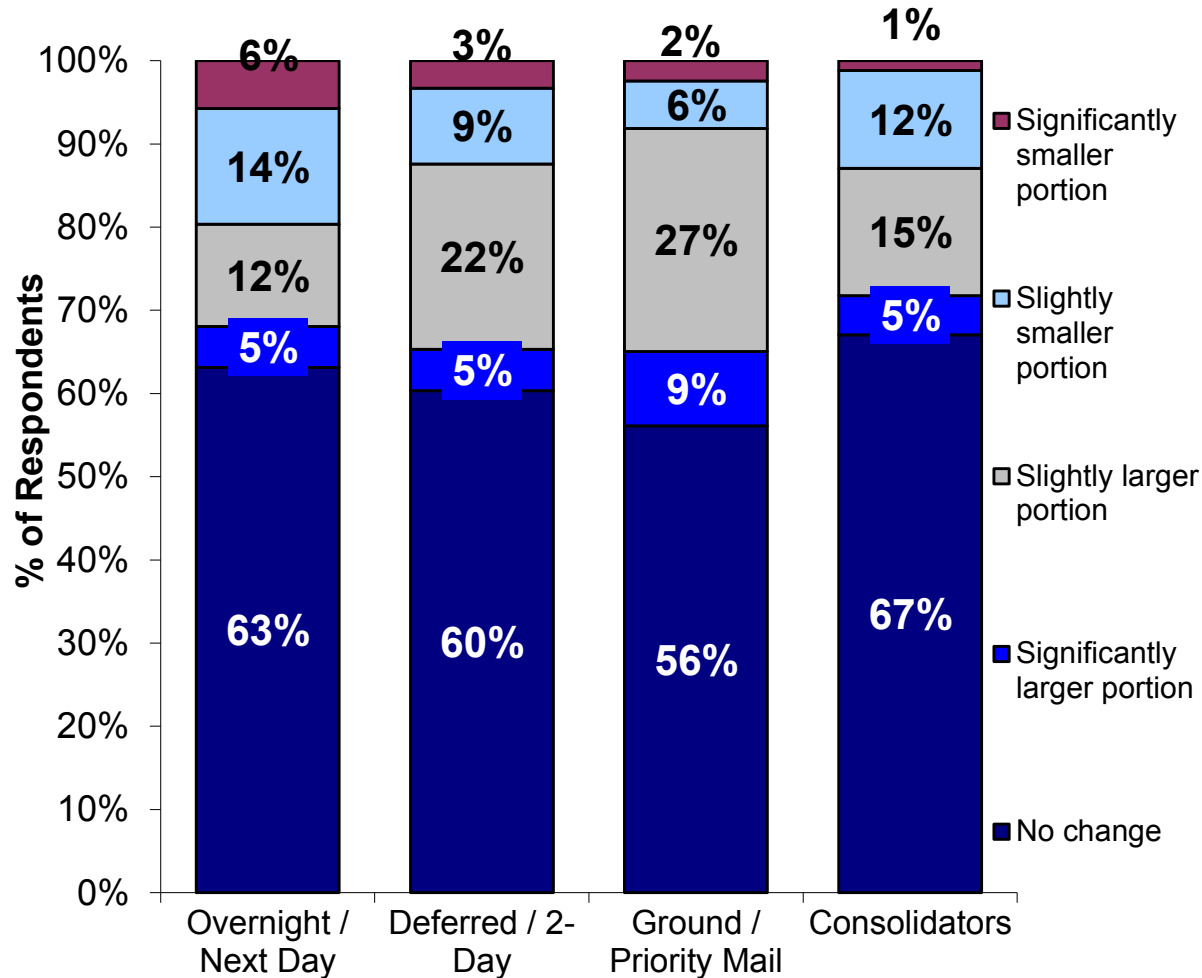
% of Shippers Expecting International to:



Source: Morgan Stanley Parcel Survey

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?

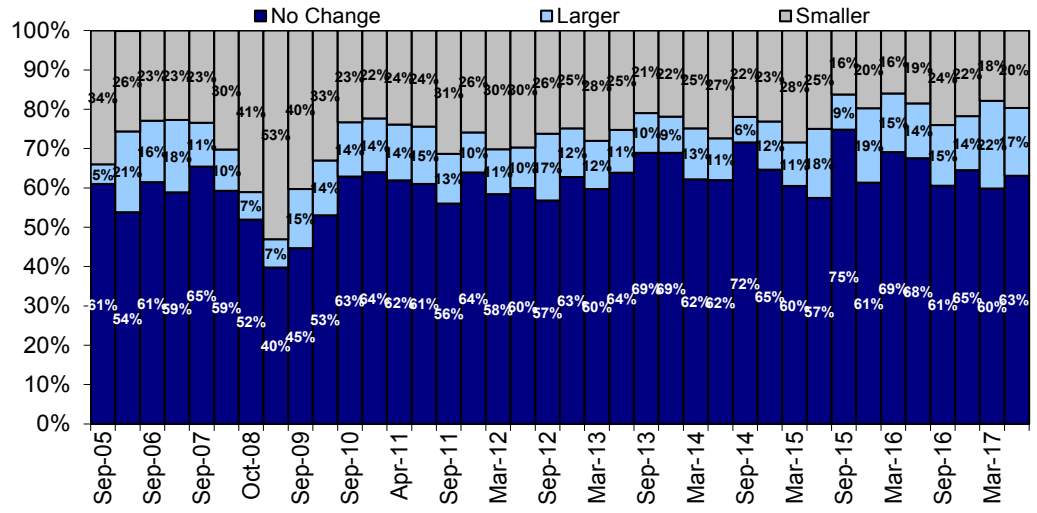


Source: Morgan Stanley Parcel Survey

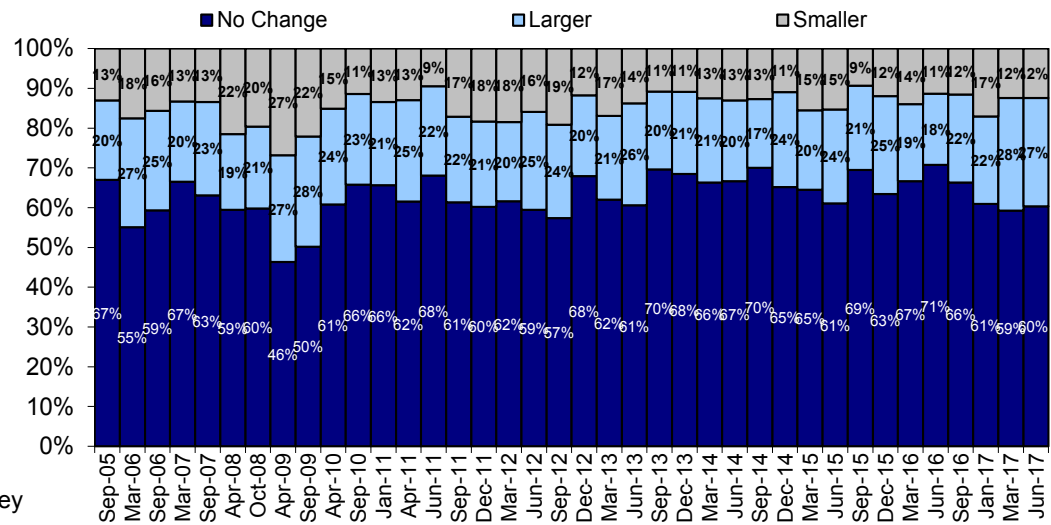
Historical Expected Change in Use of Air Products

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

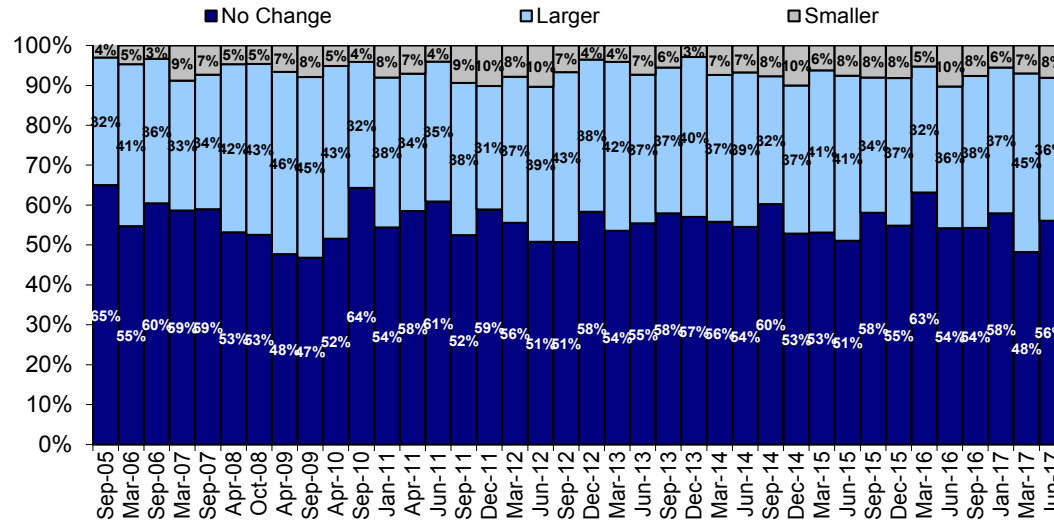


Source: Morgan Stanley Parcel Survey

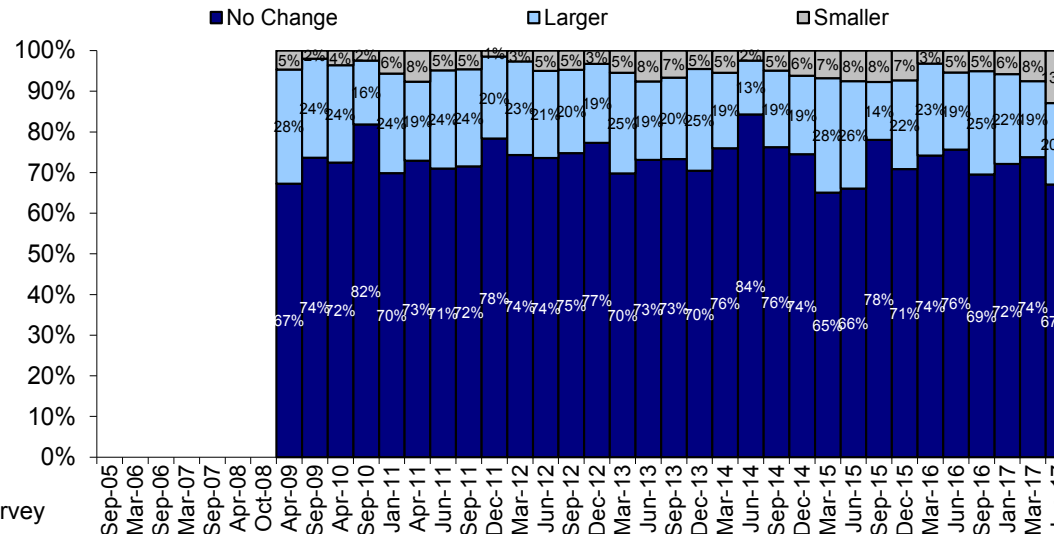
Historical Expected Change in Use of Ground and Consolidators

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?

Ground



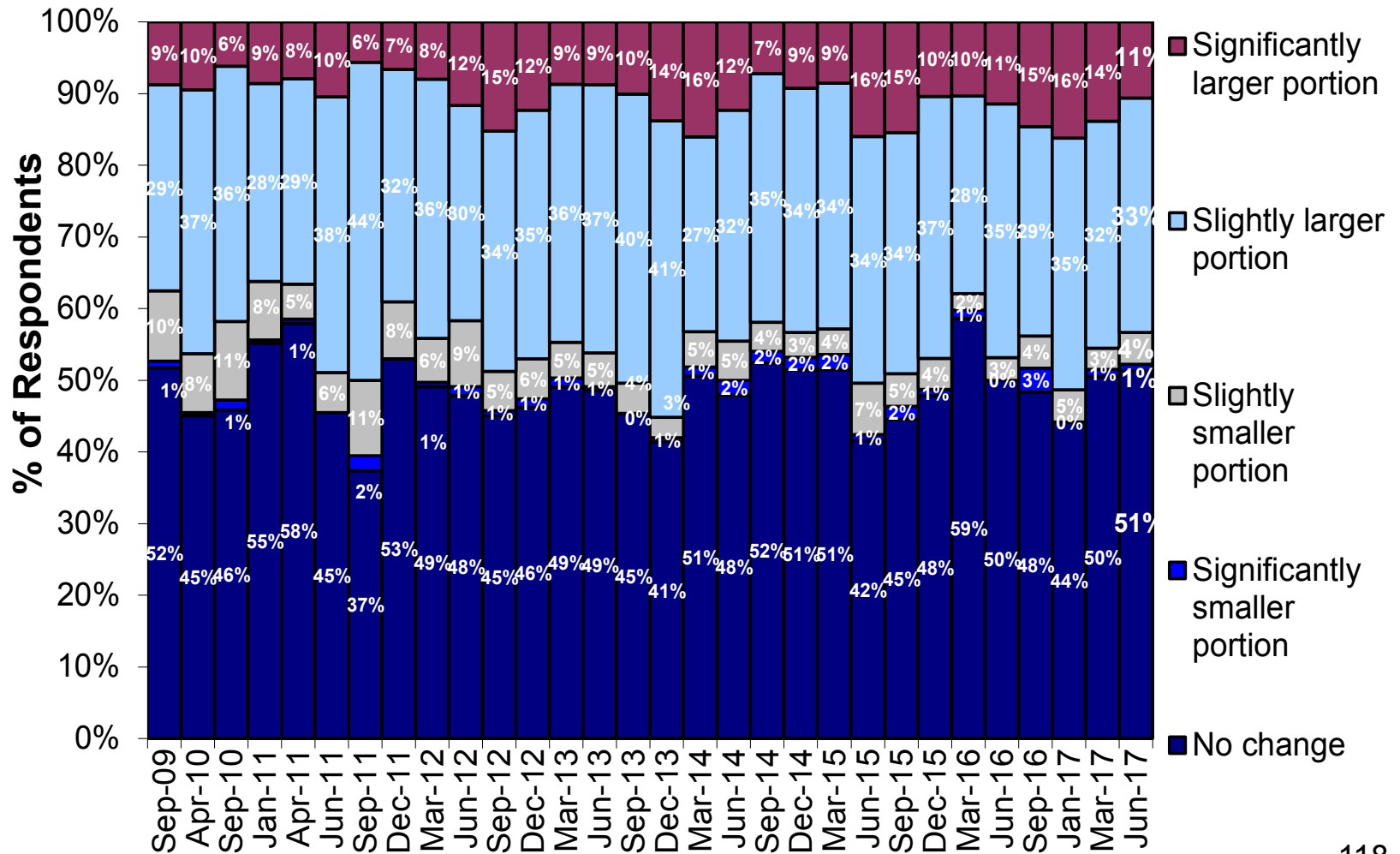
Consolidators



Source: Morgan Stanley Parcel Survey

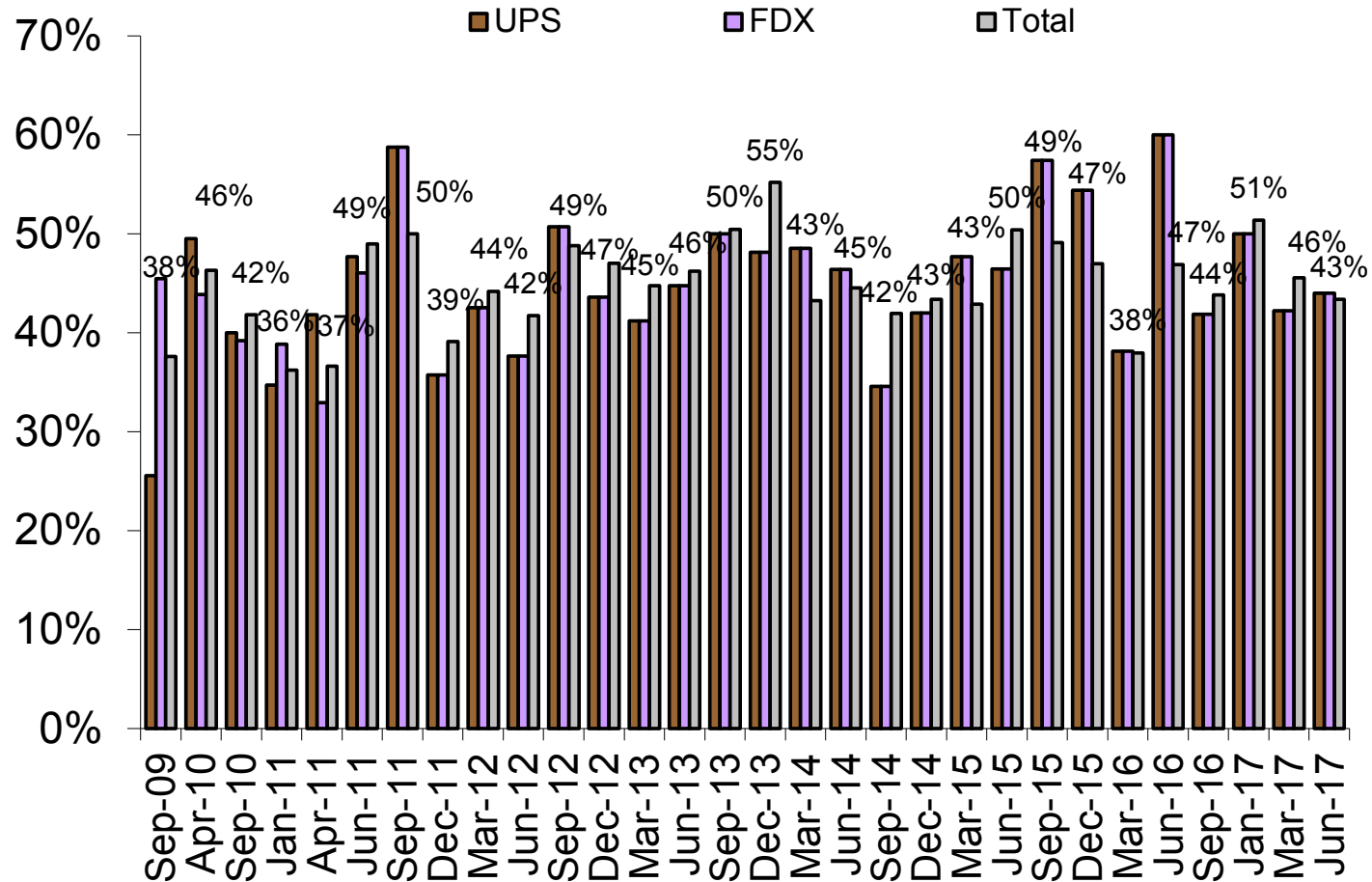
Expected Trends in B2C

YoY Change in B2C as % of Total



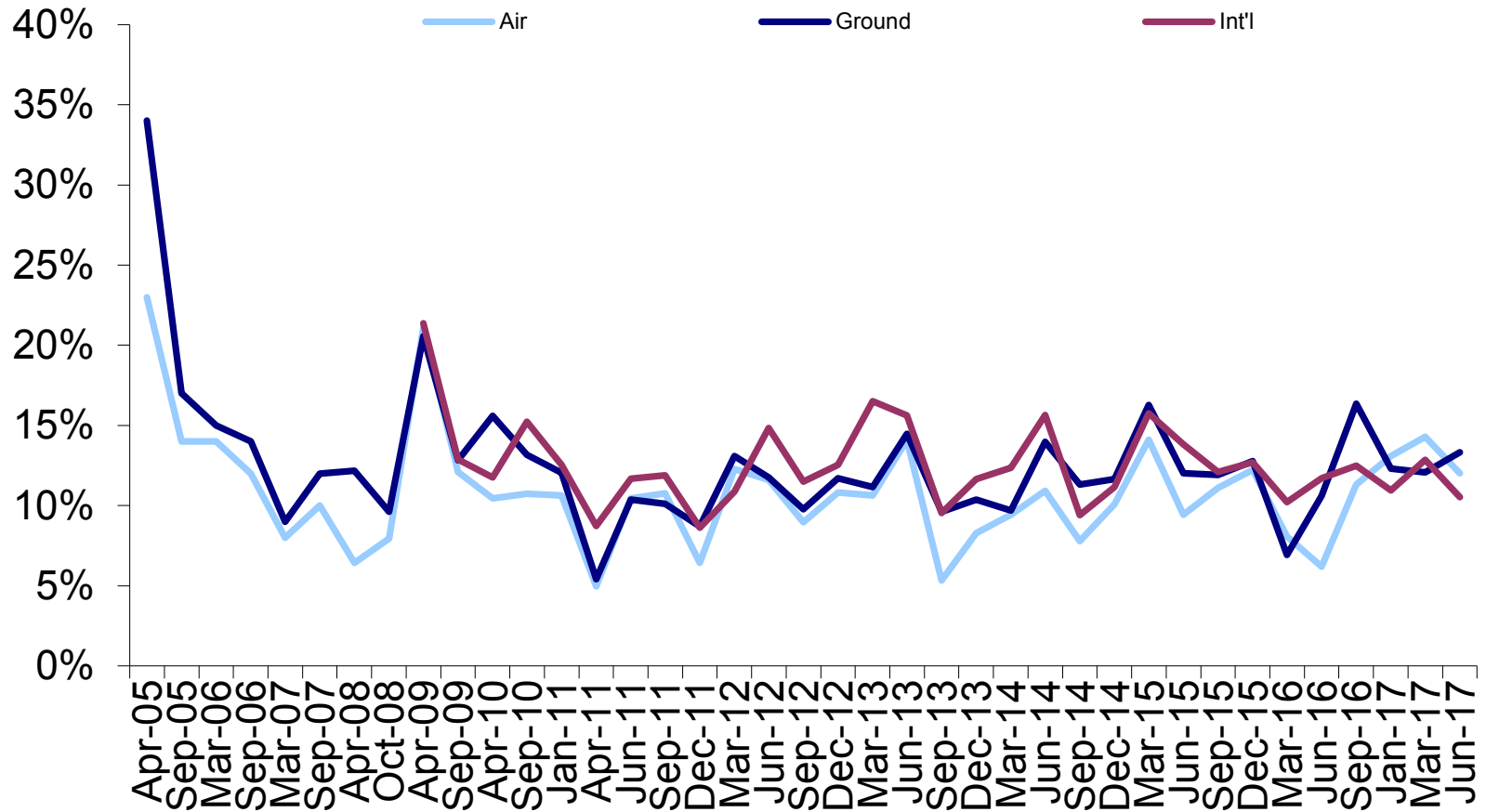
Expected Trends in B2C

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



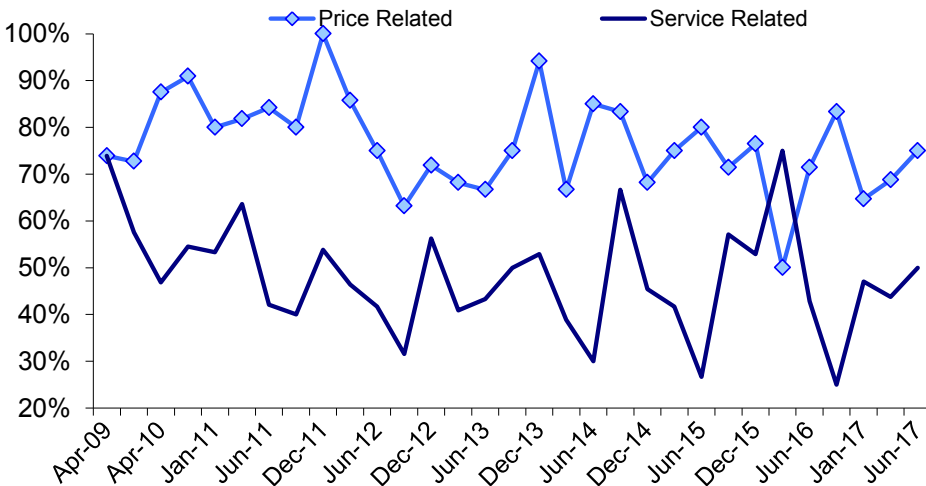
% of Respondents Switching Primary Carriers Over Time

% of Shippers Switching Primary Carriers Over the Past 6 Months

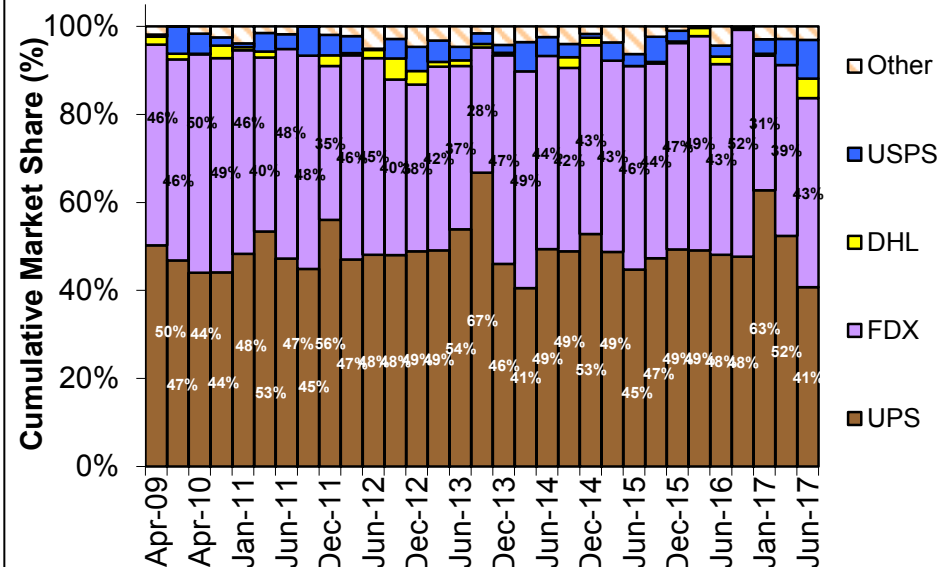


Air Switching: Reasons for Switch and Primary Carrier

Air: Reason for Switching Primary Carriers



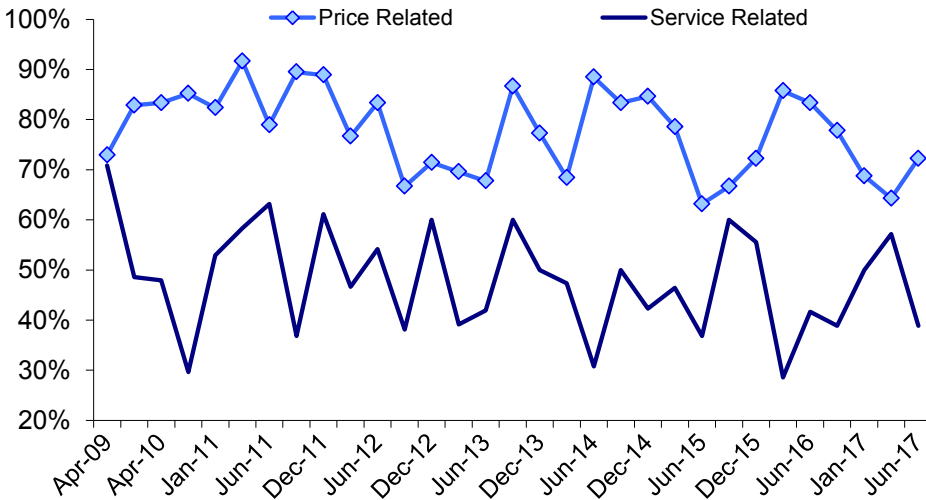
Air: Dollar-weighted Market Share



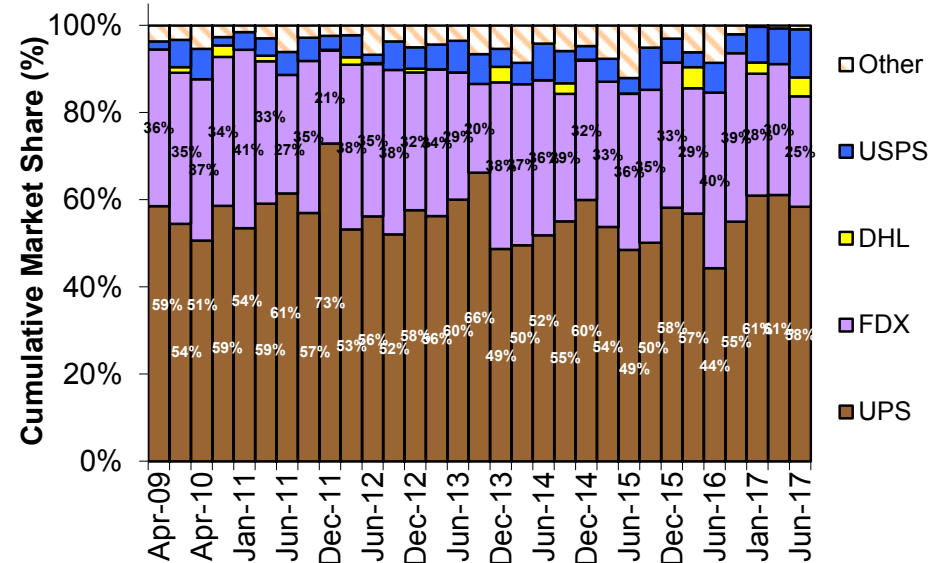
Source: Morgan Stanley Parcel Survey

Ground Switching: Reasons for Switch and Primary Carrier

Ground: Reason for Switching Primary Carriers



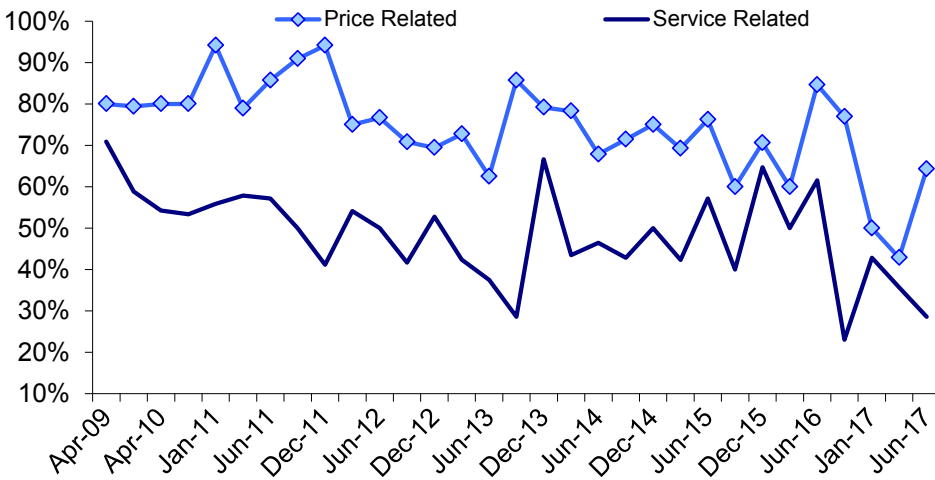
Ground: Dollar-weighted Market Share



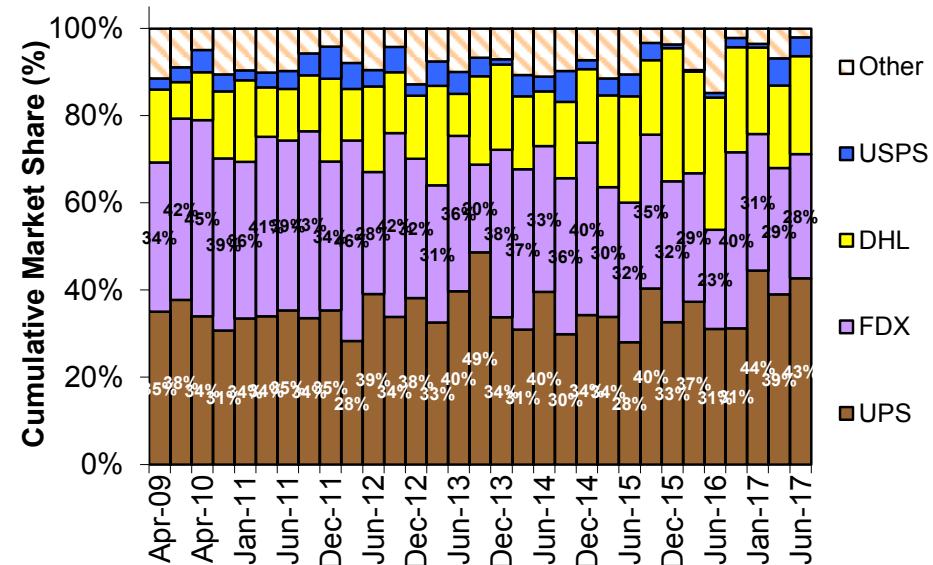
Source: Morgan Stanley Parcel Survey

International Switching: Reasons for Switch and Primary Carrier

International: Reason for Switching Primary Carriers



International: Dollar-weighted Market Share



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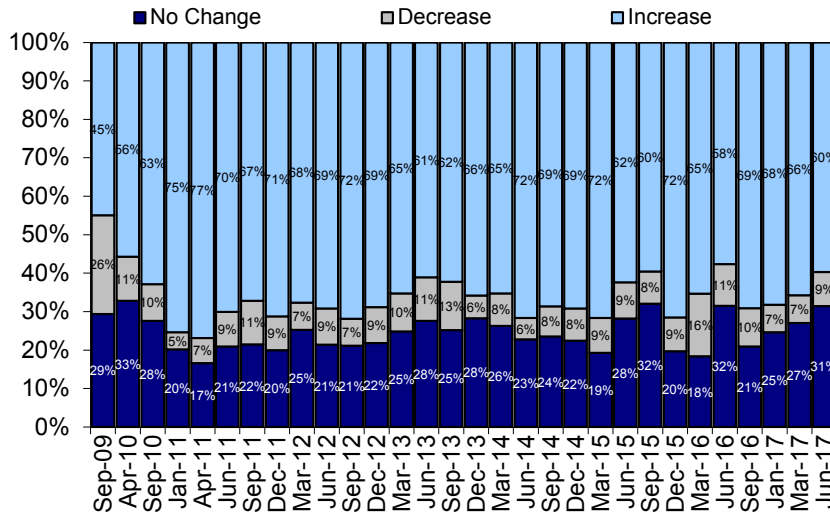
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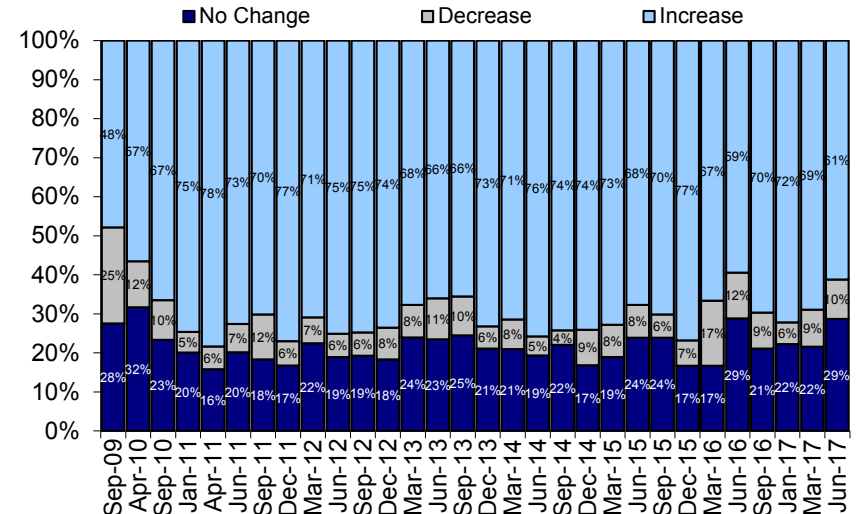
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Parcel Pricing Outlook Over the Next 6 Months

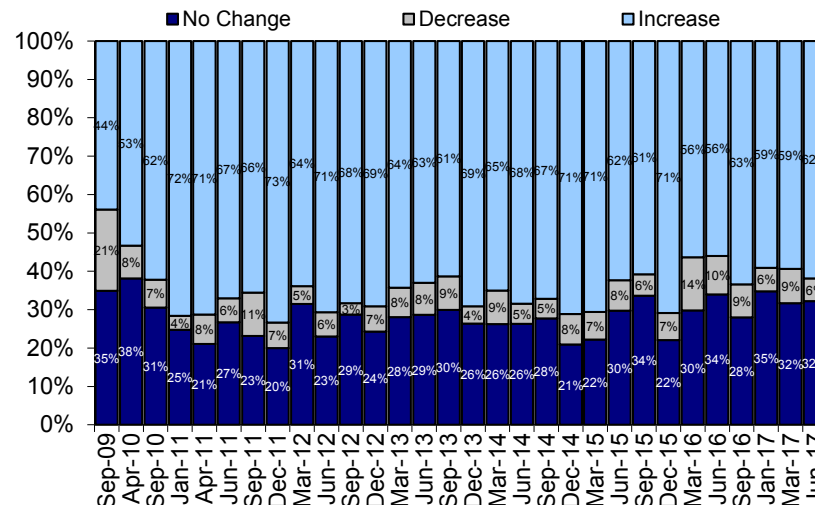
% of Shippers Expecting Air to:



% of Shippers Expecting Ground to:



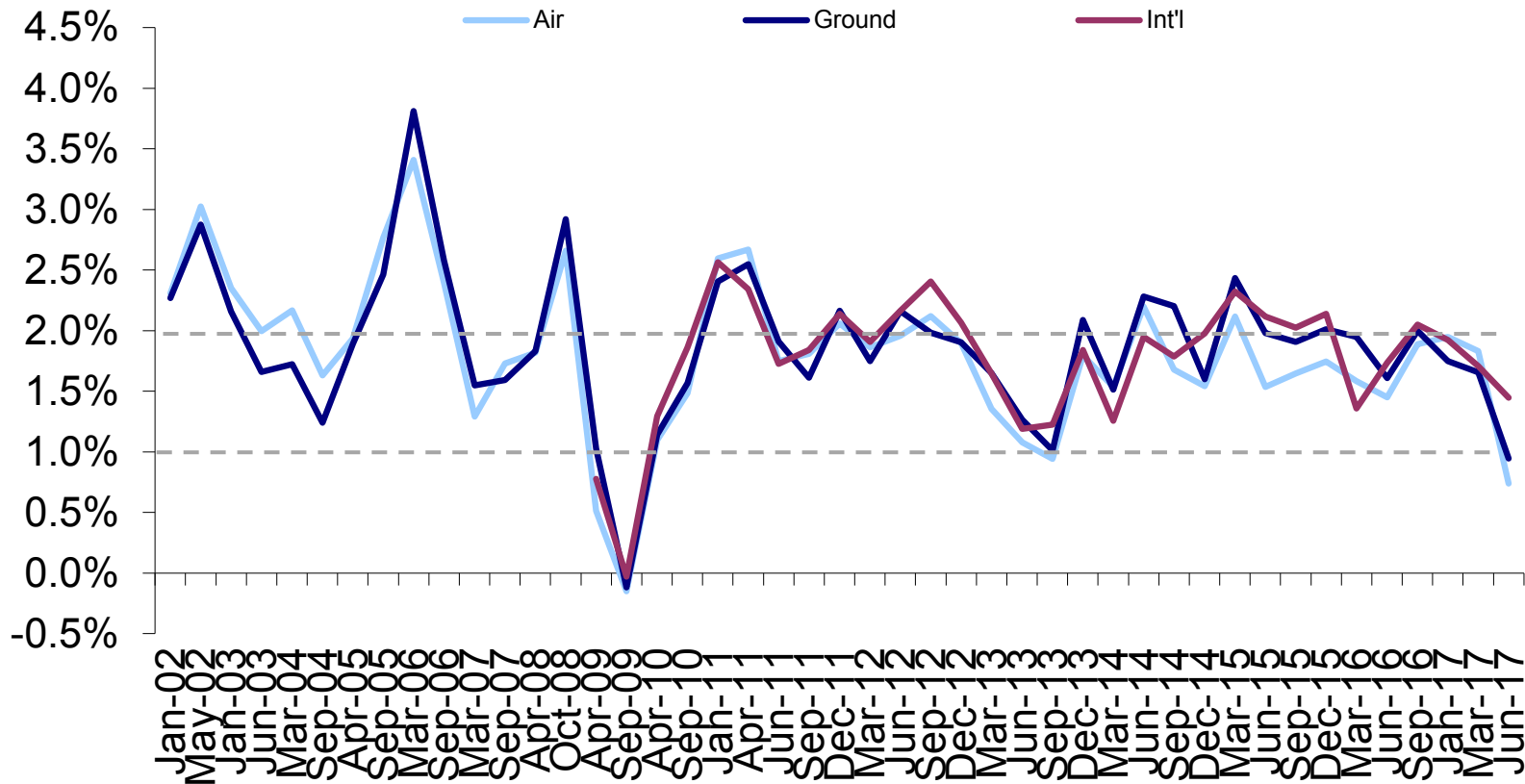
% of Shippers Expecting International to:



Source: Morgan Stanley Parcel Survey

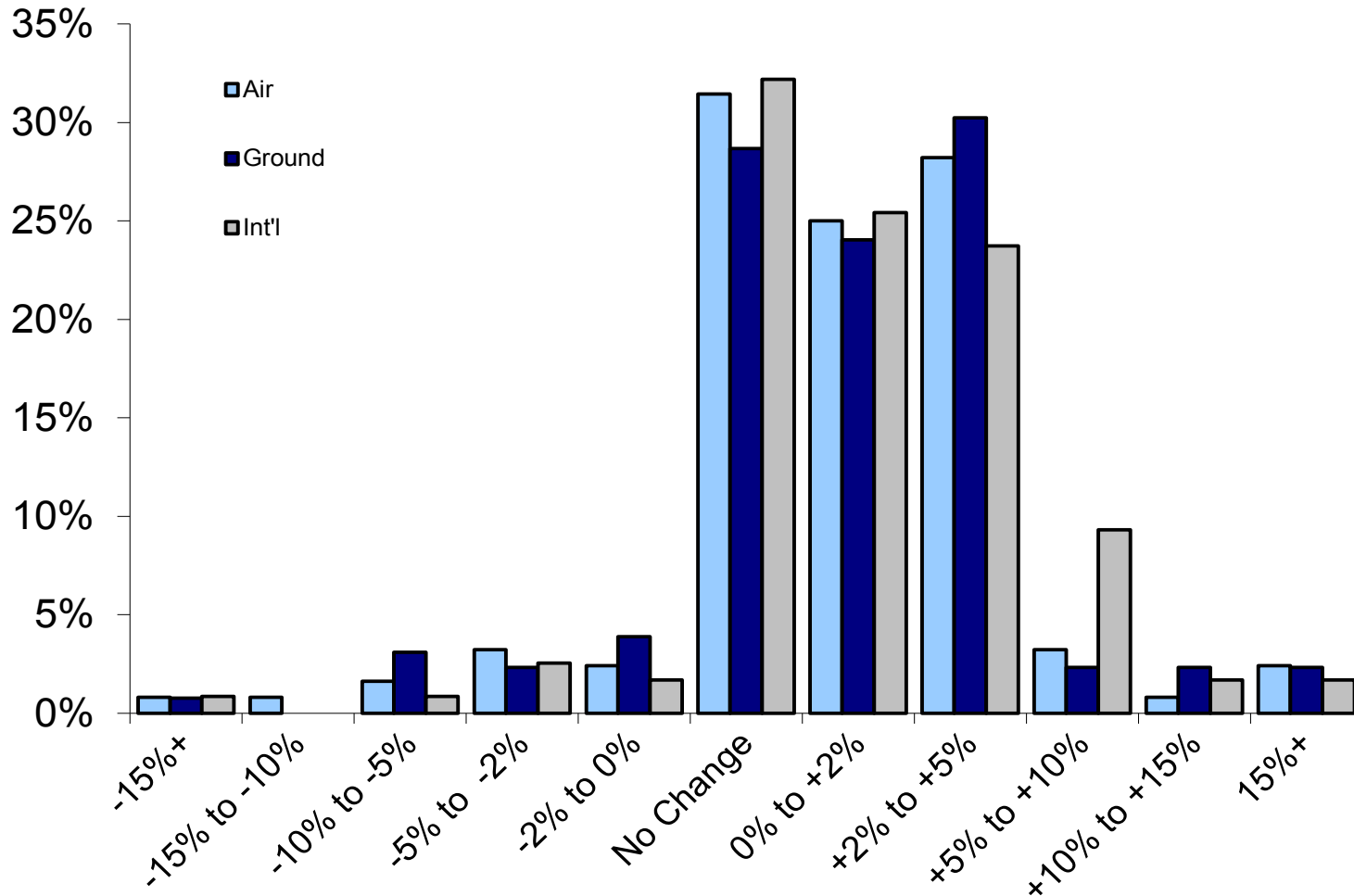
Pricing Trends by Product: Large vs. Small Shipper

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



Base Rate Response Skew – All Shippers

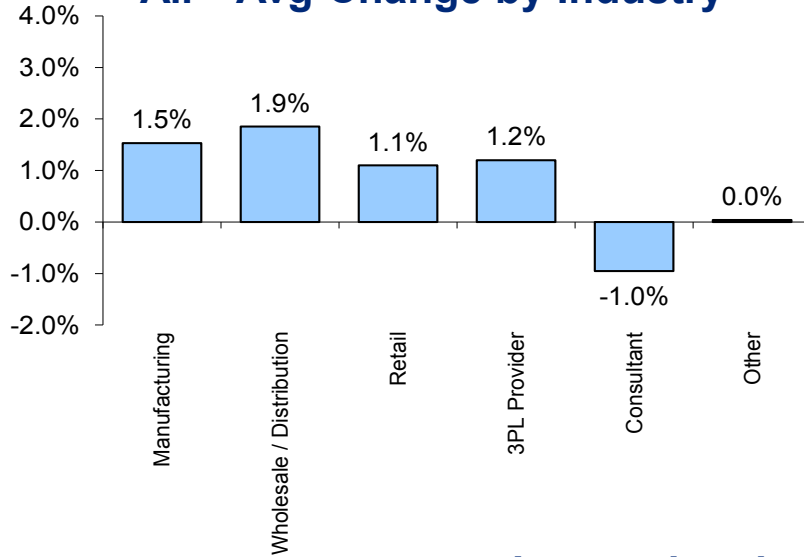
Base Rate Growth Expectations “Over the Next 6 Months” vs. Same Period Last Year



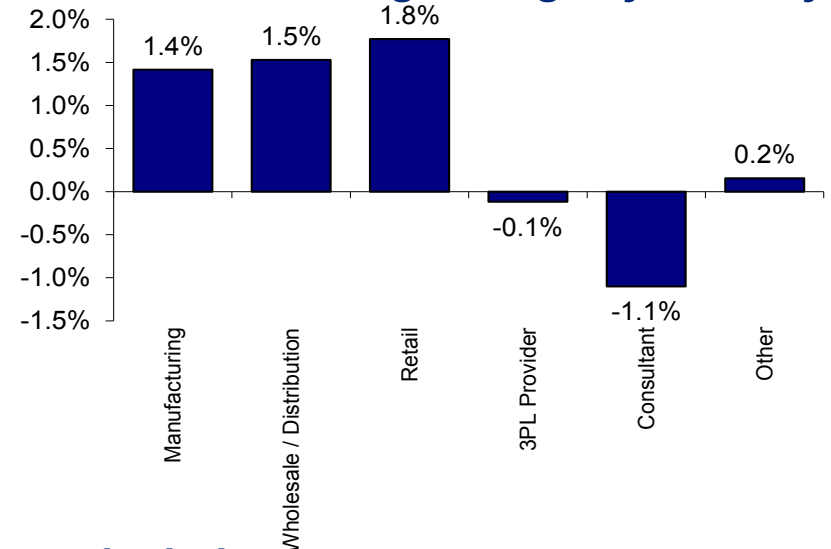
Source: Morgan Stanley Parcel Survey

Pricing Outlook by Industry

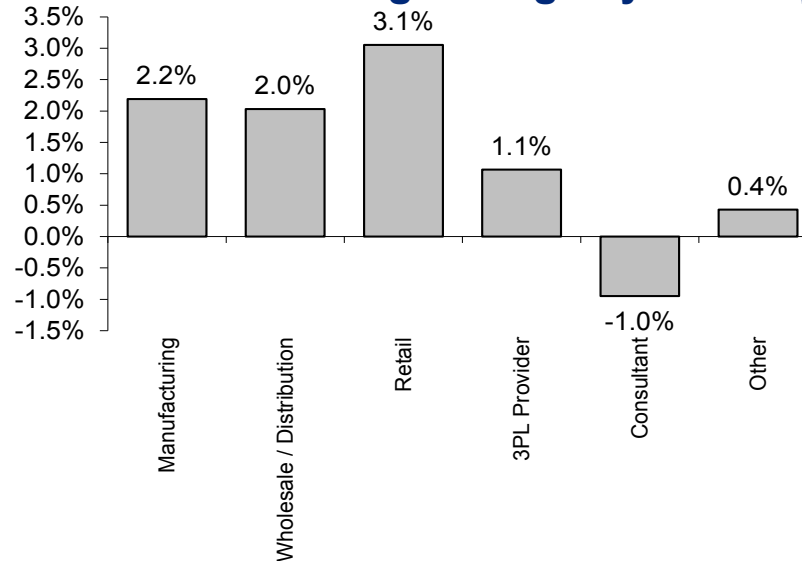
Air - Avg Change by Industry



Ground - Avg Change by Industry

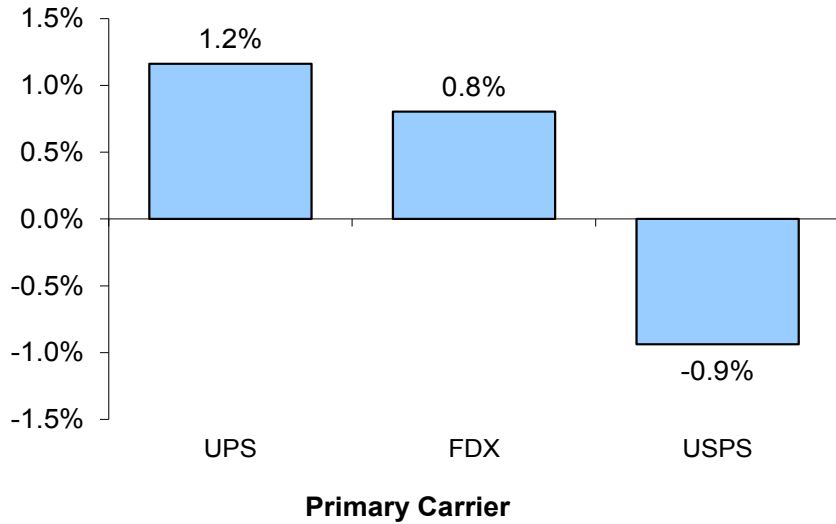


International - Avg Change by Industry

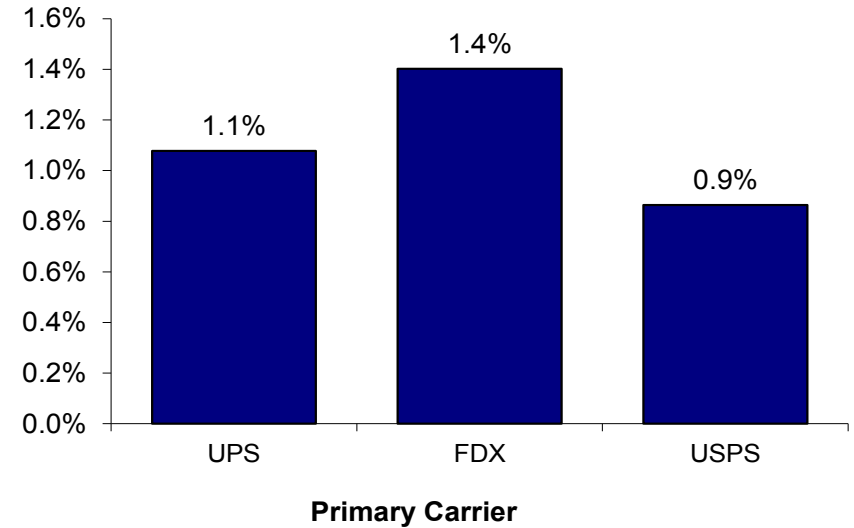


Pricing Outlook by Listed Primary Carrier

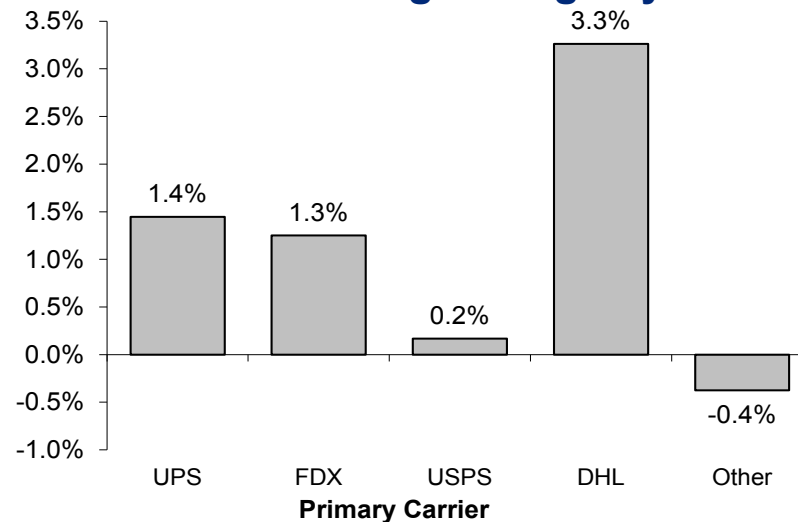
Air - Avg Change by Carrier



Ground - Avg Change by Carrier

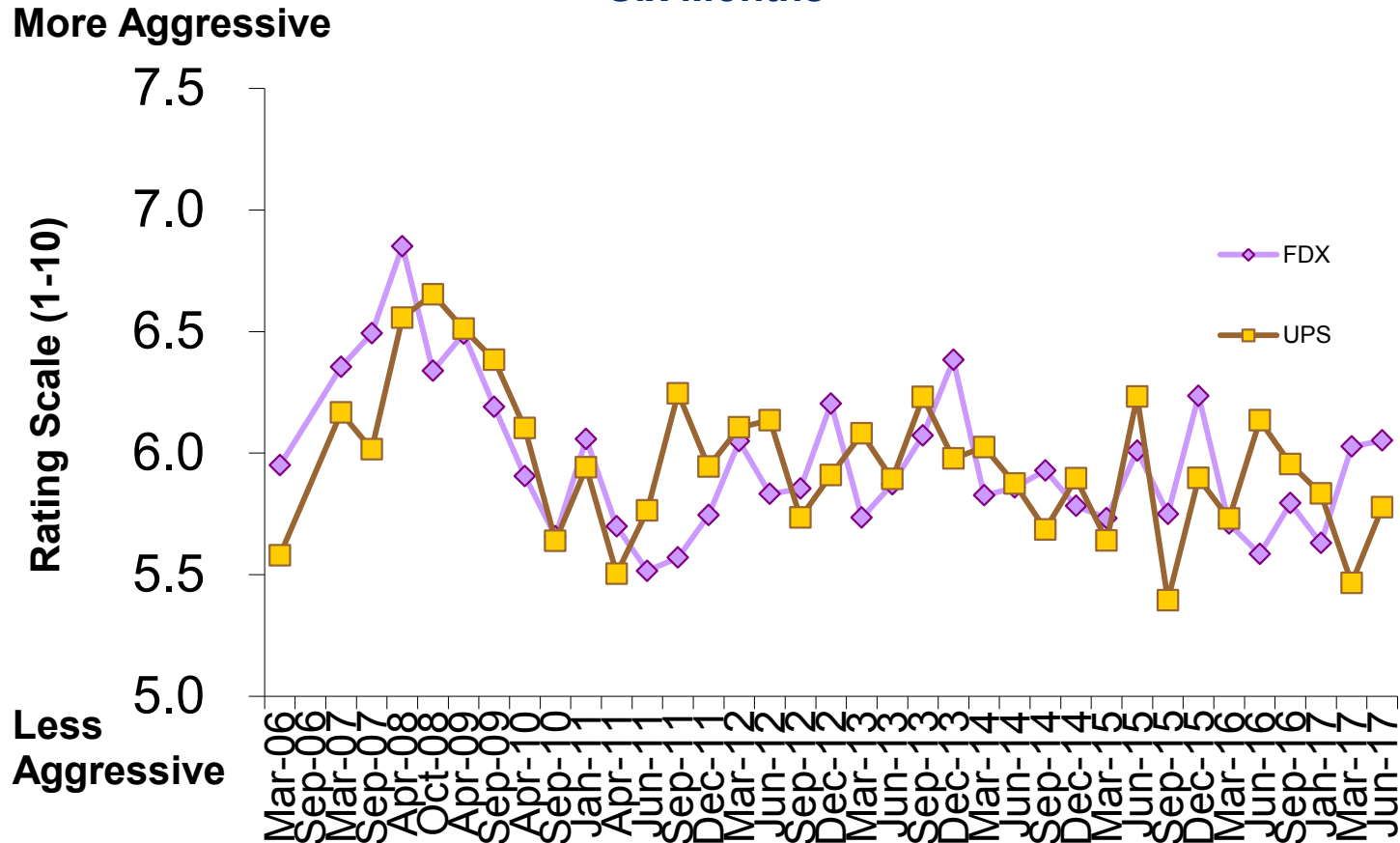


International - Avg Change by Carrier



Level of Aggressiveness in Trying to Win New Business

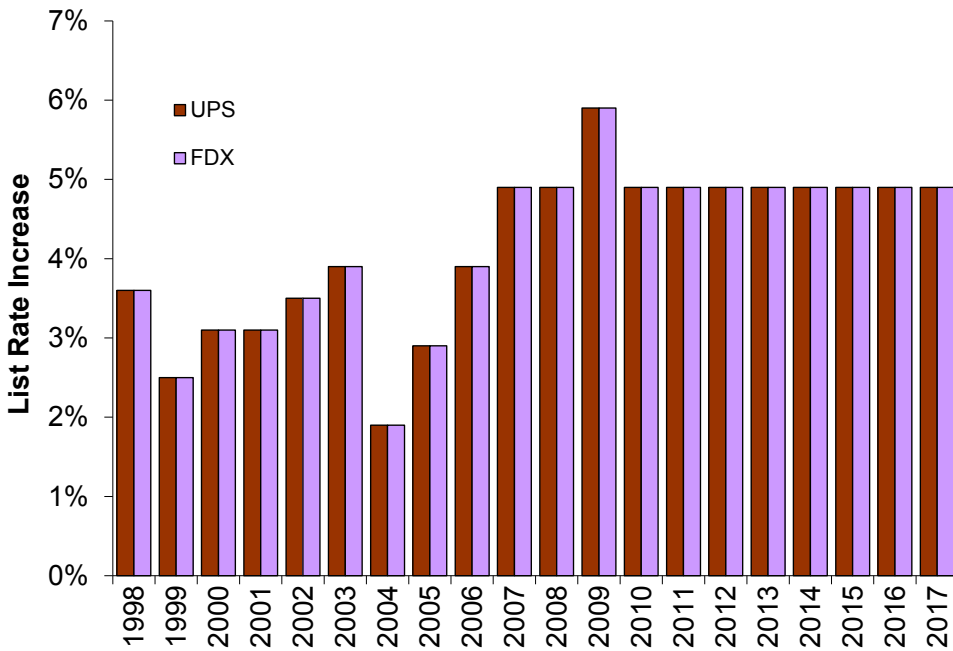
Parcel Shippers' Rankings of Carriers' "Aggressiveness" in Trying to Win Business Over Past Six Months



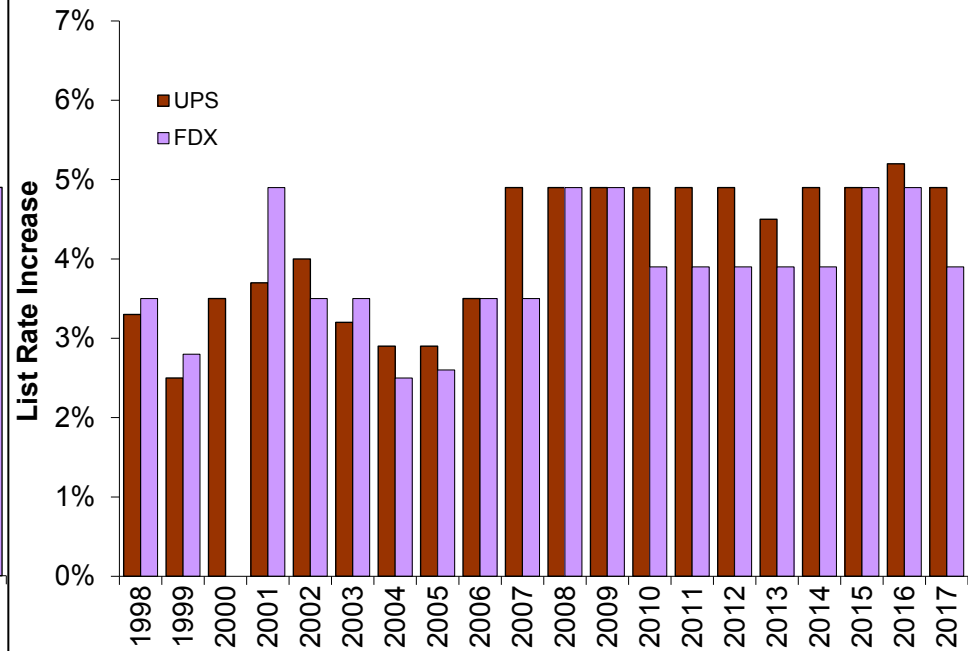
Source: Morgan Stanley Parcel Survey

List Rate Increases

Ground List Rate Increase



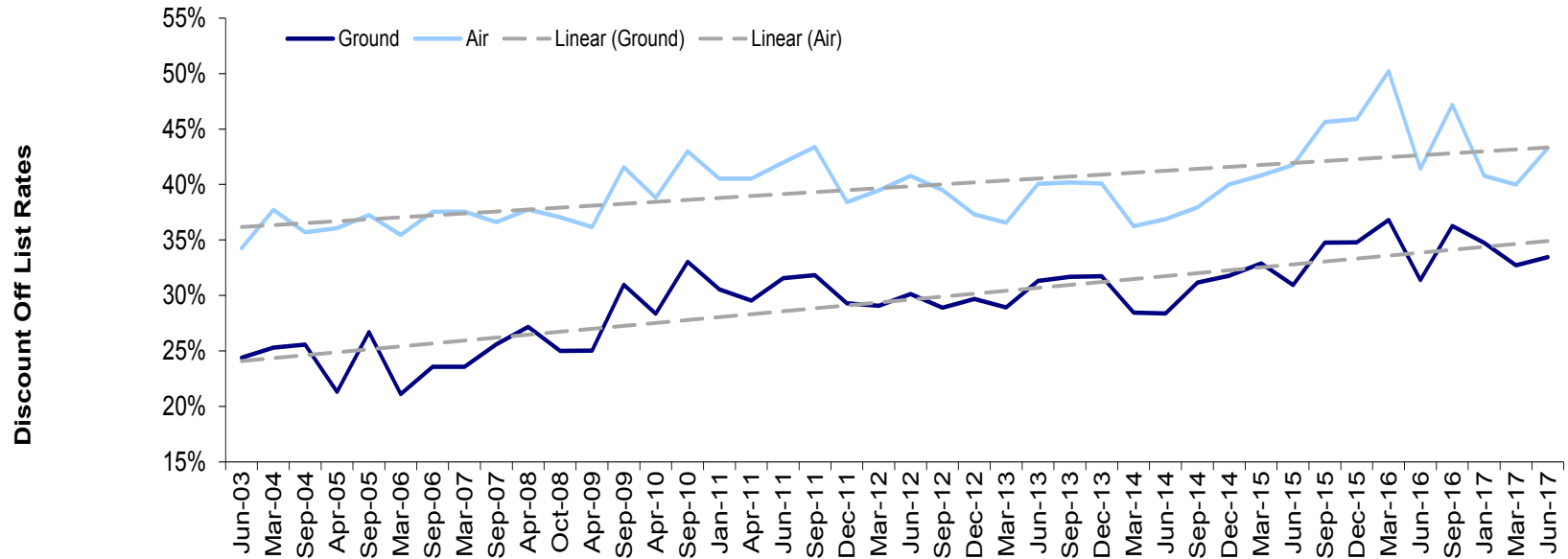
Air List Rate Increase



Source: Company data, Morgan Stanley Research

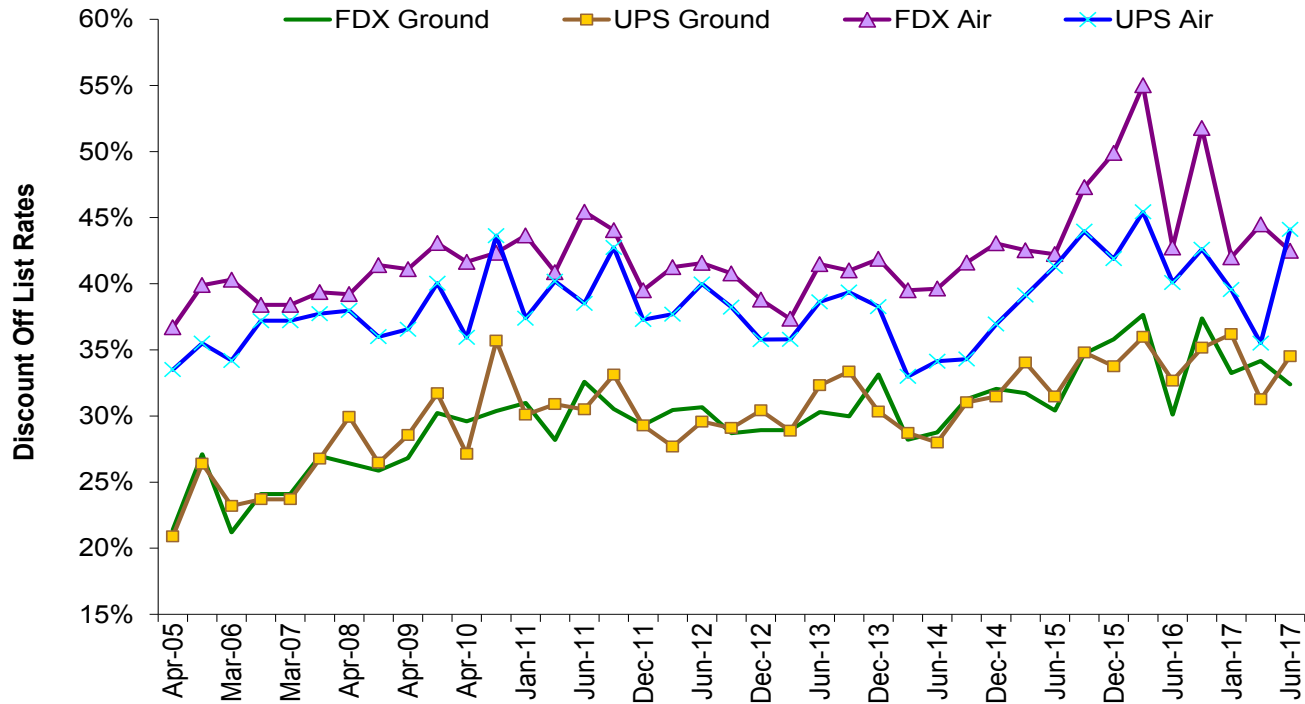
Percentage Discount Off of List Rates

Average List Rate Discount



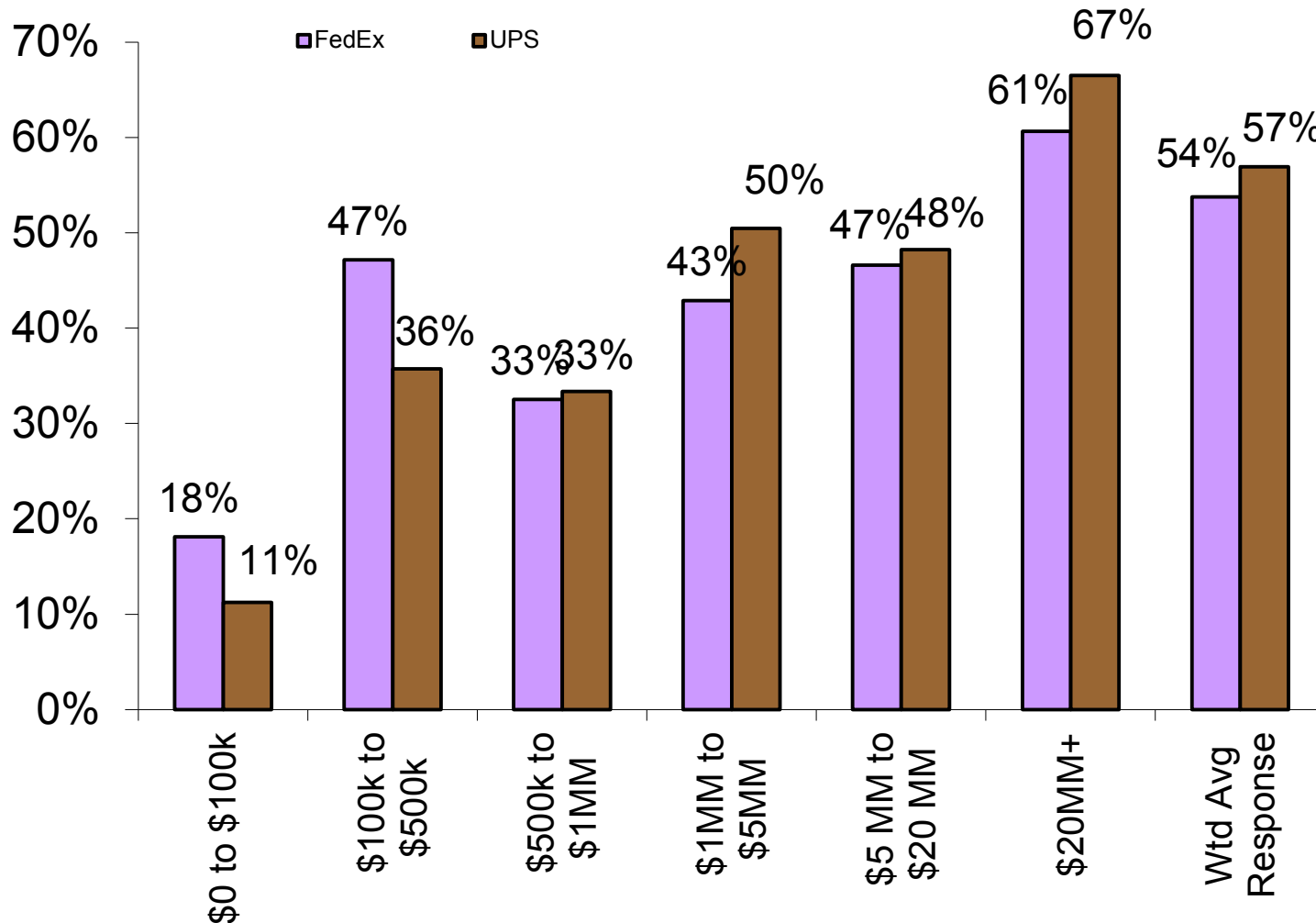
Percentage Discount Off of List Rates

Average Discount by Carrier and Product



Air List Rate Discount by Spend

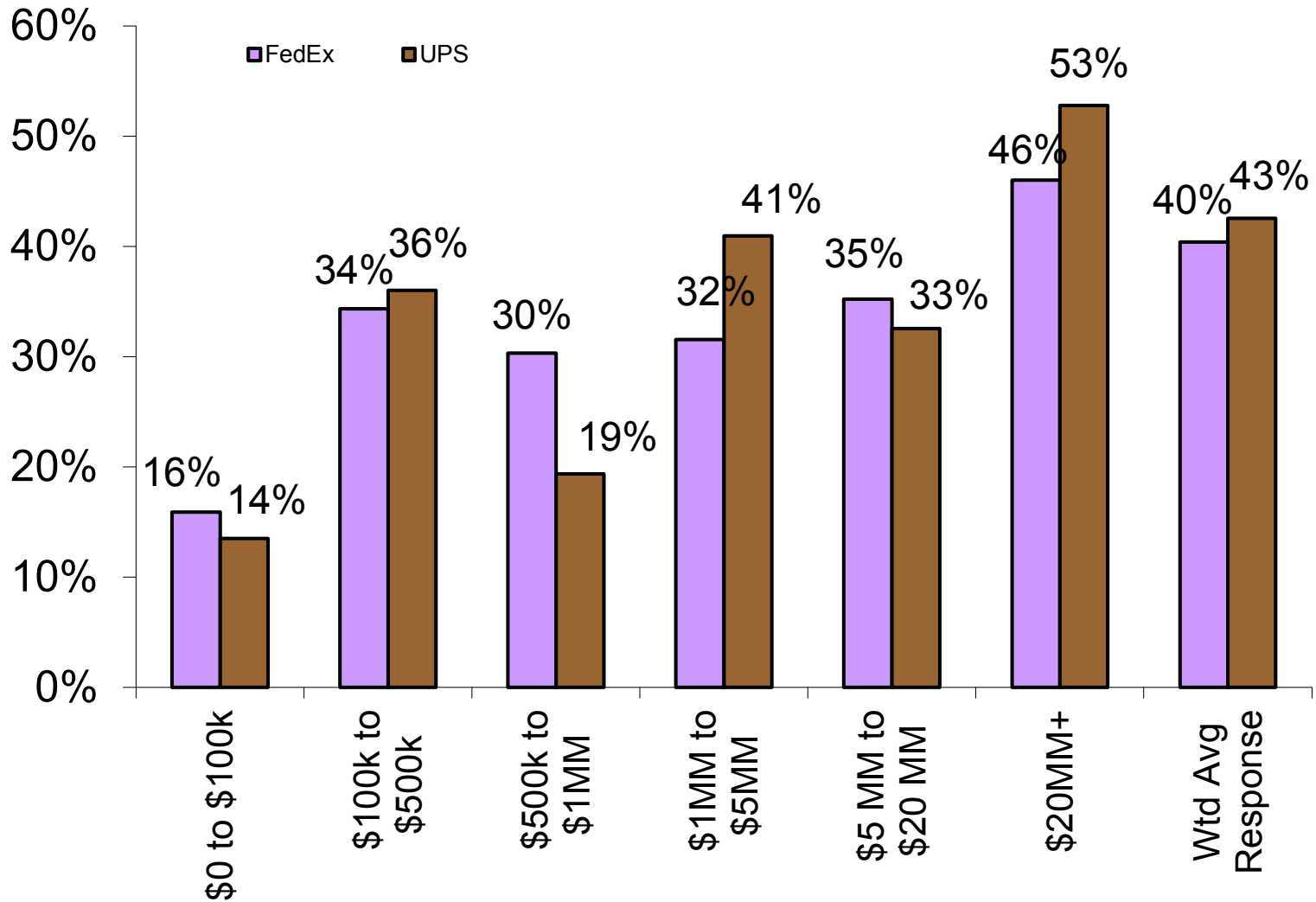
What is Your % Discount Off of Listed Parcel Rates for Air Express?



Source: Morgan Stanley Parcel Survey

Ground List Rate Discount by Spend

What is Your % Discount Off of Listed Parcel Rates for Ground?



Source: Morgan Stanley Parcel Survey

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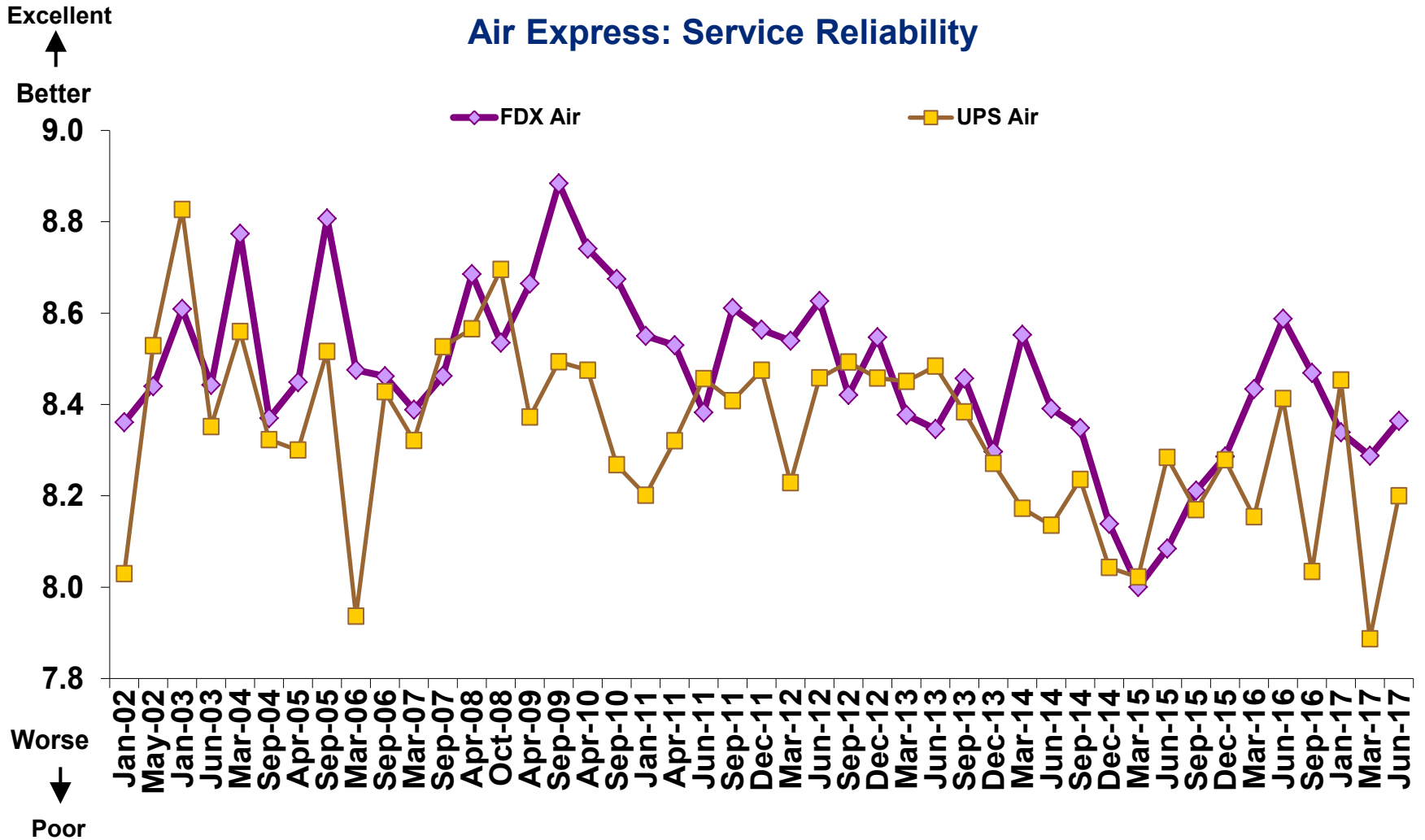
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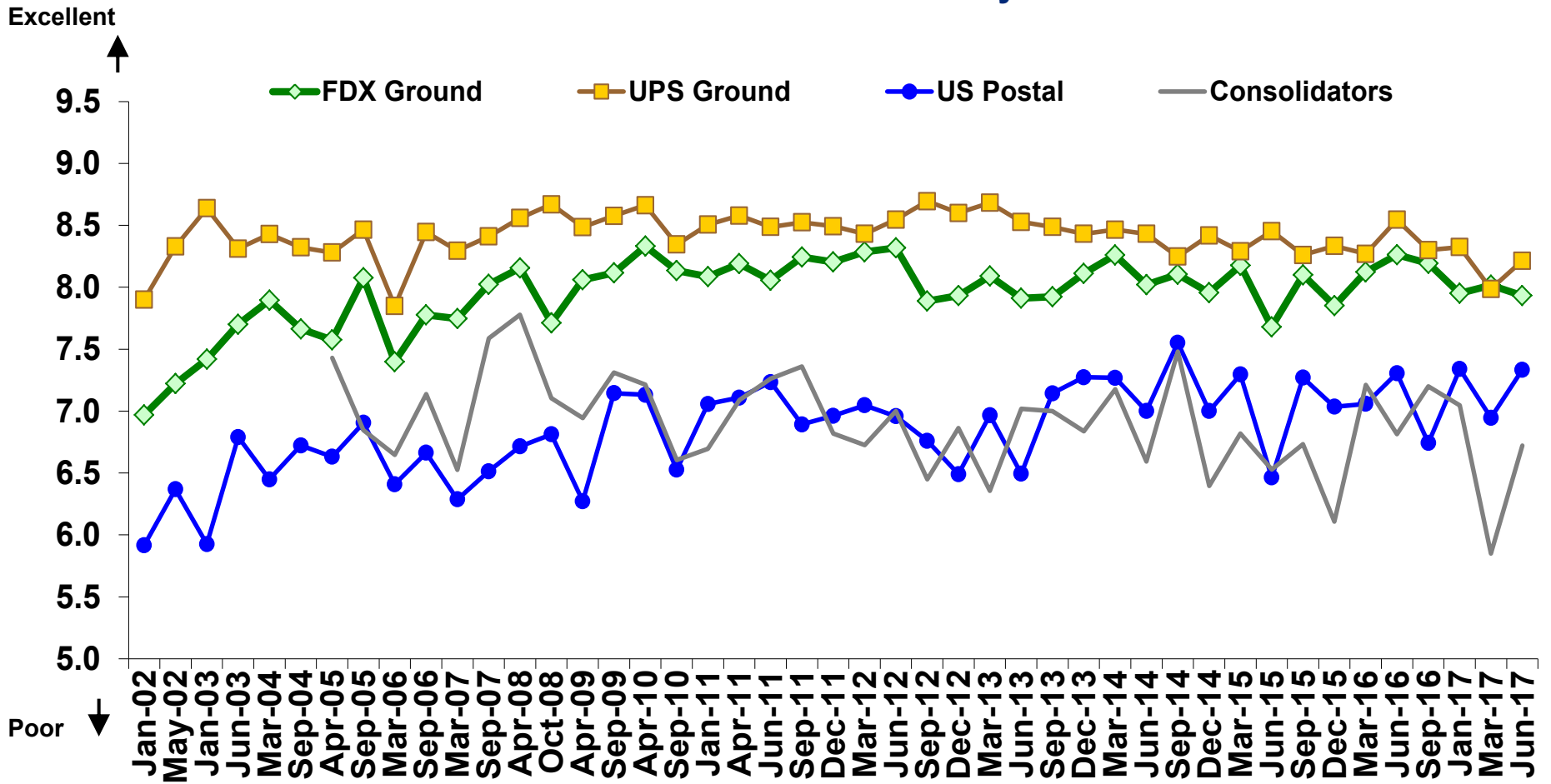
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Service Reliability Rankings: Historical Trends

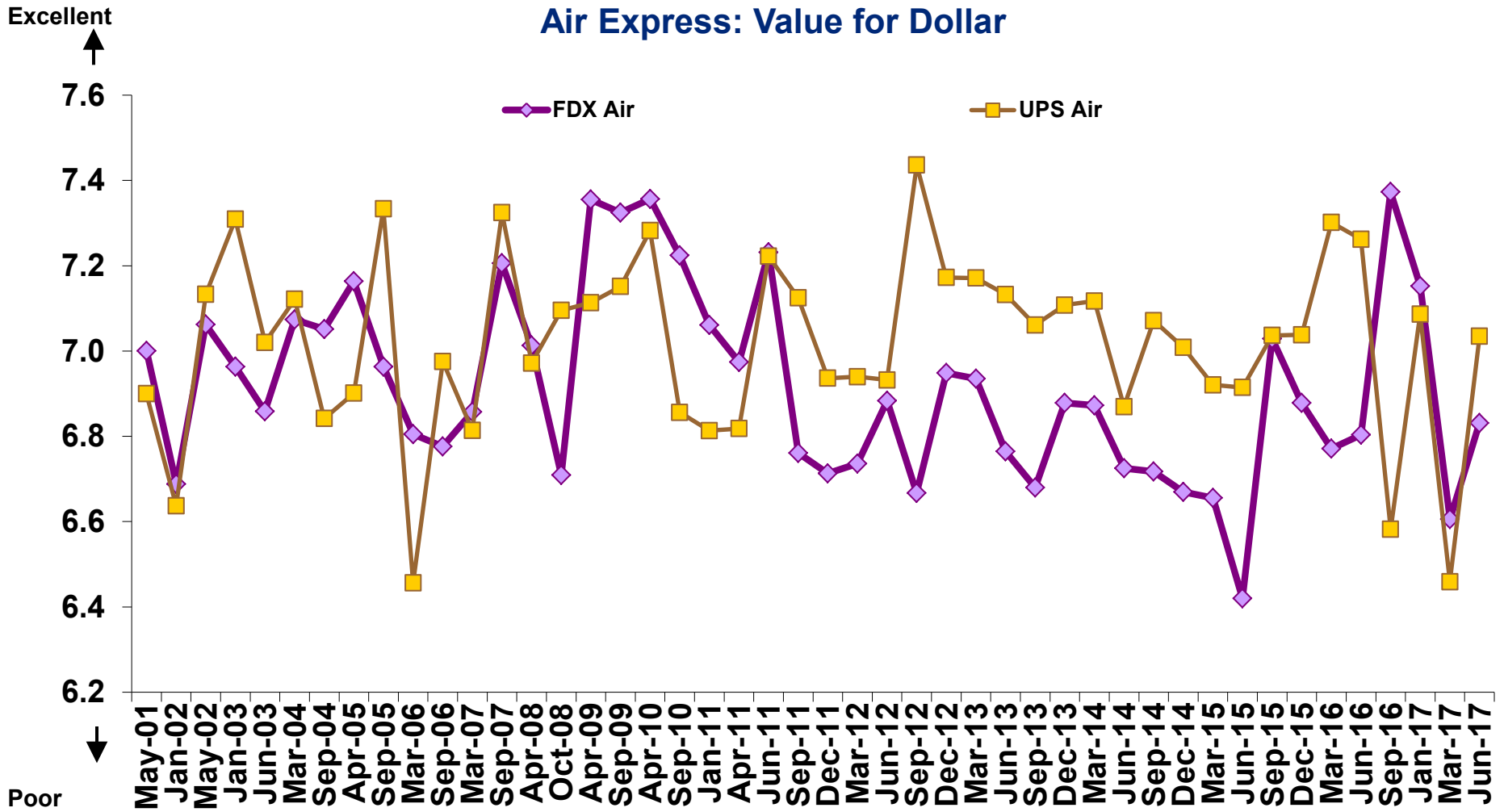


Service Reliability Rankings: Historical Trends

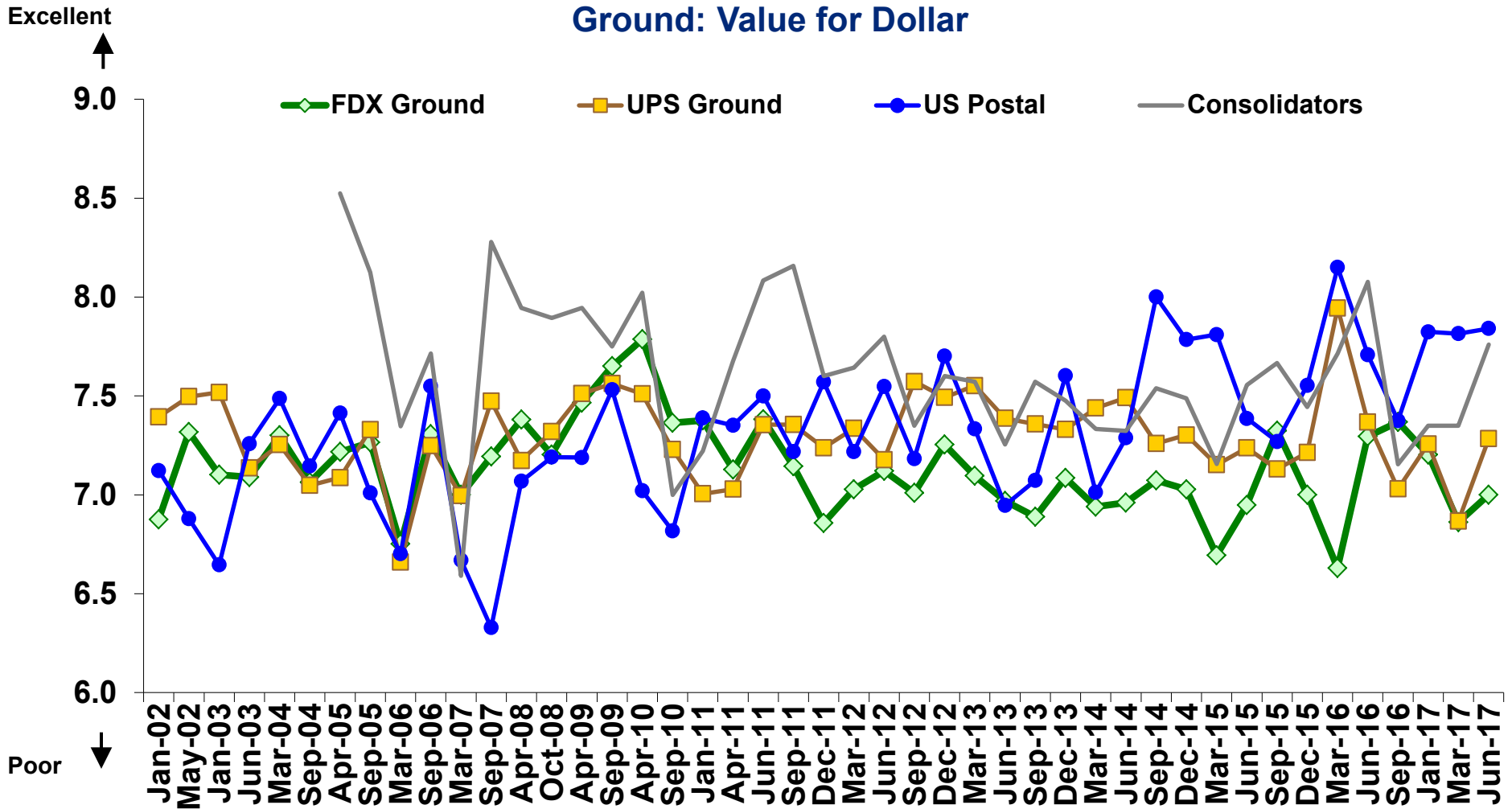
Ground: Service Reliability



Value for Dollar Rankings: Historical Trends



Value for Dollar Rankings: Historical Trends



Source: Morgan Stanley Parcel Survey

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(as of June 30, 2017)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1147	36%	295	40%	26%
Equal-weight/Hold	1402	44%	342	46%	24%
Not-Rated/Hold	62	2%	8	1%	13%
Underweight/Sell	608	19%	92	12%	15%
Total	3,219		737		

Disclosure Section (cont'd)

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C.H. Robinson Worldwide Inc. (CHRW.O)	U (06/09/2013)	\$69.46
Canadian National Railway Co. (CNR.TO)	O (02/23/2016)	C\$105.92
Canadian Pacific Railway Ltd. (CP.TO)	O (06/03/2016)	C\$210.81
CSX Corporation (CSX.O)	E (01/19/2017)	\$55.08
Echo Global Logistics Inc (ECHO.O)	O (07/16/2012)	\$19.30
Expeditors International of Washington I (EXPD.O)	E (02/25/2015)	\$57.27
FedEx Corporation (FDX.N)	E (06/20/2013)	\$219.06
Genesee & Wyoming Inc. (GWR.N)	E (02/23/2016)	\$68.29
Heartland Express Inc. (HTLD.O)	U (05/06/2011)	\$21.91
Hub Group Inc (HUBG.O)	E (07/16/2012)	\$39.40
J.B. Hunt Transport Services Inc. (JBHT.O)	E (05/06/2011)	\$91.85
Kansas City Southern (KSU.N)	E (02/23/2016)	\$104.84
Knight Transportation Inc. (KNX.N)	++	\$36.10
Landstar System Inc (LSTR.O)	U (02/23/2016)	\$87.90
Norfolk Southern Corp. (NSC.N)	U (06/03/2016)	\$124.00
Old Dominion Freight Line Inc (ODFL.O)	O (10/06/2011)	\$99.99
Sala, Inc. (SAIA.O)	U (02/23/2016)	\$53.55
Schneider National Inc. (SNDR.N)	O (05/01/2017)	\$21.42
Swift Transportation (SWFT.N)	++	\$25.86
Union Pacific Corp. (UNP.N)	O (06/03/2016)	\$109.53
United Parcel Service (UPS.N)	U (02/23/2016)	\$112.41
Werner Enterprises (WERN.O)	O (02/23/2016)	\$29.45
XPO Logistics, Inc. (XPO.N)	O (11/16/2015)	\$63.84

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