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Industry View  
Attractive

October 1, 2012

## Freight Transportation

### Freight Pulse 27 Shipper Survey: Economic Outlook Stable with Rails Faring Best

The results reflect a stable outlook on the economy. Shippers remain constructive on rail, while expect truck and parcel volume growth to decelerate slightly. Rail and parcel air & int'l shippers expect accelerating pricing, while truck shippers see deceleration in pricing gains ahead.

**Freight/Macro Highlights:** (1) Shippers' economic outlook stable; (2) Chemical shippers most upbeat outlook on GDP, auto most pessimistic; (3) Restocking plans still on hold for now; (4) TL capacity expectations loosen the most from prior survey; (5) Shipper perceptions remain strong for rail carload on service and value for dollar.

**Rail Highlights:** (1) Rail volume growth expectations stable at 3%; (2) Shipper expectations on rail rates accelerating slightly; (3) Intermodal discount to TL climbs from historical survey low; (4) Shippers switching rails more often, rail rate negotiations more difficult; (5) Rail service reliability and value for dollar stable.

**Truck Highlights:** (1) Shipper truck volume growth expectations decelerating across all segments; (2) Trucking rate growth expectations slow to ~1.5%; (3) Shippers' expectations on truckload capacity eased the most; (4) Expectations on truck spend moderate across all segments; (5) Factors driving intermodal growth unchanged, value perceptions remain highest.

**Parcel Highlights:** (1) Shippers expect volume growth to decelerate for air & ground, flat for int'l.; (2) Rate growth expectations decelerate for ground, but accelerate for air & int'l.; (3) Shippers indicate increased B2C shipments, a negative for mix; (4) Product mix shift from premium service to standard ground shipping continues; (5) Carrier switching falls across segments.

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*Morgan Stanley is acting as financial advisor to United Parcel Service Inc. ("UPS") in connection with their proposed all-cash public offer for TNT Express N.V. ("TNT"), as announced on March 19, 2012. The proposed offer is subject to a minimum acceptance of 80% of the TNT ordinary shares on a fully diluted basis, required regulatory approvals, and other closing conditions. This report and the information provided herein is not intended to (i) provide advice with respect to the offer, (ii) serve as an endorsement of the offer, or (iii) result in the procurement, withholding or revocation of a tender in the offer, or any other action by a security holder. UPS has agreed to pay fees to Morgan Stanley for its financial services, including transaction fees and financing fees that are subject to the consummation of the proposed transaction. Please refer to the notes at the end of this report.*

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

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# **General Freight and Macro Highlights**

## Freight Pulse: General Freight and Macro Key Takeaways

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### 1. Economic Outlook

- Shippers' Economic Outlook Stable

### 2. Economic Outlook by Industry

- Chemical Shippers Most Upbeat Outlook on GDP, Auto Most Pessimistic

### 3. Inventory & Restocking

- Restocking Plans Still on Hold for Now

### 4. Capacity Expectations

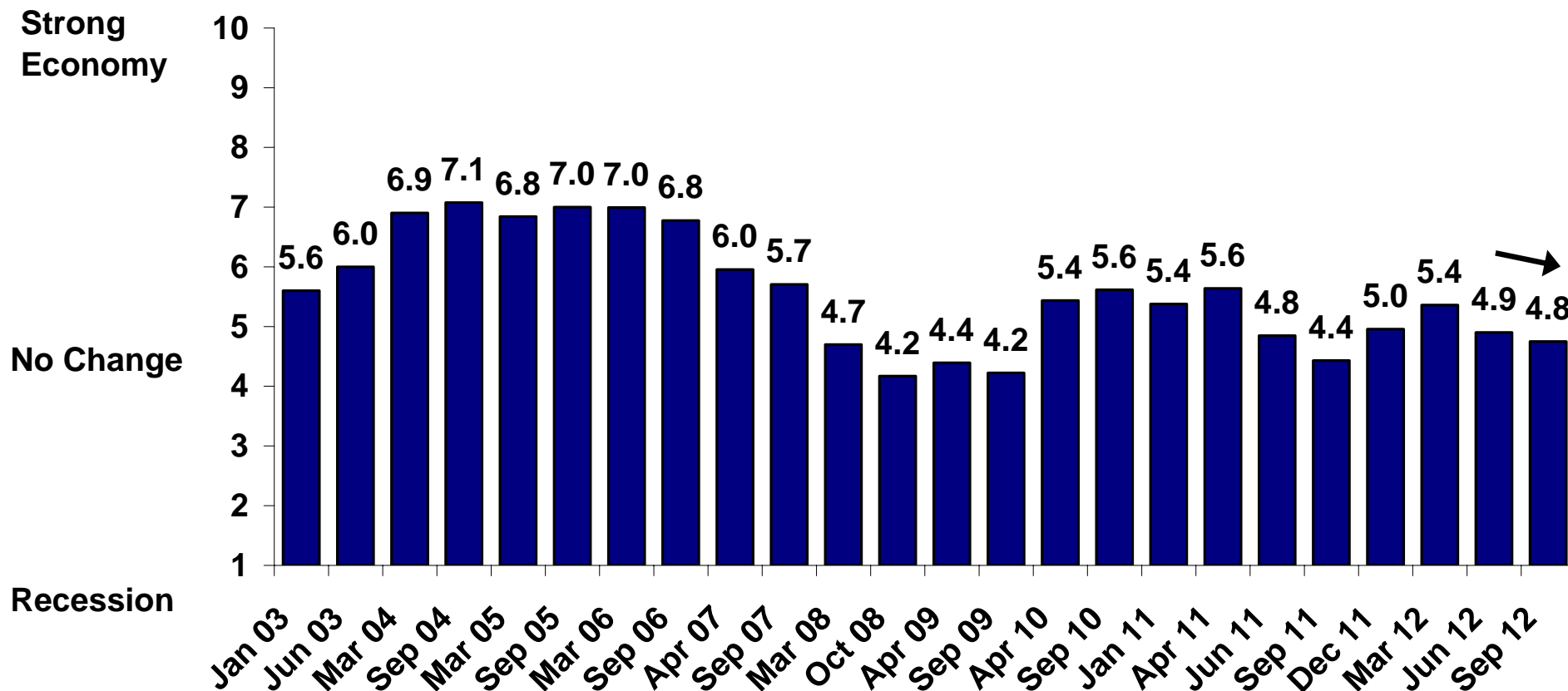
- TL Capacity Expectations Loosen the Most from Prior Survey

### 5. Service & Value

- Shipper Perceptions Remain Strong for Rail Carload on Service and Value for Dollar

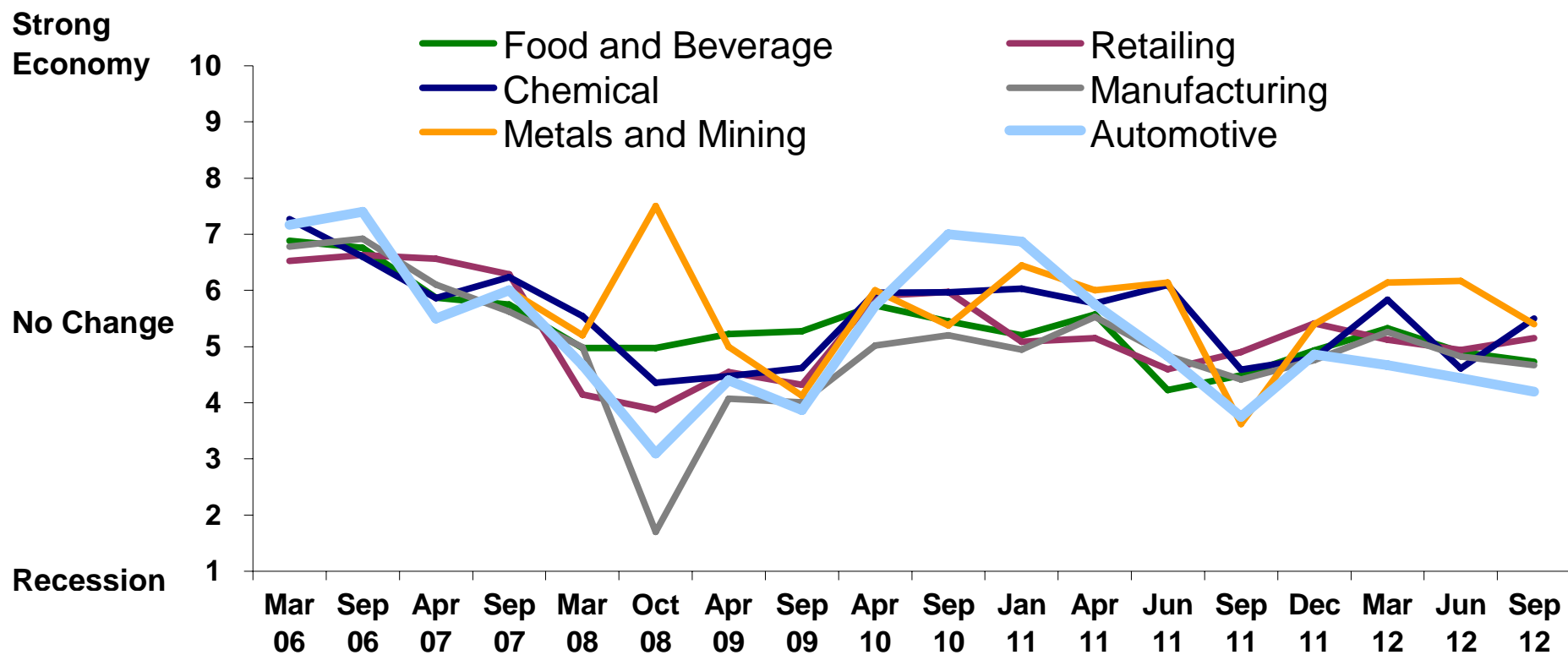
## 1. Shippers' Economic Outlook Stable

### State of the Economy from Shippers' Perspective



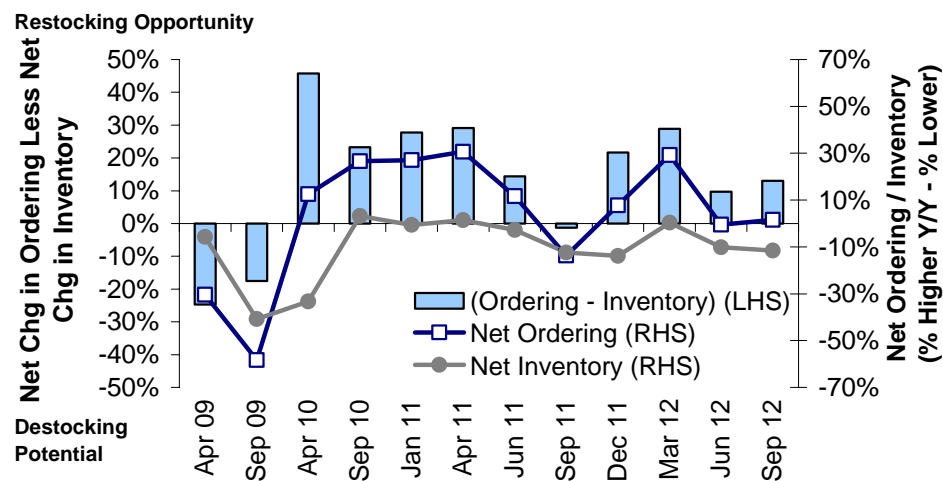
## 2. Chemical Shippers Most Upbeat Outlook on GDP, Auto Most Pessimistic

### Shippers' View of the Economy by Industry

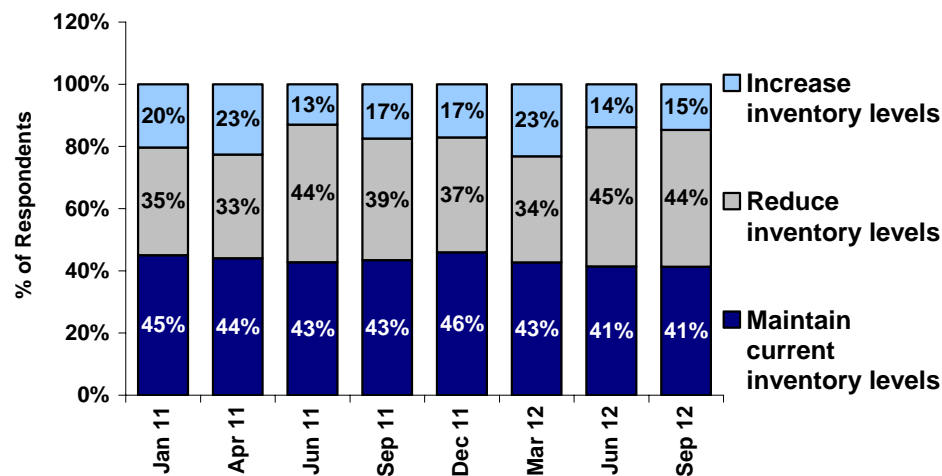


### 3. Restocking Plans Still on Hold for Now

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

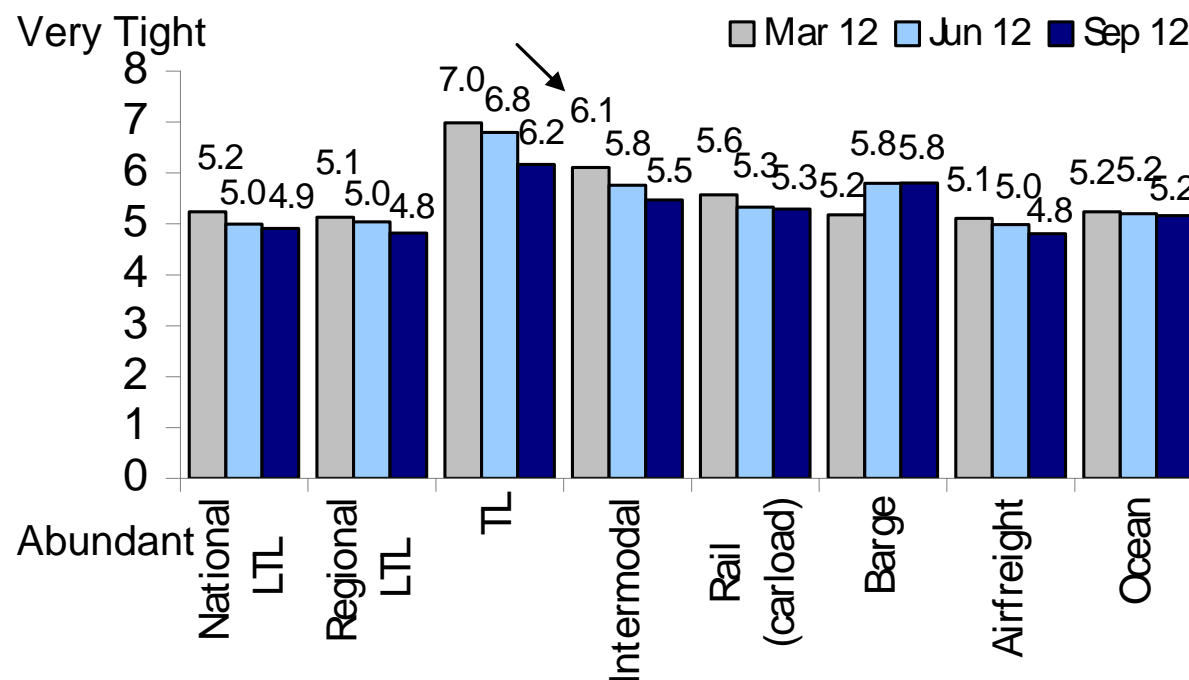


#### Shippers' Inventory Plans



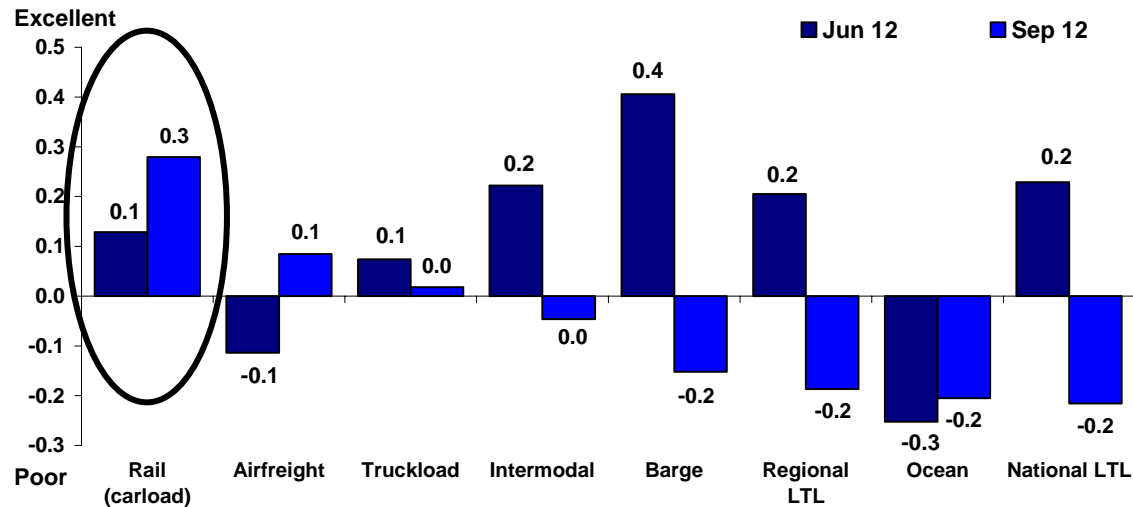
## 4. TL Capacity Expectations Loosen the Most from Prior Survey

### Projected Capacity in 6 Months

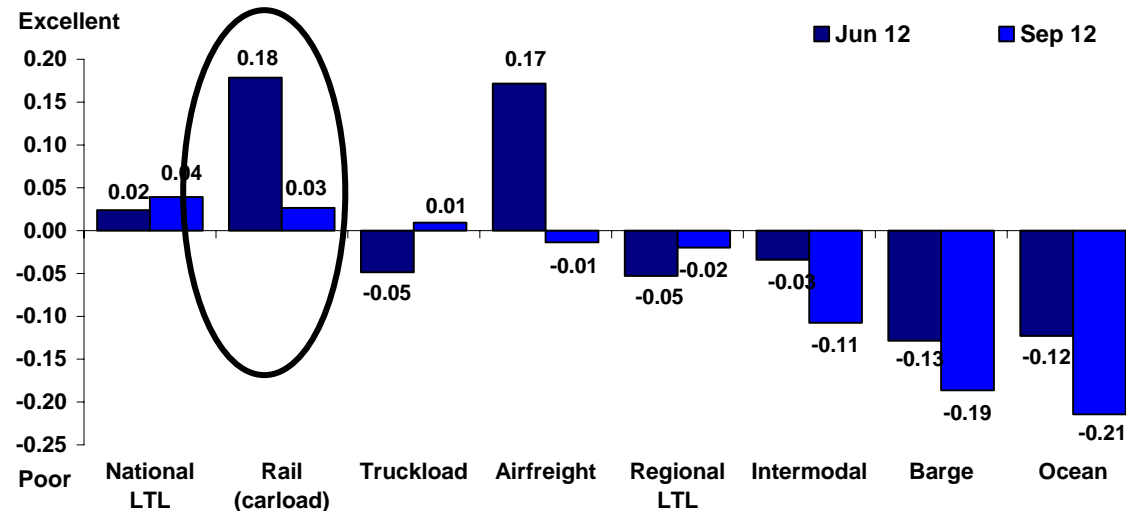


## 5. Shipper Perceptions Remain Strong for Rail Carload on Service and Value for Dollar

### Sequential Change in “Service Reliability” for Each Mode



### Sequential Change in “Value for the Dollar” for Each Mode





**Freight Pulse: Railroad Highlights**

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# Railroad Highlights

## Freight Pulse: Rail Key Takeaways

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### 1. Rail Volume

- Rail Volume Growth Expectations Stable at 3%

### 2. Pricing

- Shipper Expectations on Rail Rates Accelerating Slightly

### 3. Intermodal

- Intermodal Discount to TL Climbs from Historical Survey Low

### 4. Rate Mitigation

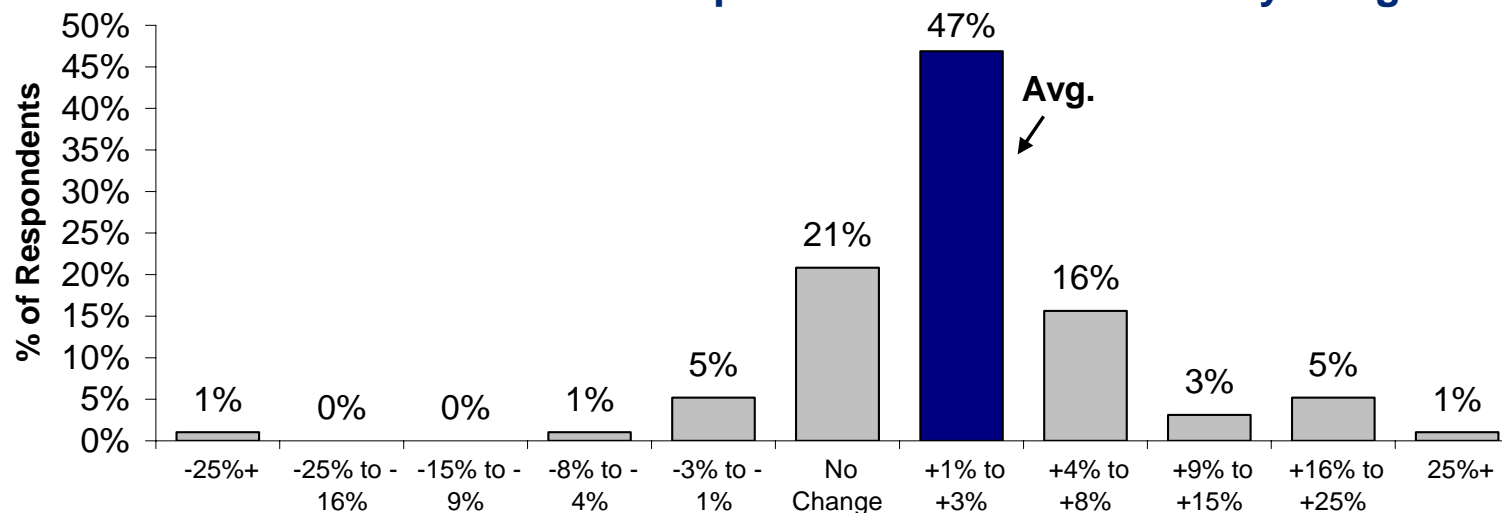
- Shippers Switching Rails More Often; Rail Rate Negotiations More Difficult

### 5. Service Trends

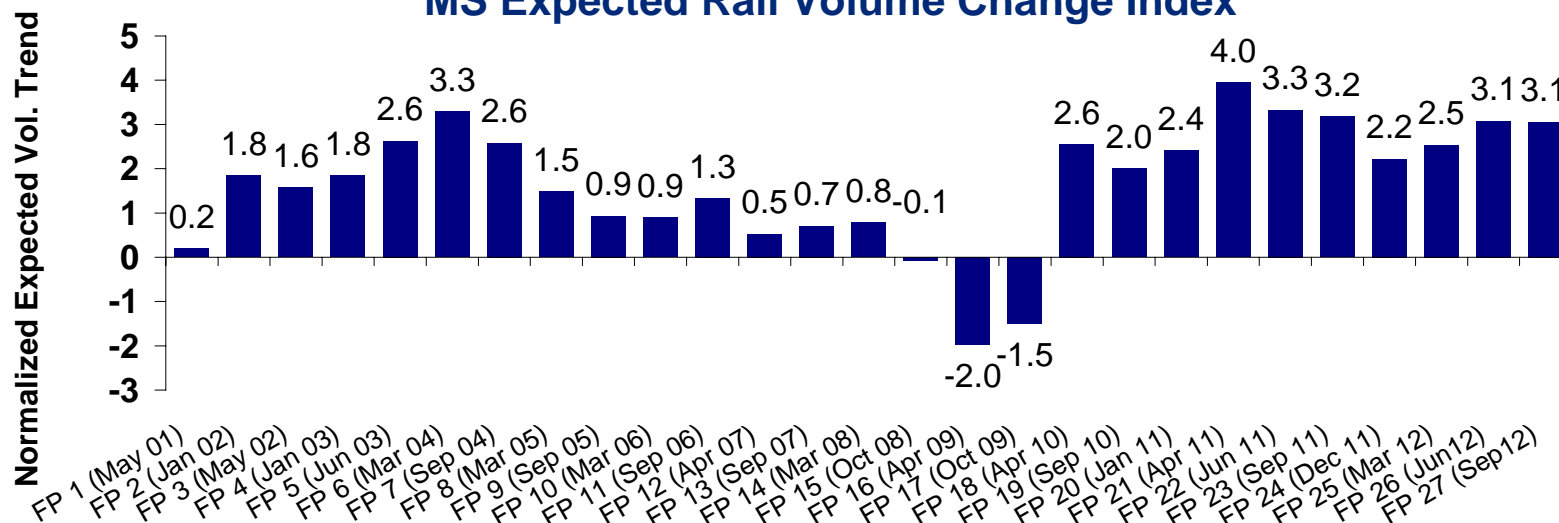
- Rail Service Reliability and Value for Dollar Stable

## 1. Rail Volume Growth Expectations Stable at 3%

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

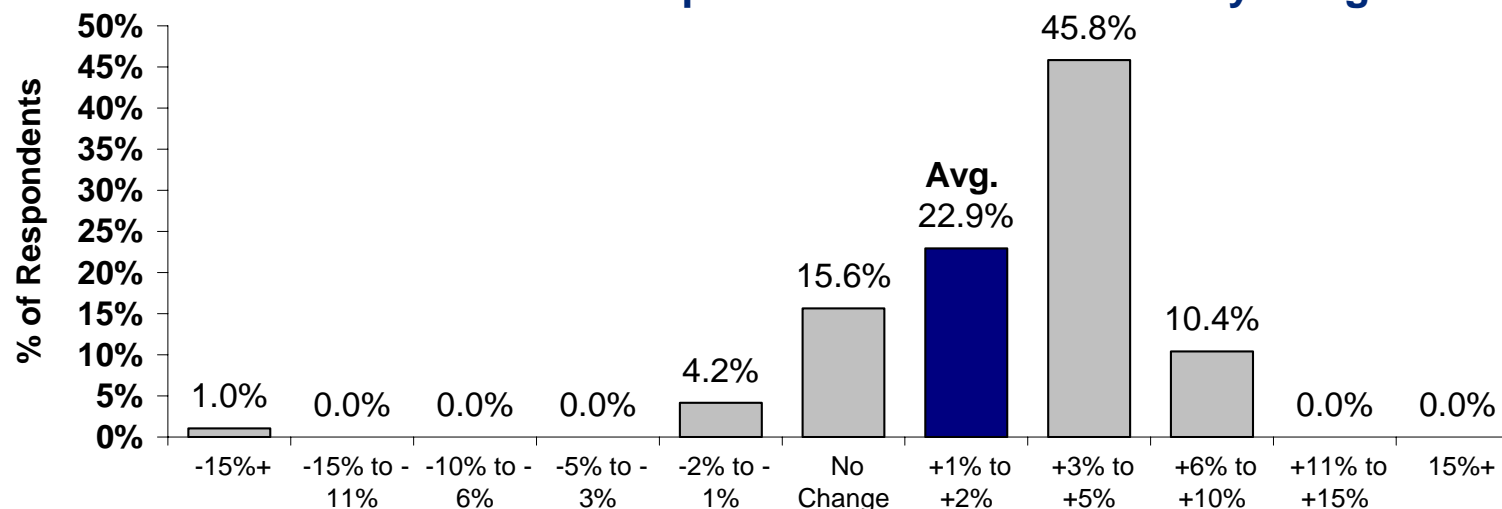


### MS Expected Rail Volume Change Index

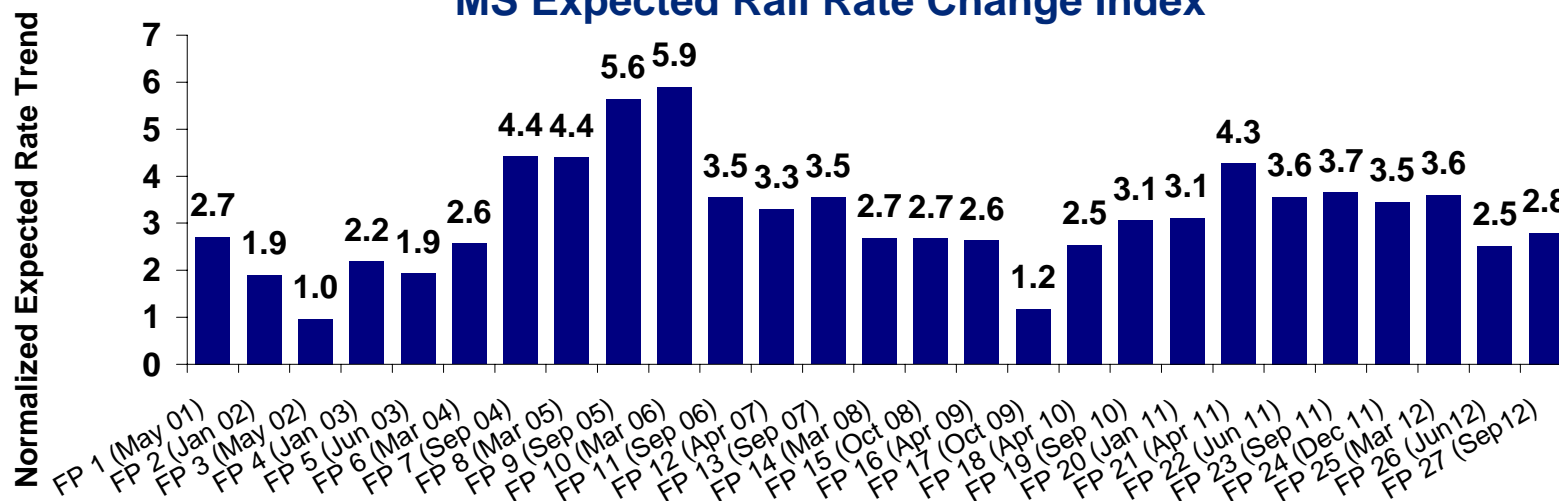


## 2. Shipper Expectations on Rail Rates Accelerating Slightly

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

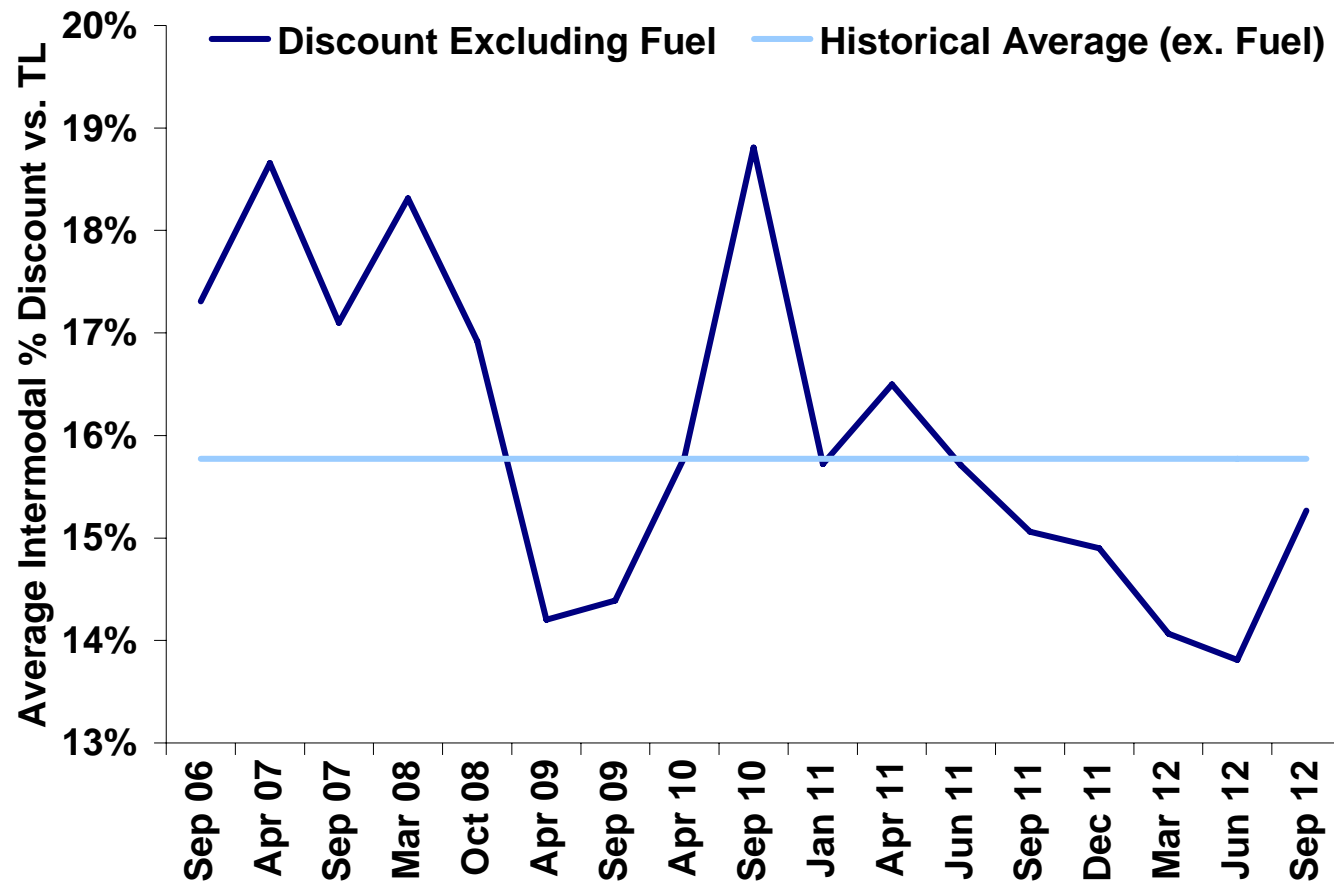


### MS Expected Rail Rate Change Index



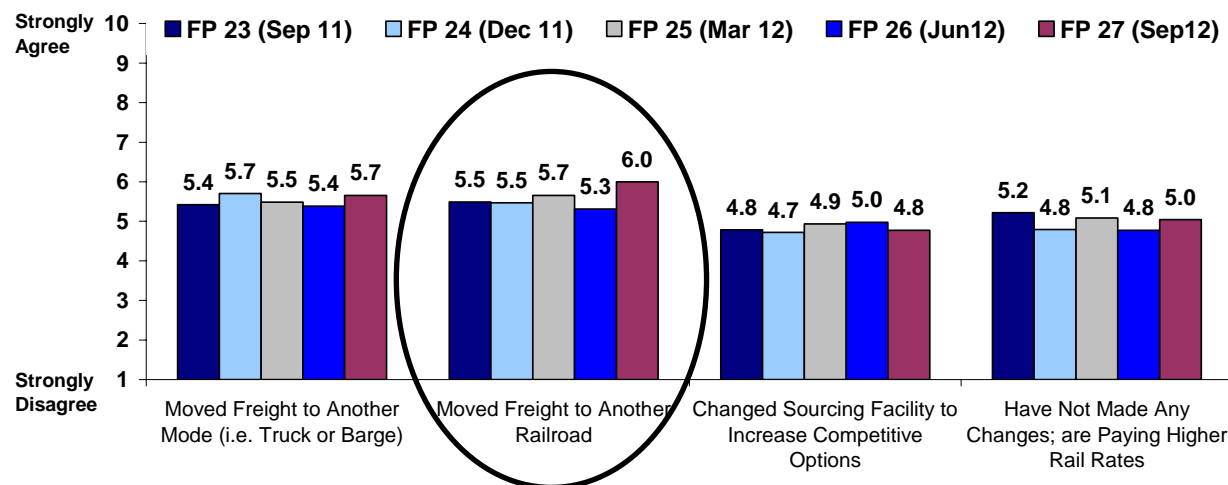
### 3. Intermodal Discount to TL Climbs from Historical Survey Low

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

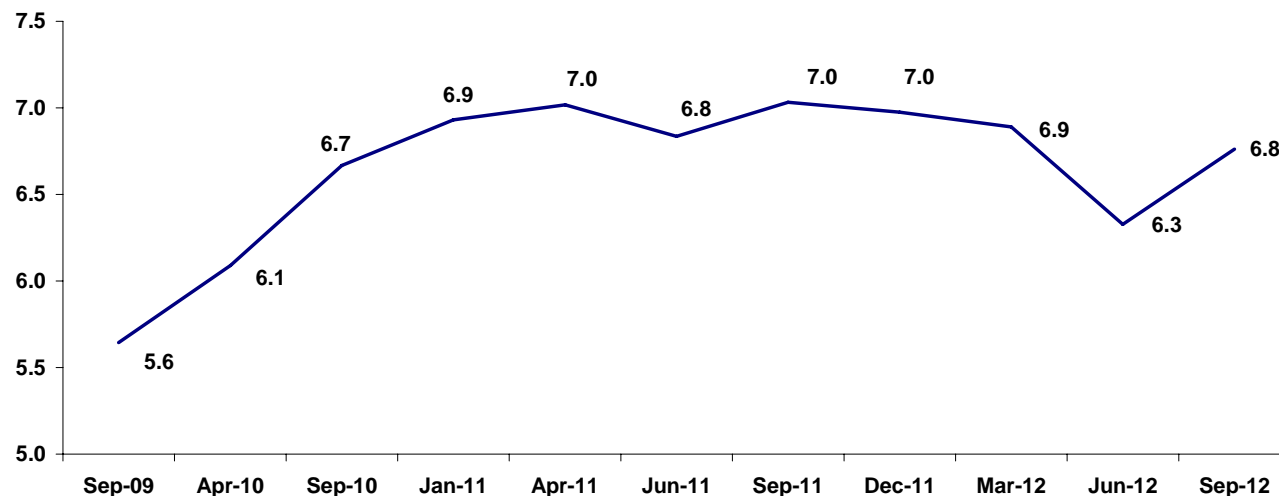


## 4. Shippers Switching Rails More Often; Rail Rate Negotiations More Difficult

### What Have You Done in an Effort to Reduce Railroad Spend?

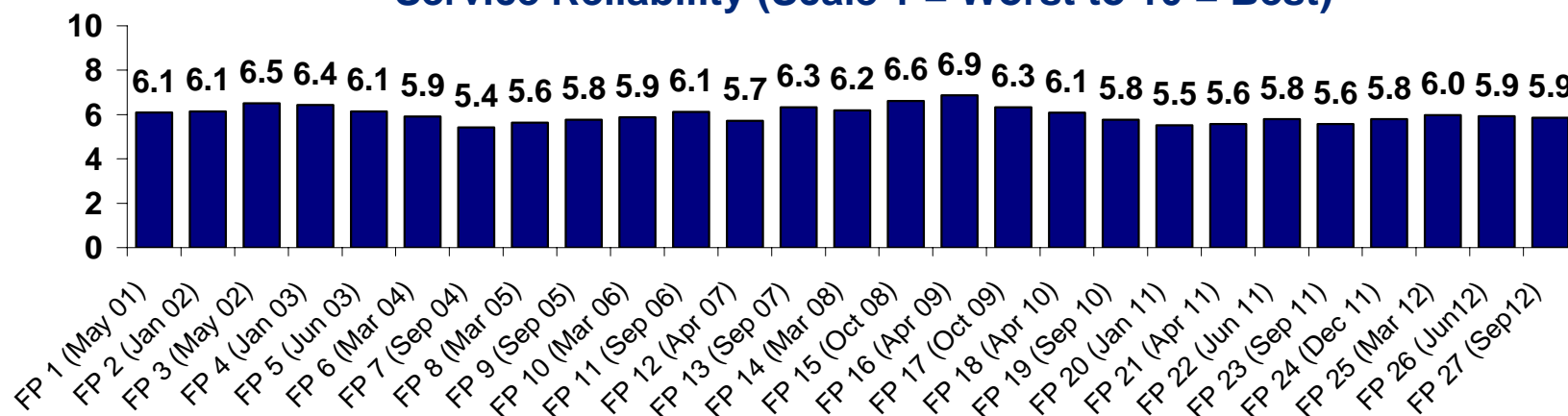


### Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations

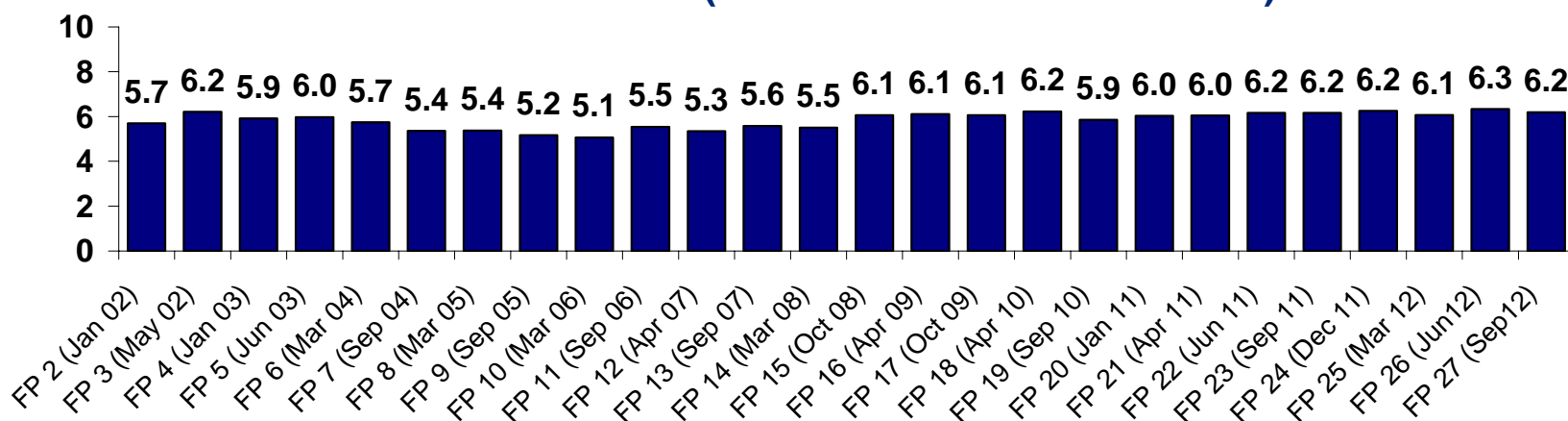


## 5. Rail Service Reliability and Value for Dollar Stable

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



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



## Freight Pulse: Trucking Highlights

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# Trucking Highlights



## Freight Pulse: Trucking Key Takeaways

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### 1. Truck Volume

- Shipper Truck Volume Growth Expectations Decelerating Across All Segments

### 2. Pricing

- Trucking Rate Growth Expectations Slow to ~1.5%

### 3. Capacity

- Shippers' Expectations on Truckload Capacity Eased the Most

### 4. Spending

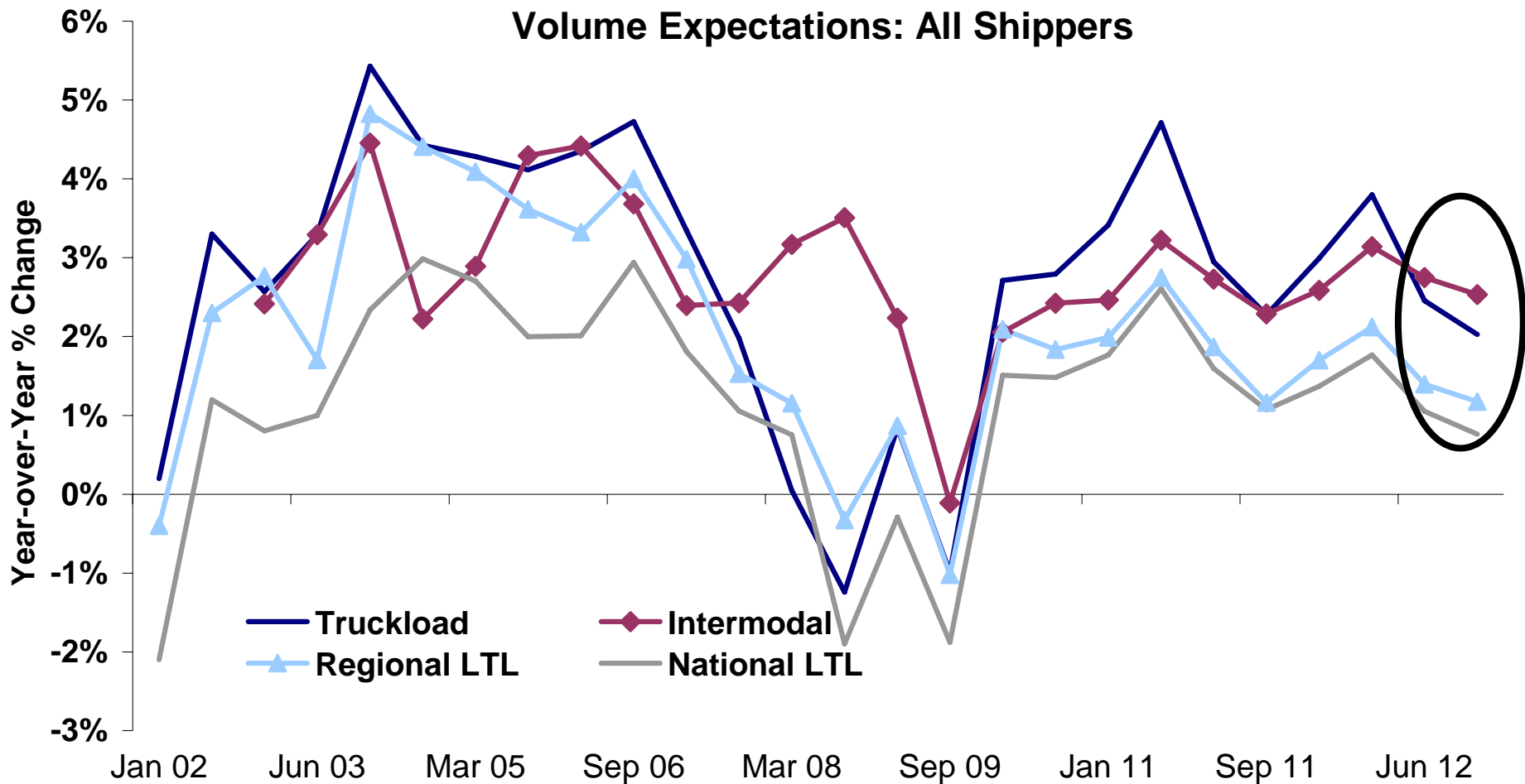
- Expectations on Truck Spend Moderate Across All Segments

### 5. Intermodal

- Factors Driving Intermodal Growth Unchanged, Value Perceptions Remain Highest

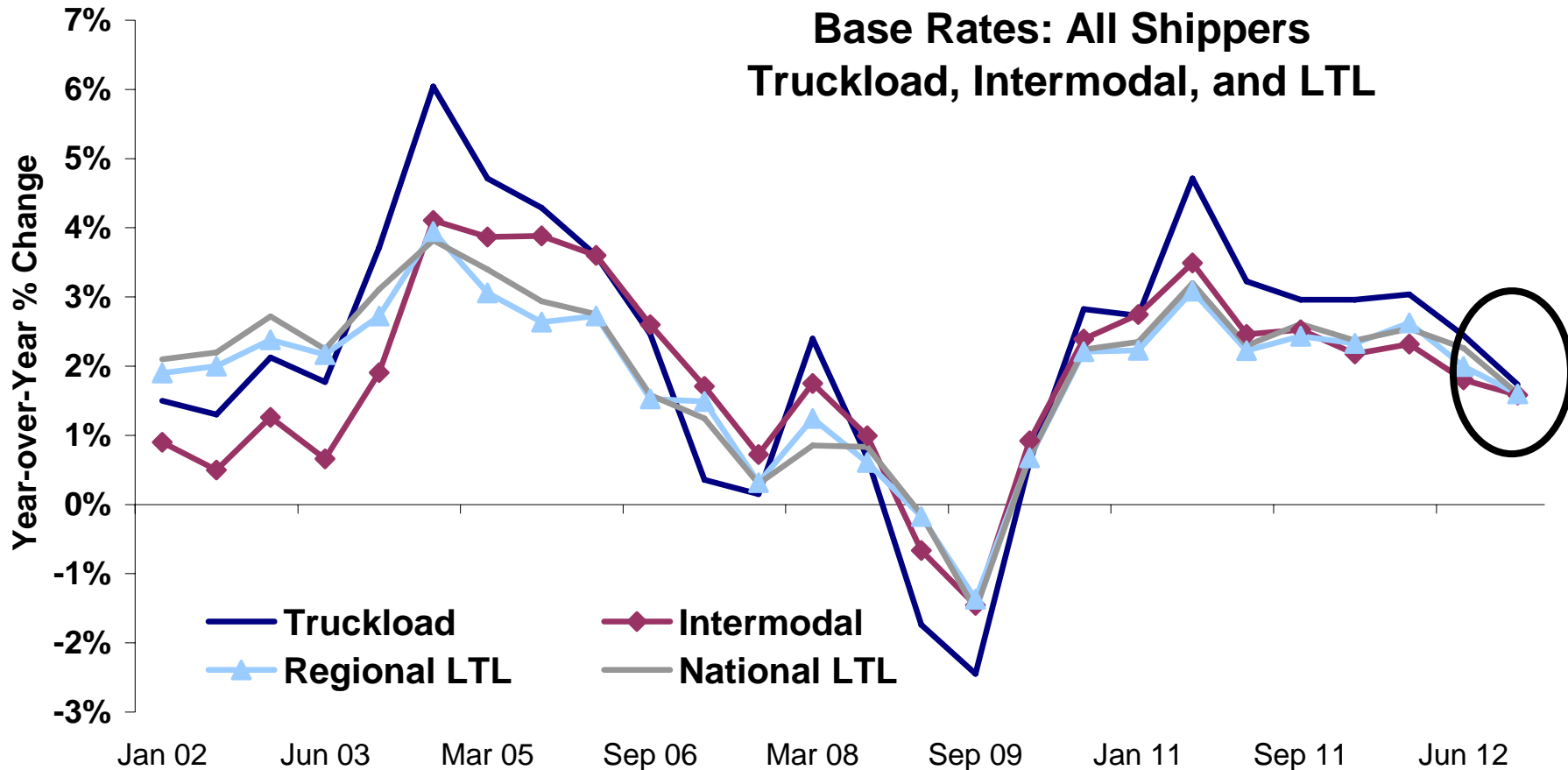
## 1. Shipper Truck Volume Growth Expectations Decelerating Across All Segments

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



## 2. Trucking Rate Growth Expectations Slow to ~1.5%

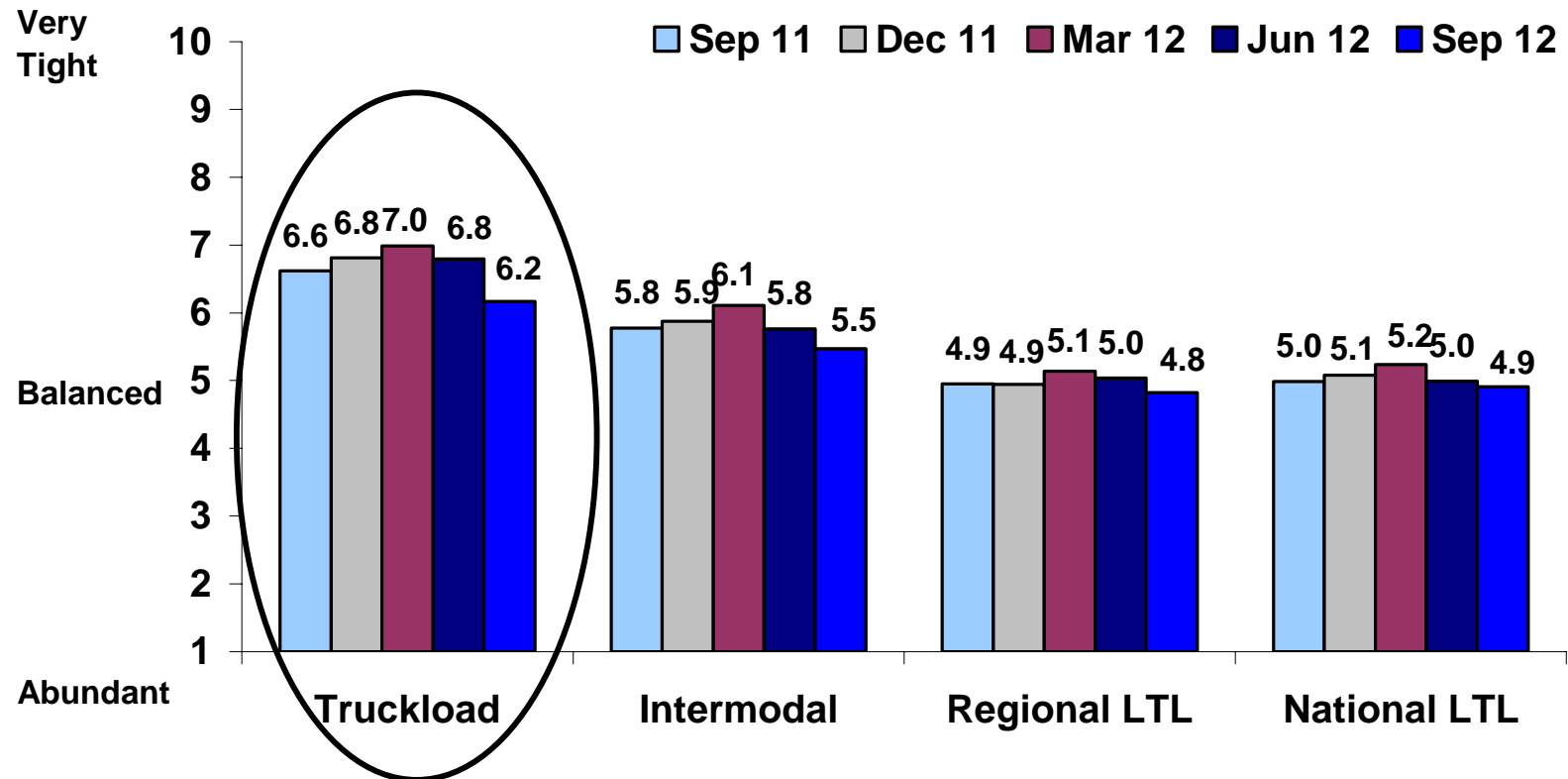
Indicate the YoY % Change You Expect in Your Organization's Base Rates



### 3. Shippers' Expectations on Truckload Capacity Eased the Most

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

##### Project Capacity to be:

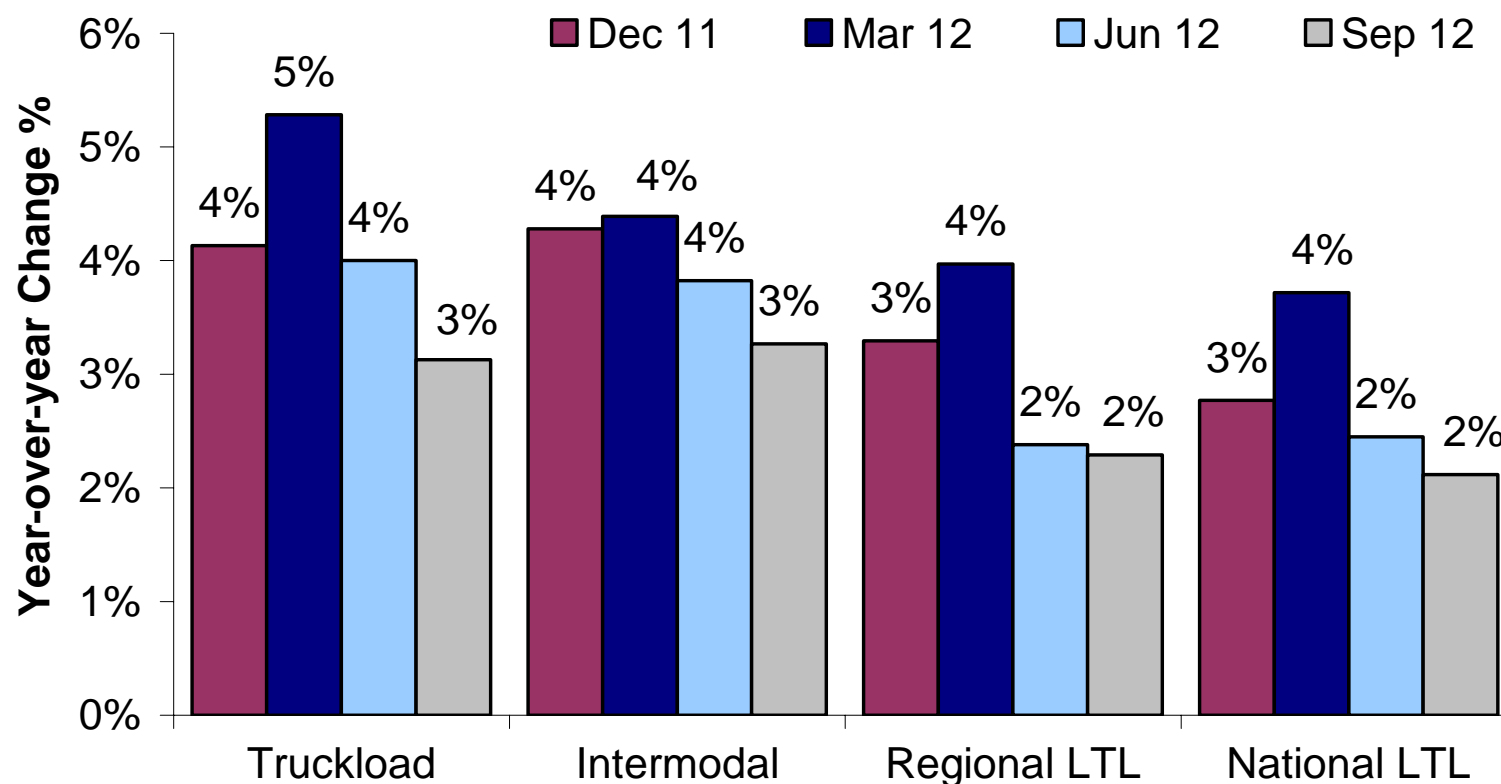


Source: Morgan Stanley Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## 4. Expectations on Truck Spend Moderate Across All Segments

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

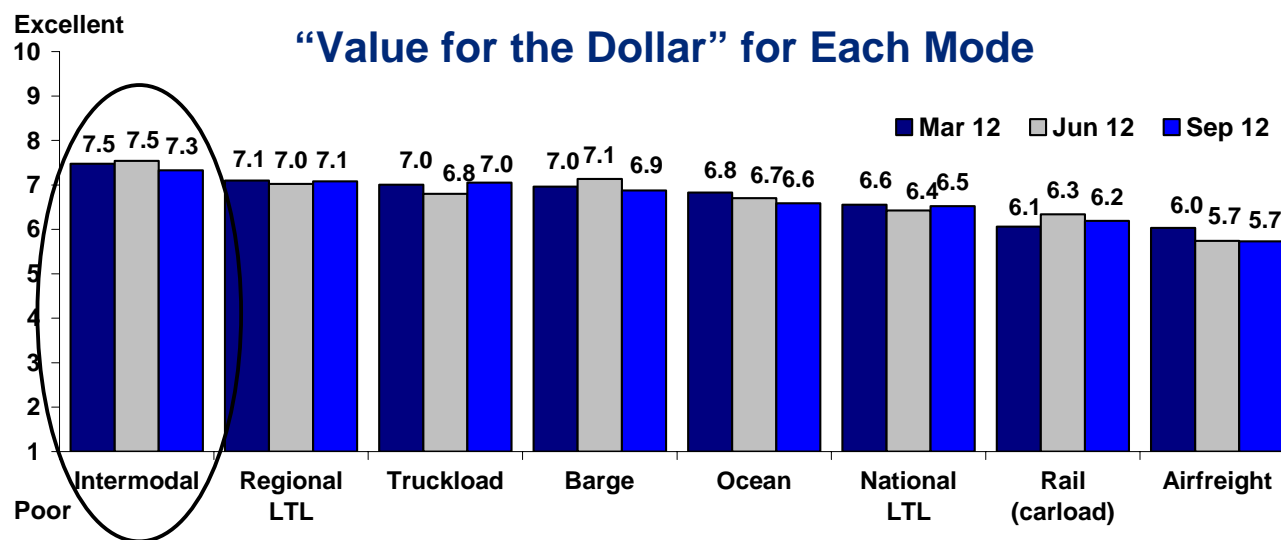
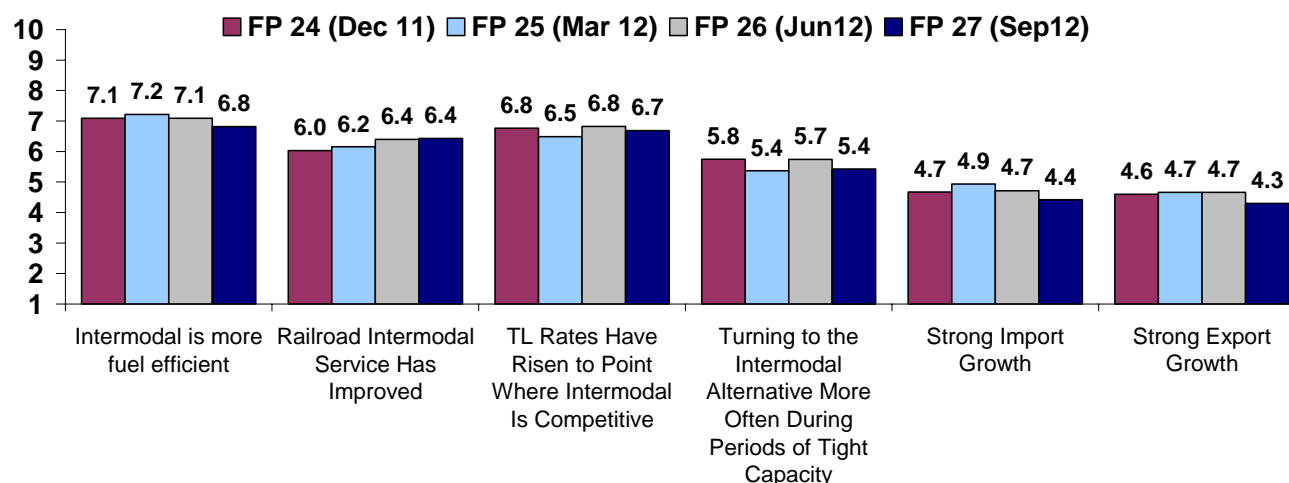


Source: Morgan Stanley Freight Pulse Surveys

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## 5. Factors Driving Intermodal Growth Unchanged, Value Perceptions Remain Highest

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



**Freight Pulse: Parcel Highlights**

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# Parcel Highlights

## Freight Pulse: Parcel Key Takeaways

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### 1. Parcel Volumes

- Shippers Expect Volume Growth to Decelerate for Air & Ground, Flat for Int'l

### 2. Pricing

- Rate Growth Expectations Decelerate for Ground, but Accelerate for Air & Int'l

### 3. B2C Shipping

- Shippers Indicate Increased B2C Shipments, a Negative for Mix

### 4. Product Mix

- Product Mix Shift From Premium Services To Standard Ground Shipping Continues

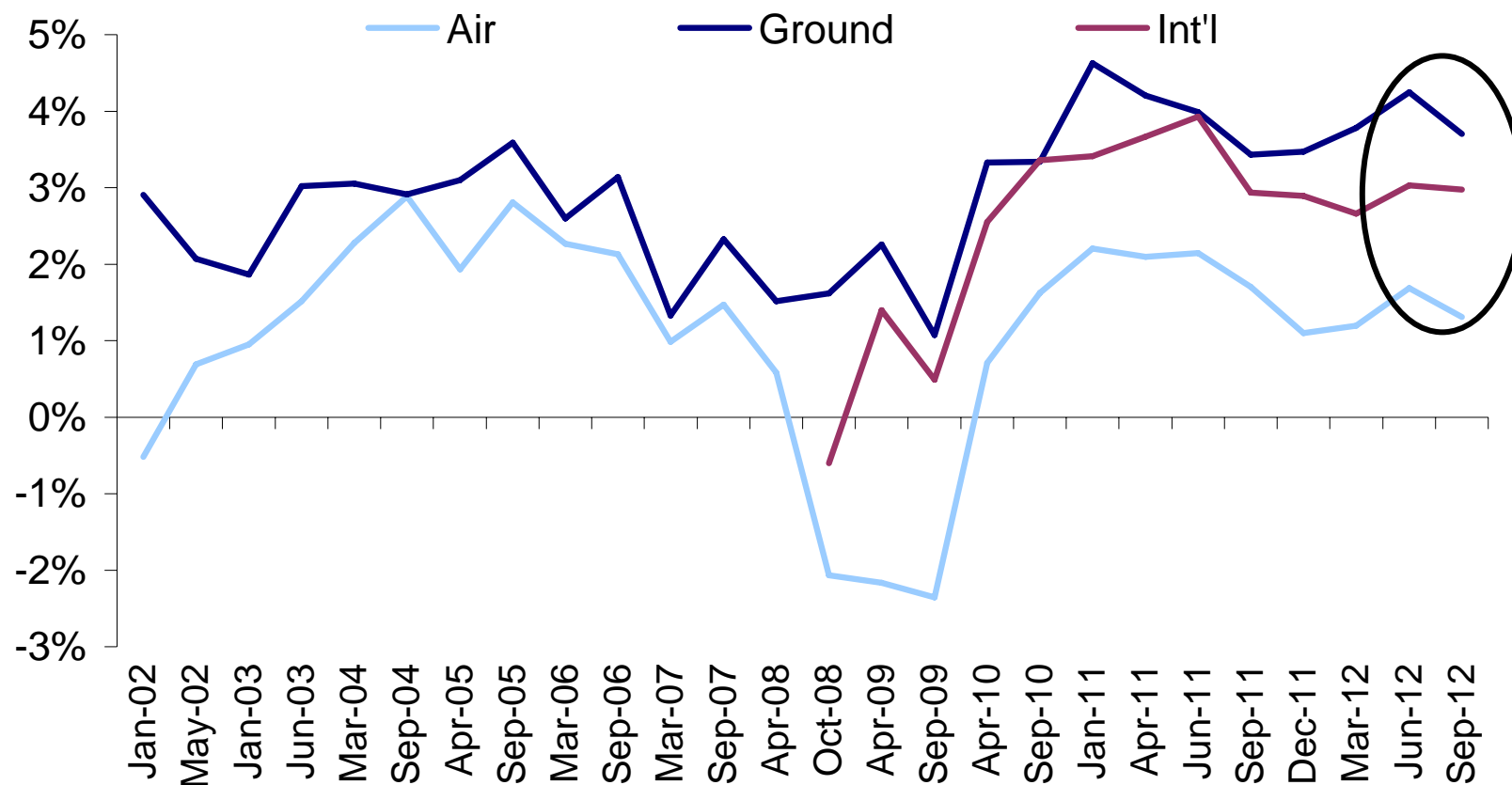
### 5. Competition

- Carrier Switching Falls Across Segments



## 1. Shippers Expect Volume Growth to Decelerate for Air & Ground, Flat for Int'l

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

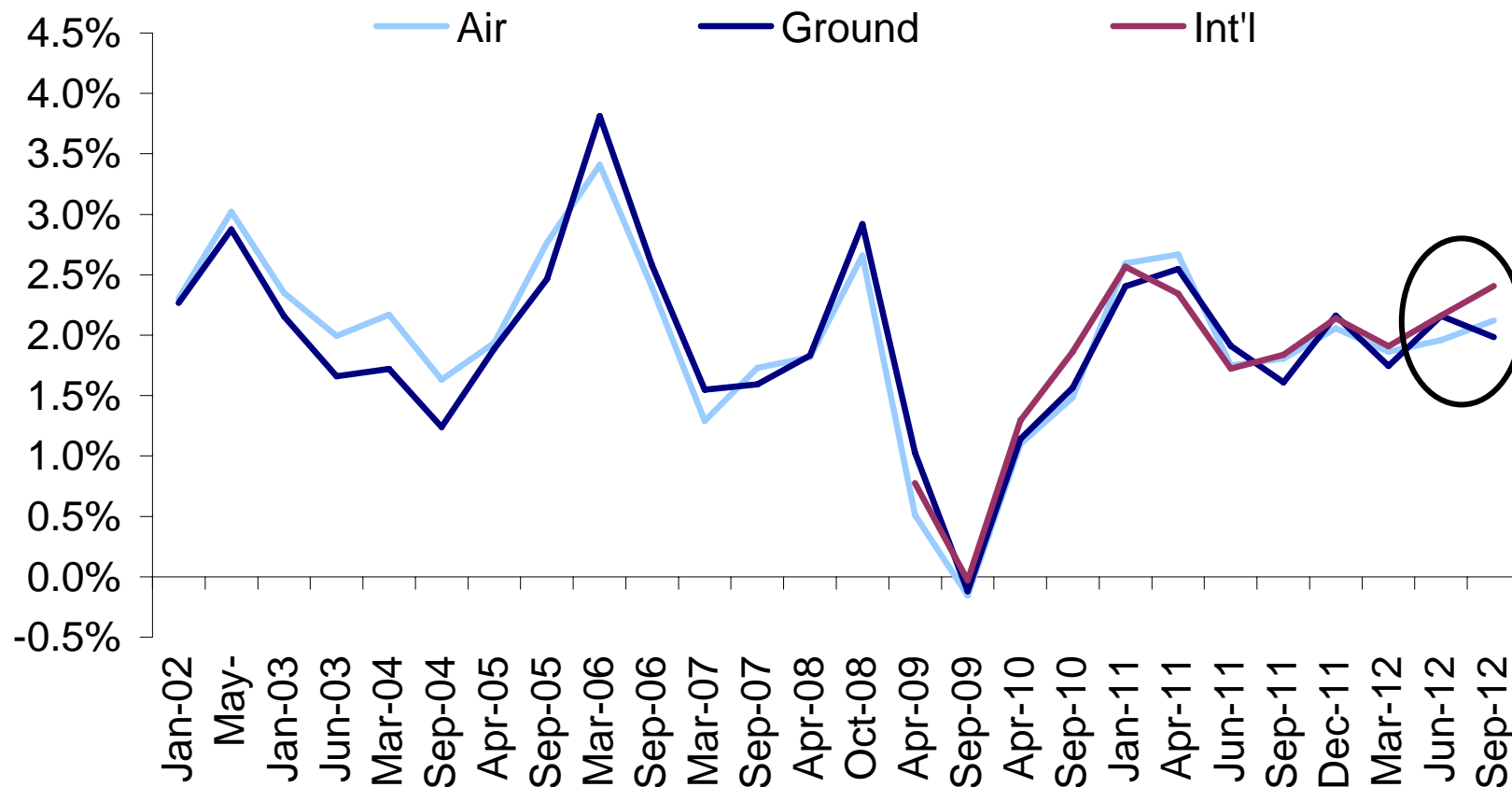


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## 2. Rate Growth Expectations Decelerate for Ground, but Accelerate for Air & Int'l

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

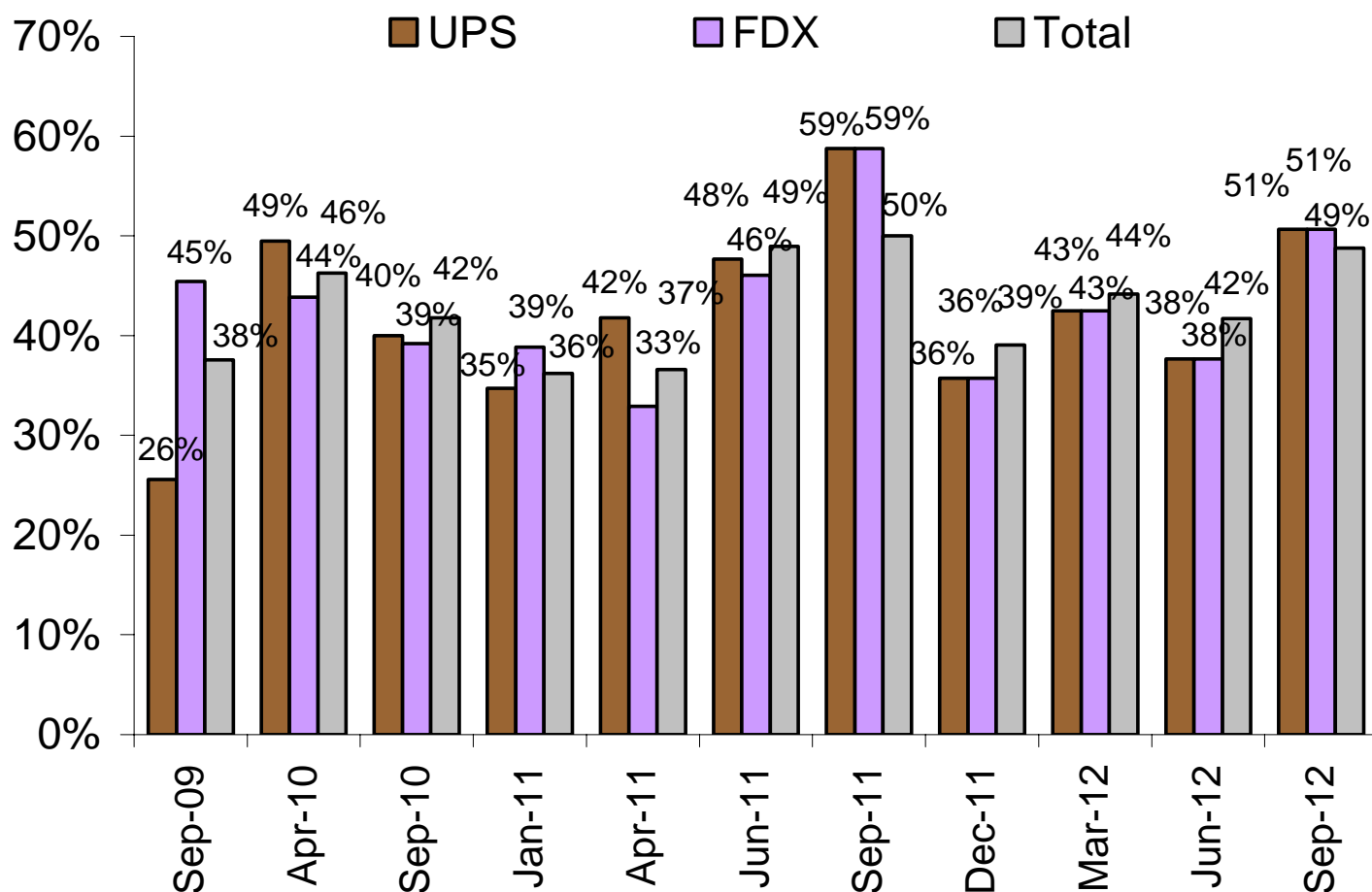


Includes All responses, equally-weighted. Source: Morgan Stanley Parcel Survey

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### 3. Shippers Indicate Increased B2C Shipments, a Negative for Mix

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



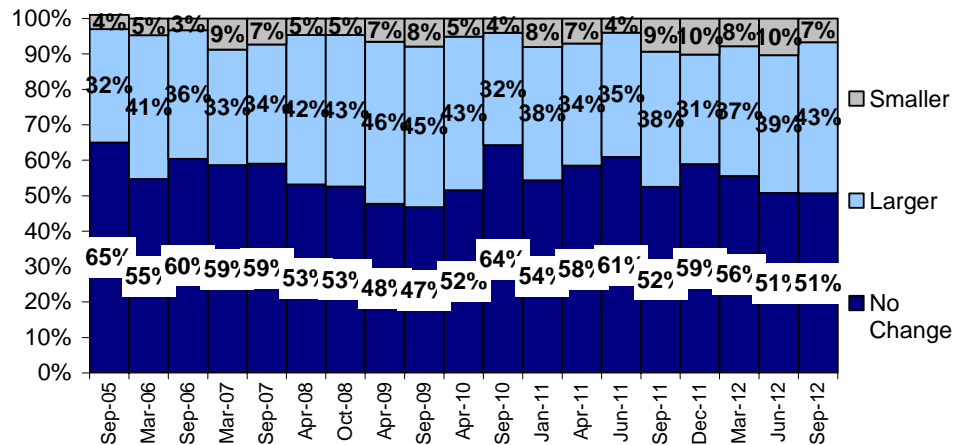
Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## 4. Product Mix Shift From Premium Services To Standard Ground Shipping Continues

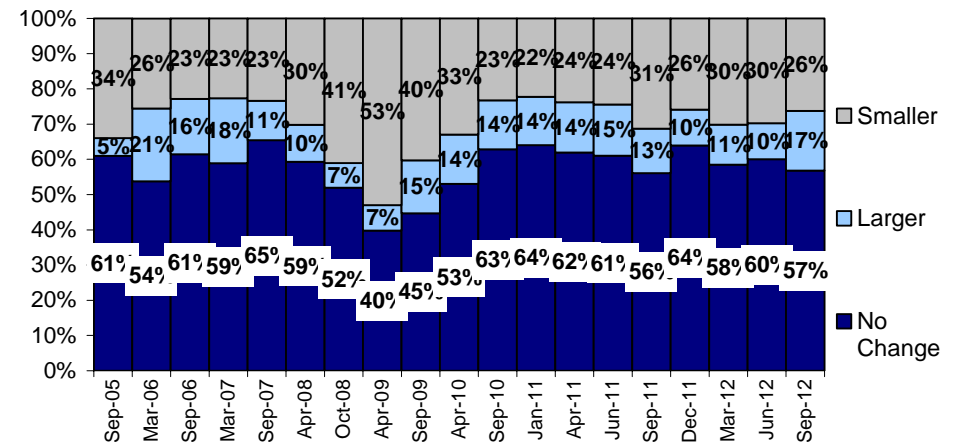
Increase in ground shipments

Usage of Ground



Decrease in premium products

Usage of Overnight / Next Day

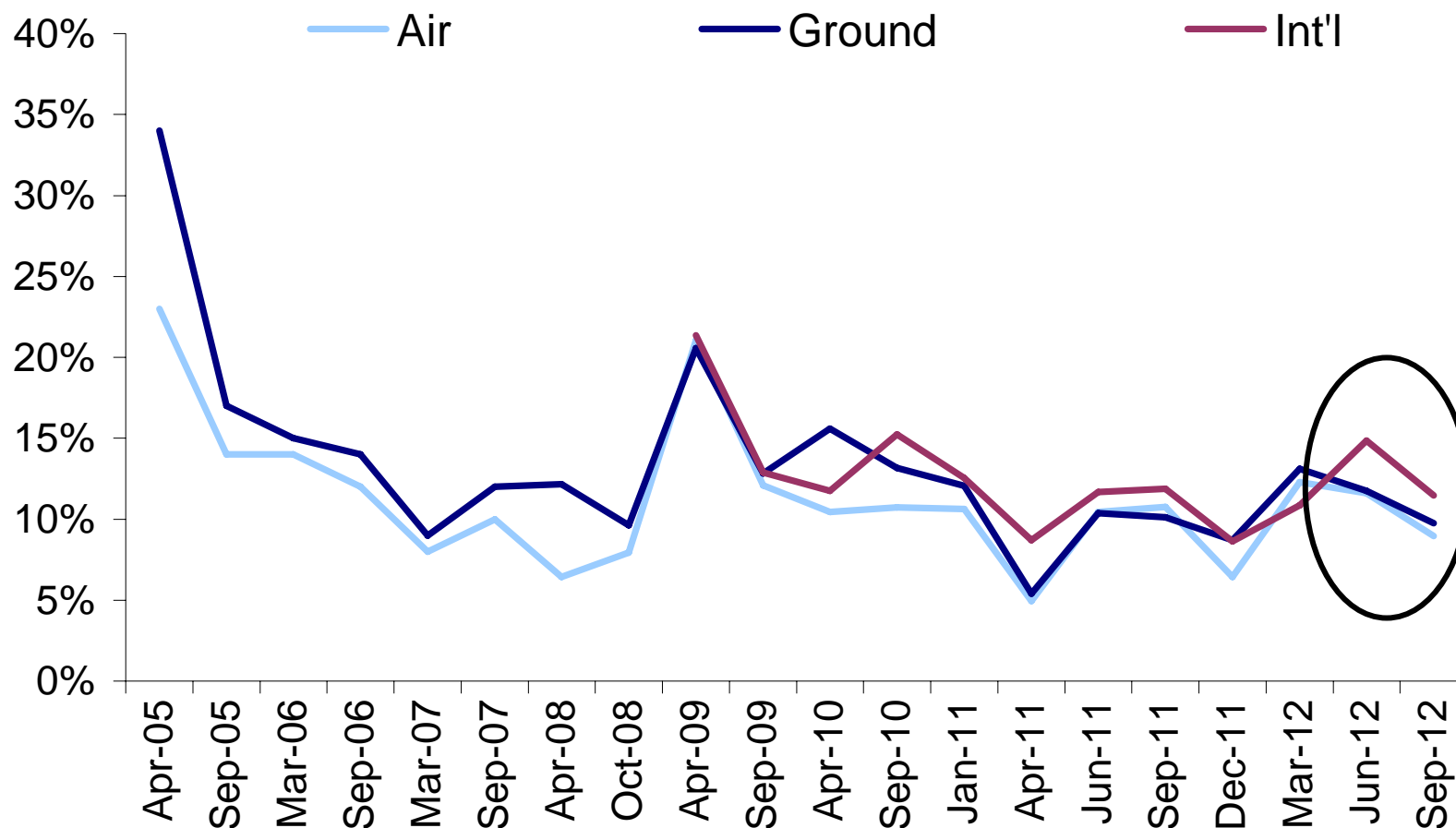


Source: Morgan Stanley Parcel Survey

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## 5. Carrier Switching Falls Across Segments

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



Source: Morgan Stanley Parcel Survey

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## Appendix

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# Appendix

## Summary of Contents

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### About the Surveys

### General Freight Trends

### Rail Trends

### Truck Trends

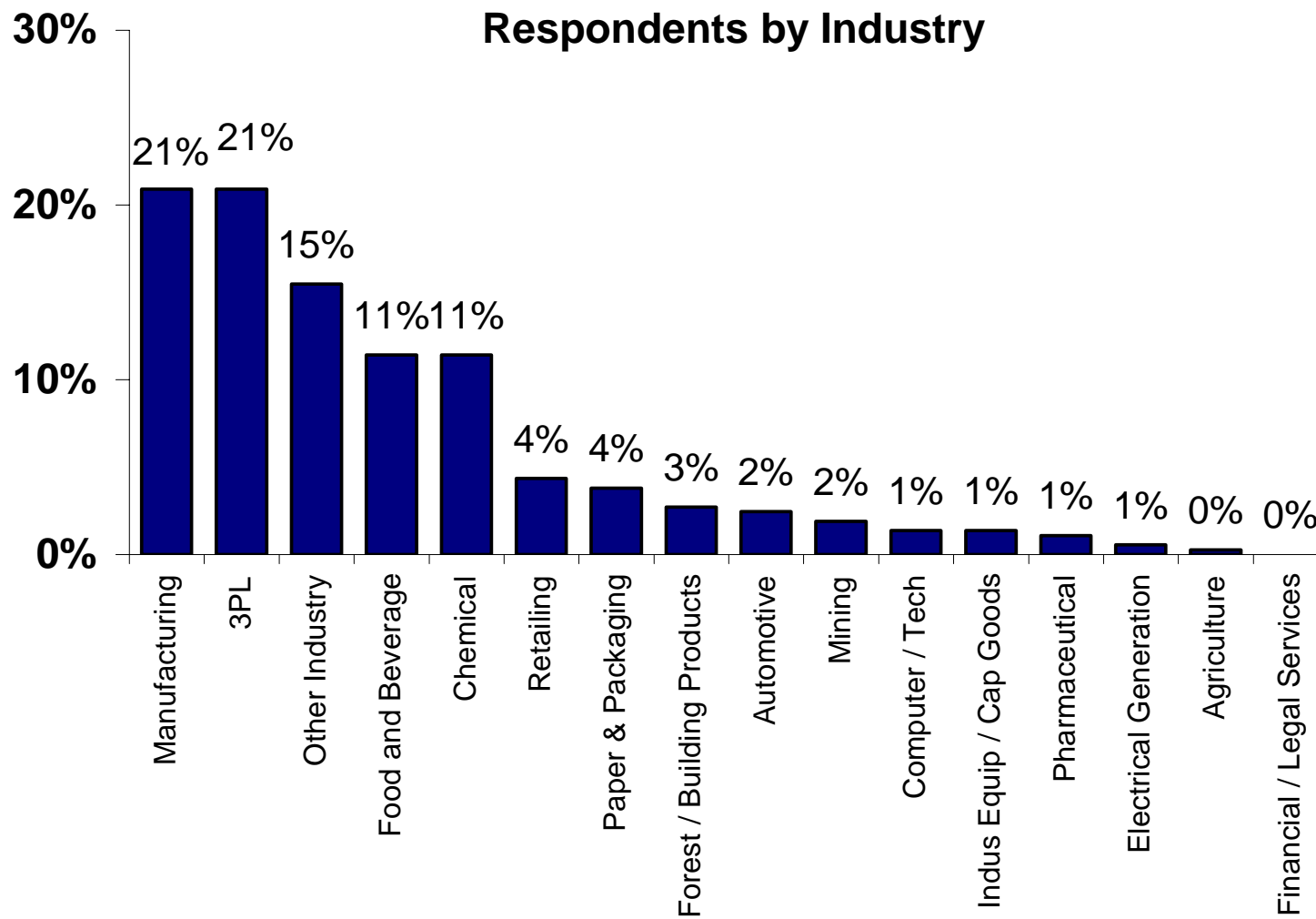
### Parcel Trends

### Part 1: About the Surveys

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

## General Freight: About the Freight Pulse Survey

### Insights from ~500 US and Canadian Freight Shippers



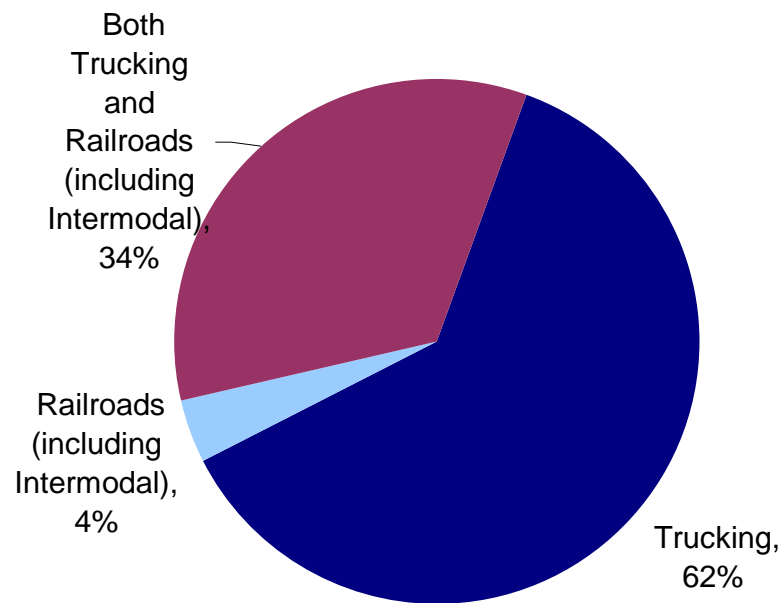
Note: just those shippers providing an industry classification and spend. Source: MS Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

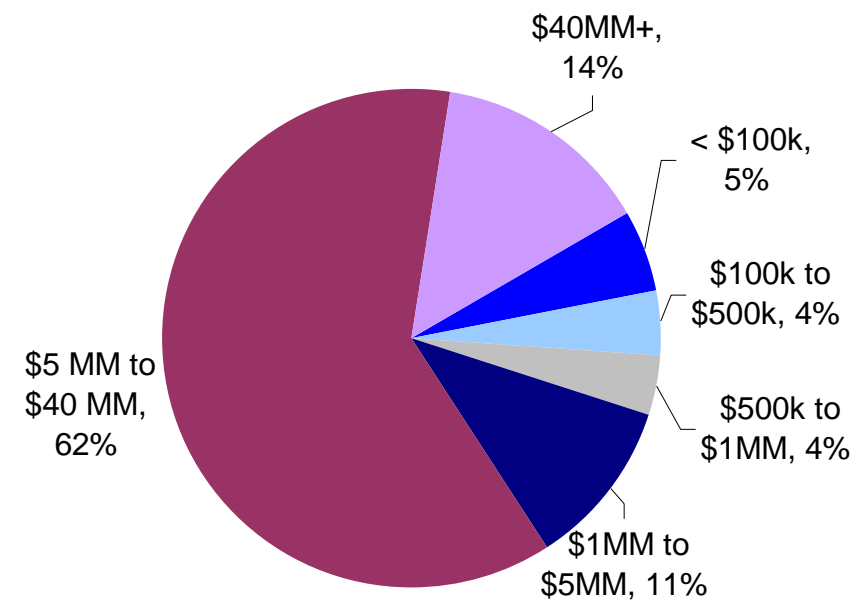


## General Freight: Segmented by Shipper Profile

**Modes Used**



**Respondents' Total Spend**

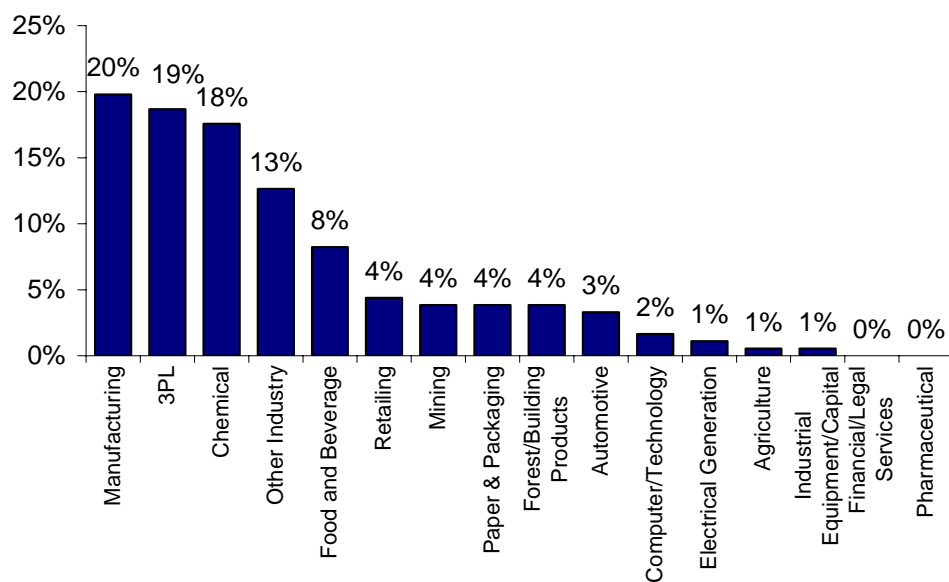


Note: just those shippers providing an industry classification and spend. Source: MS Freight Pulse Surveys

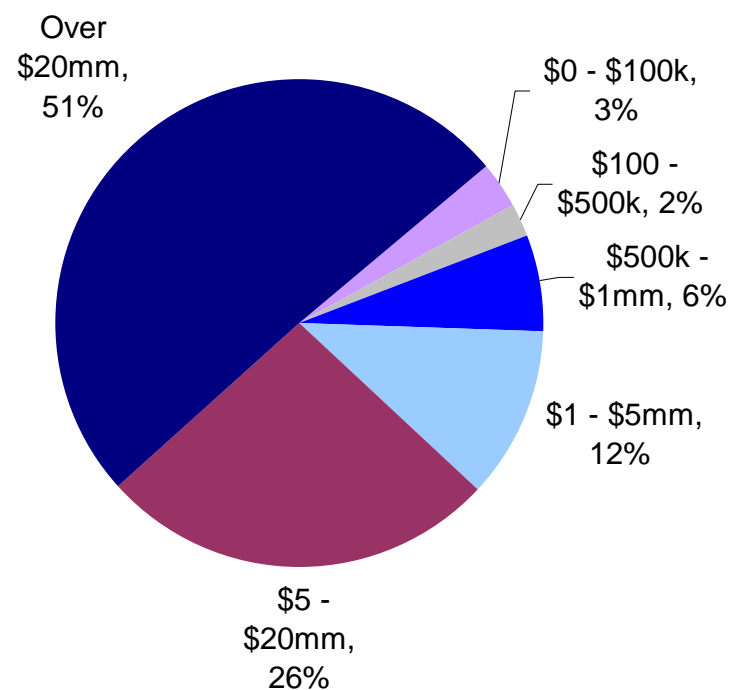
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Rails: Segmented by Industry and Shipper Profile

### Rail Respondents by Industry

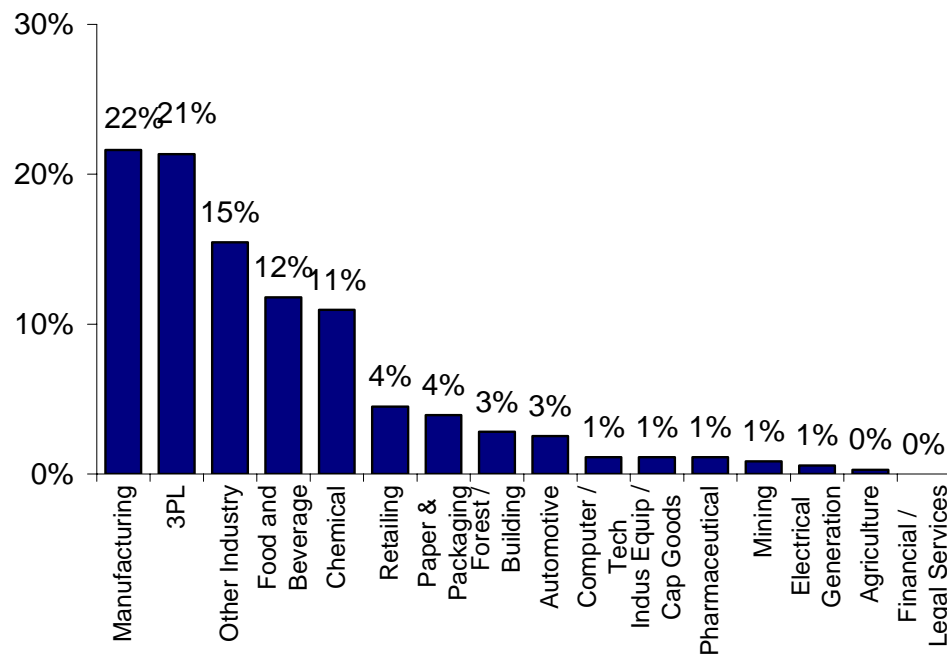


### Respondents' Rail Spend

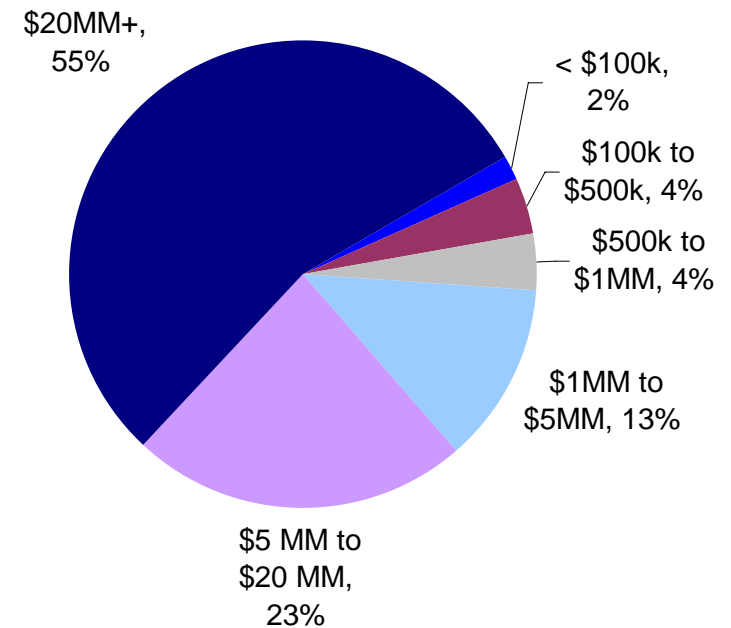


## Trucks: Segmented by Industry and Shipper Profile

### Truck Respondents by Industry



### Respondents' Truck Spend

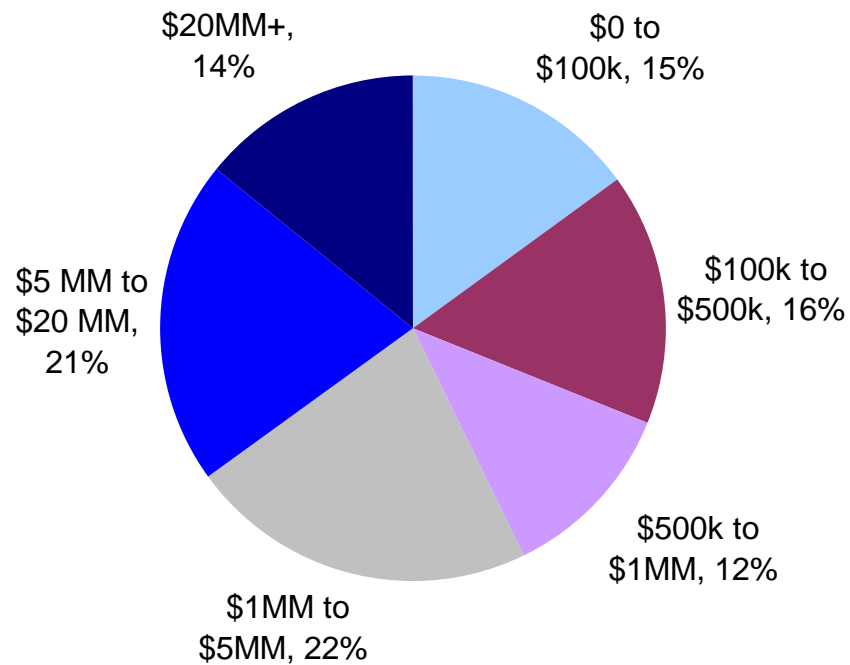


Source: Morgan Stanley Freight Pulse Surveys

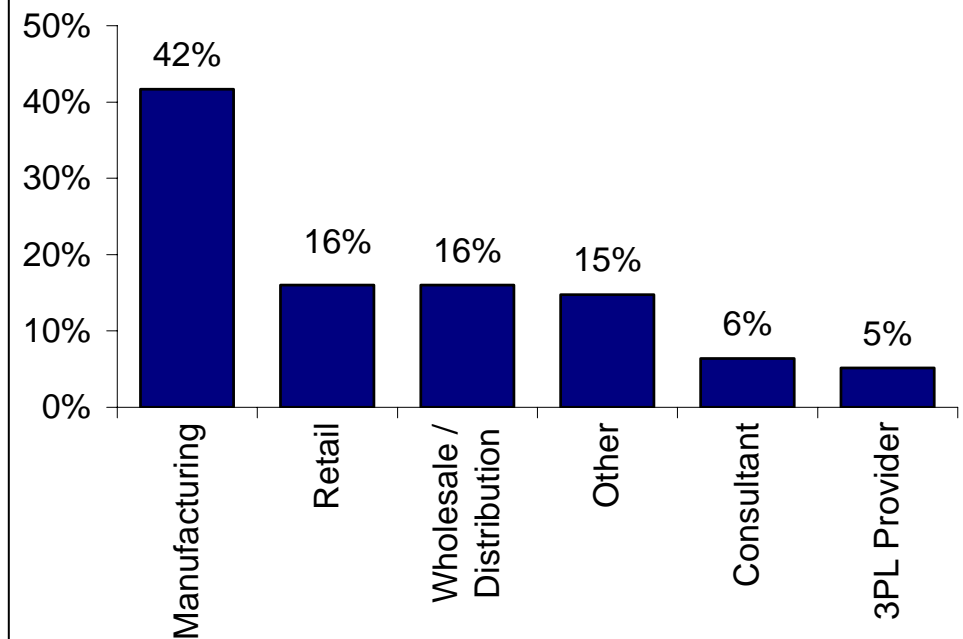
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## Parcel: About Our Parcel Survey

**Respondents' Parcel Spend**



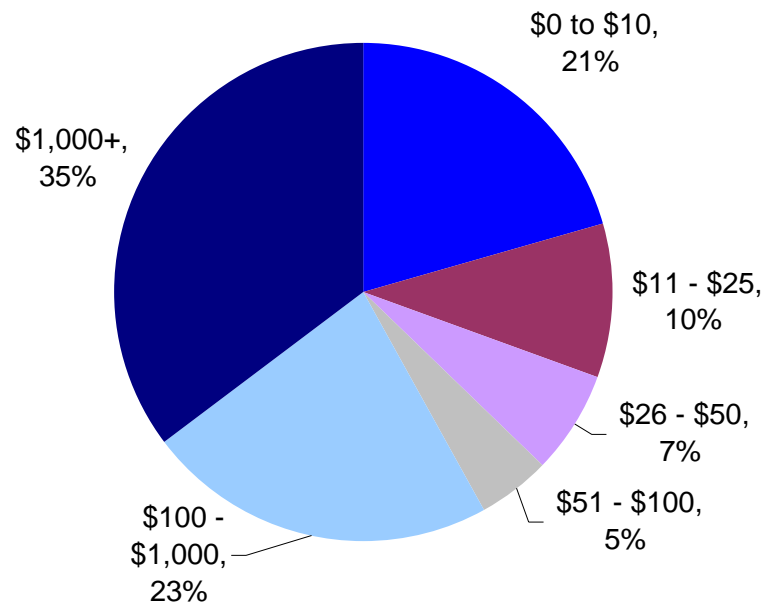
**Respondents' Primary Business**



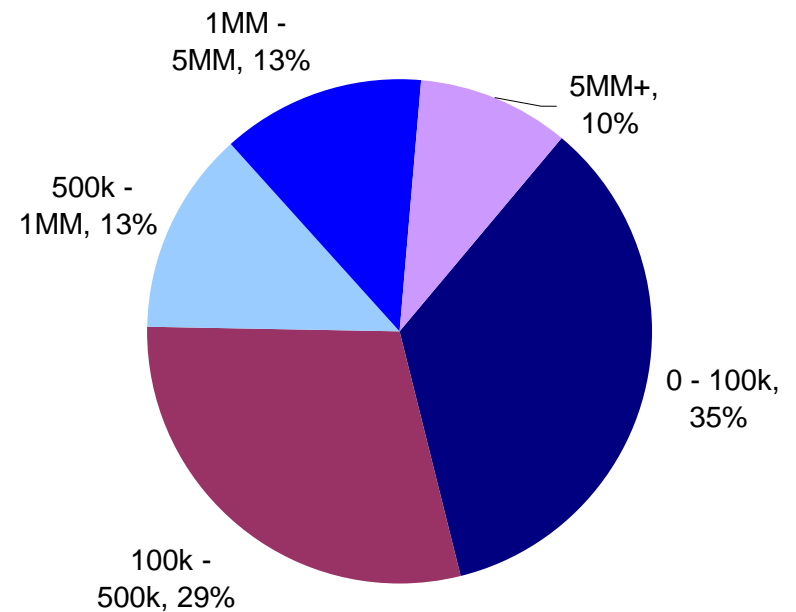
Source: Morgan Stanley Parcel Survey

## Parcel: Respondent Profile

### Company Sales (\$MM)



### Parcels Shipped

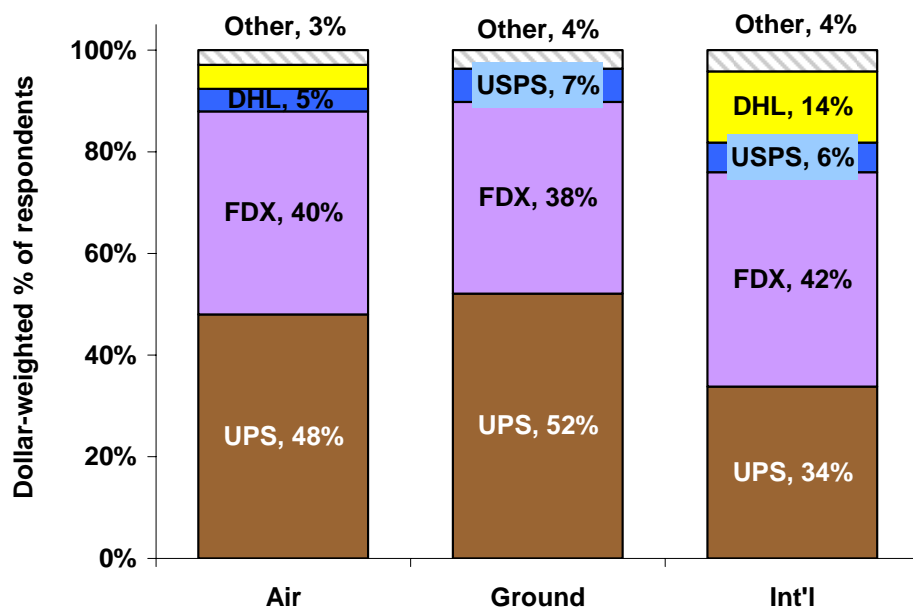


Source: Morgan Stanley Parcel Survey

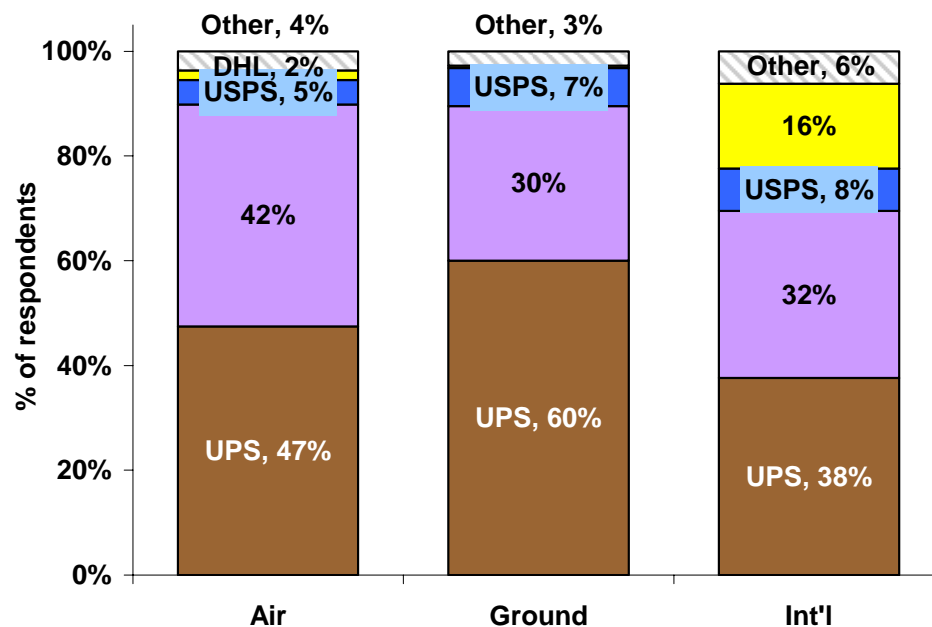
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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

### Primary Parcel Carrier – Weighted by Spend



### Parcel Carrier – Average of All Responses



Source: Morgan Stanley Parcel Survey

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## Summary of Contents

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**About the Surveys**

**General Freight Trends**

**Rail Trends**

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**Parcel Trends**

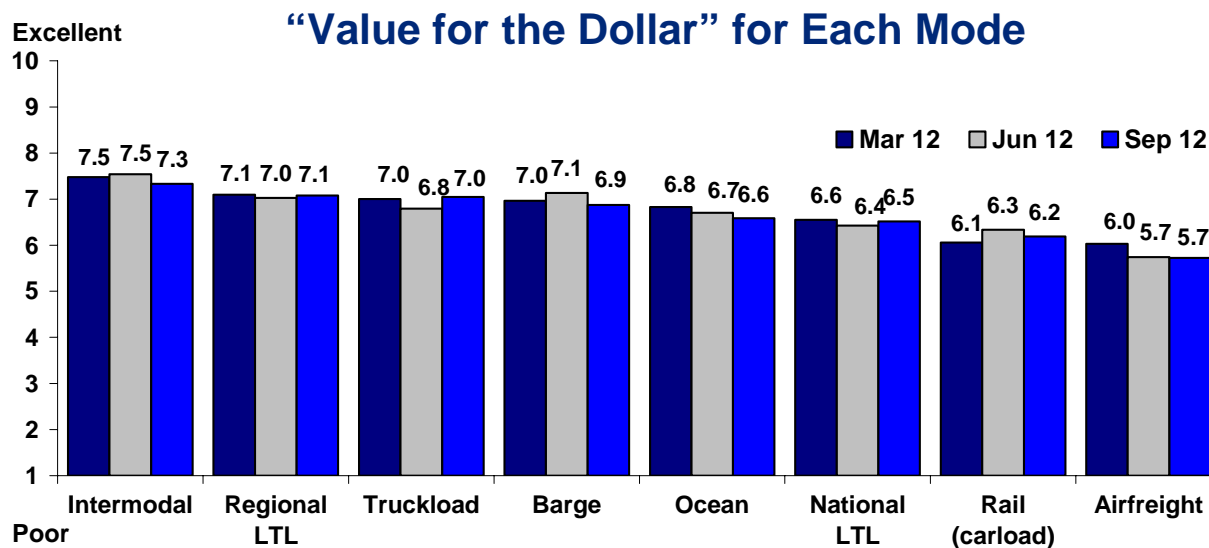
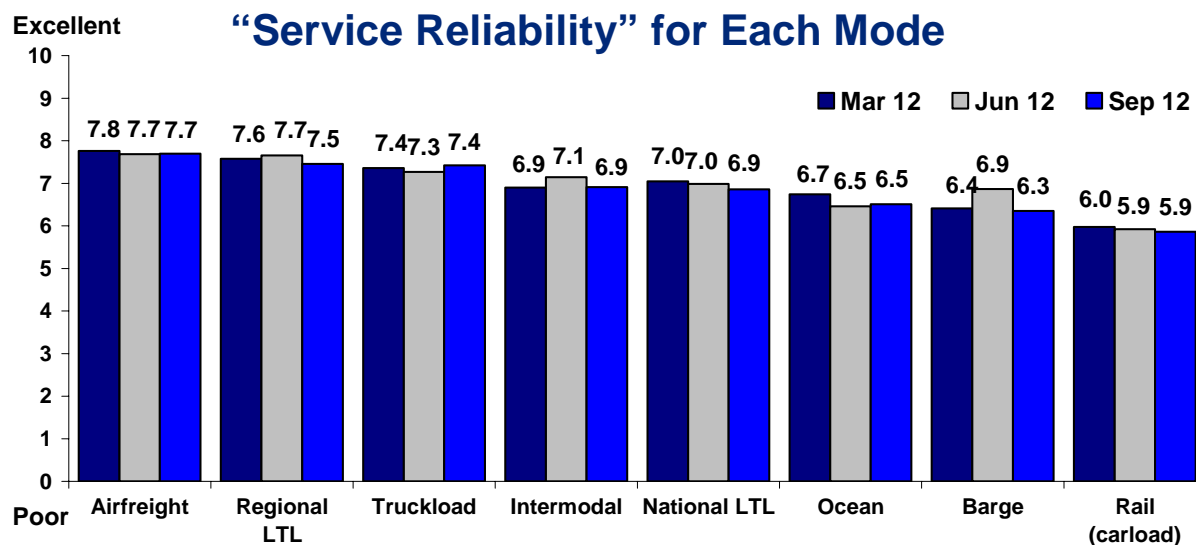
### **Part 1: General Freight Industry Trends**

1. Service Trends
2. Capacity Trends
3. Modal Shift
4. Intermodal vs. Truck

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

1. Inventories and Orders
2. Economic Outlook

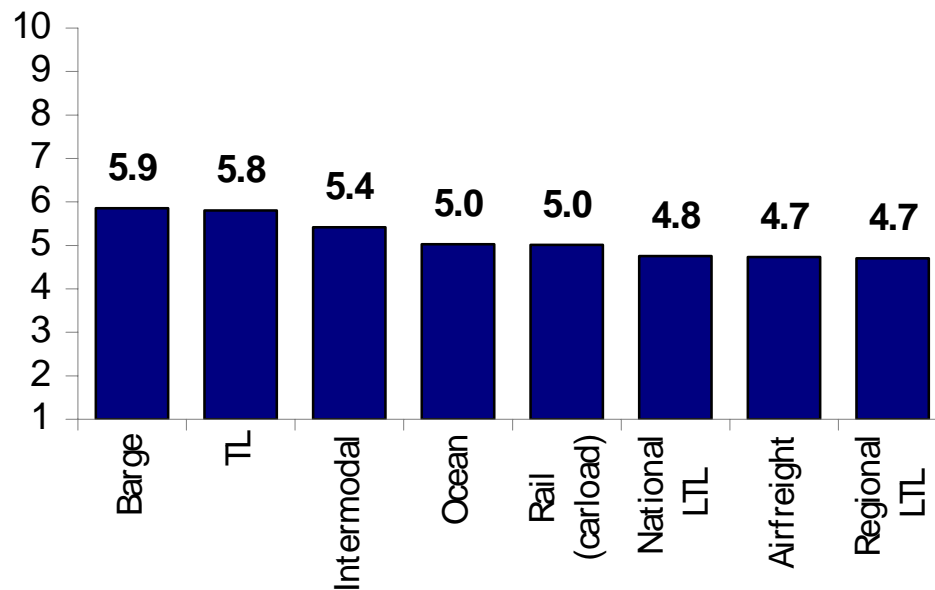
## Service Reliability & Value by Mode: Average Across All Shippers



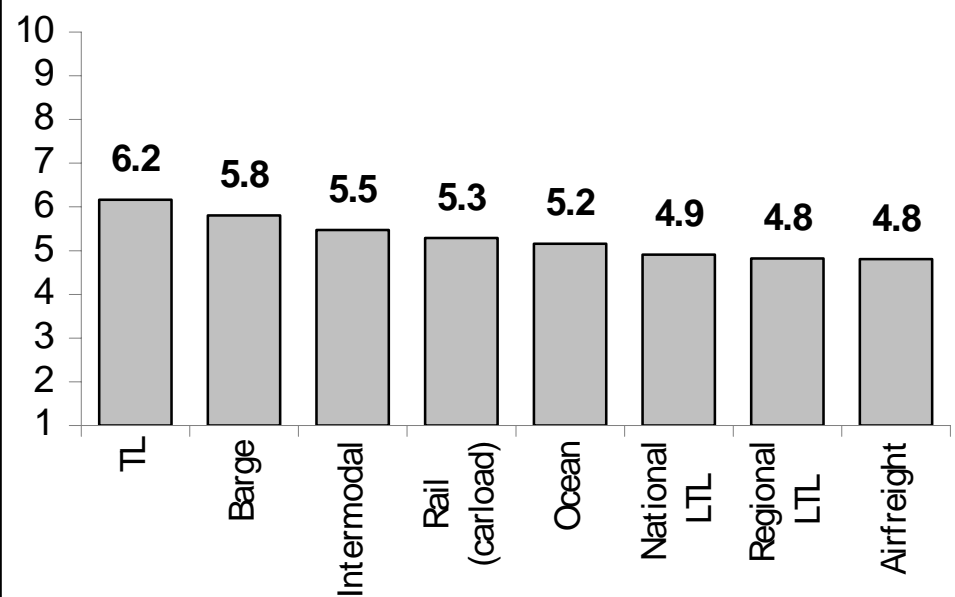


## Capacity by Mode

**Current Capacity**



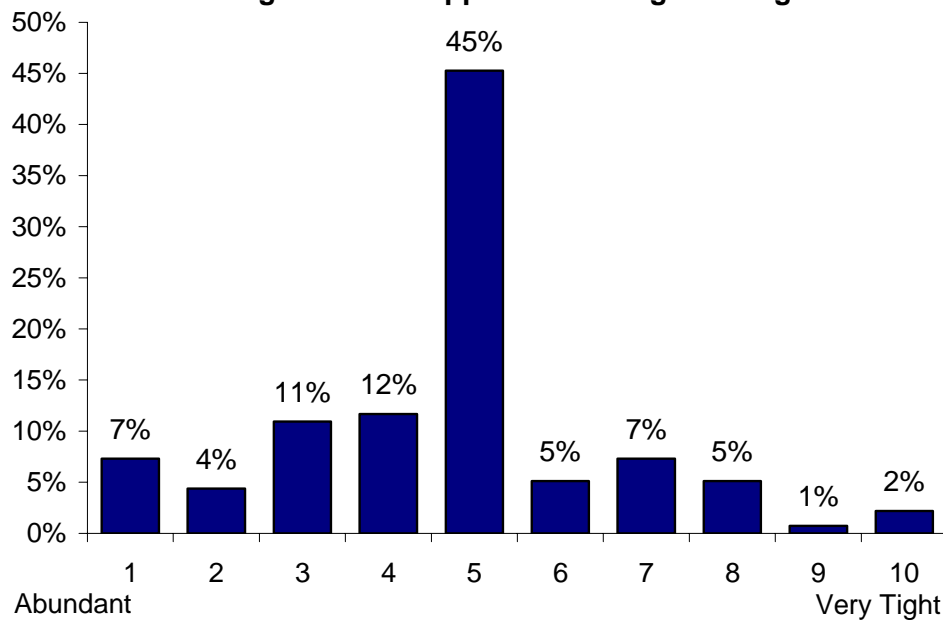
**Projected Capacity in 6 Months**



## Capacity Ranking Skew: Airfreight

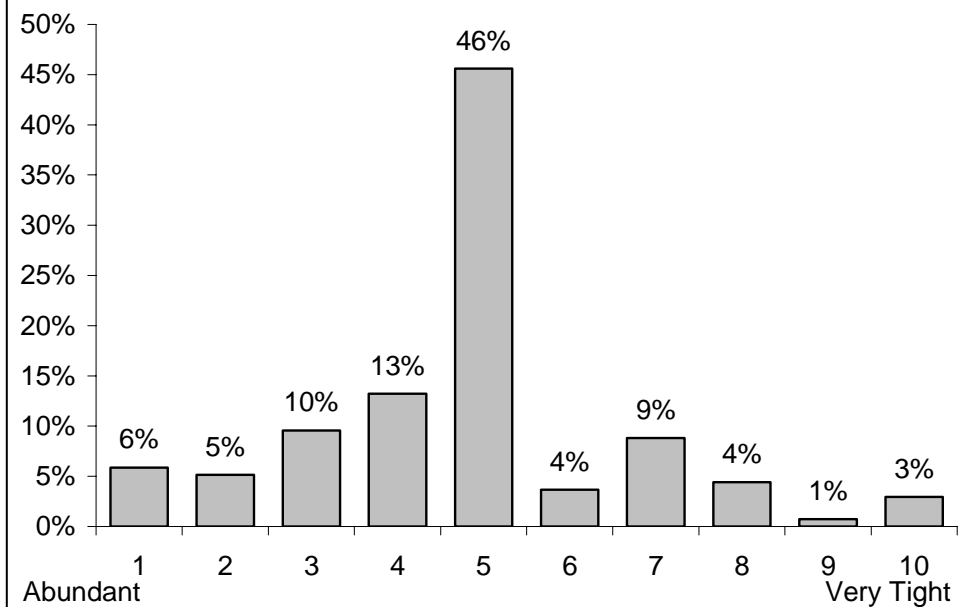
### Current Capacity

Airfreight - % of Shippers Providing Rankings



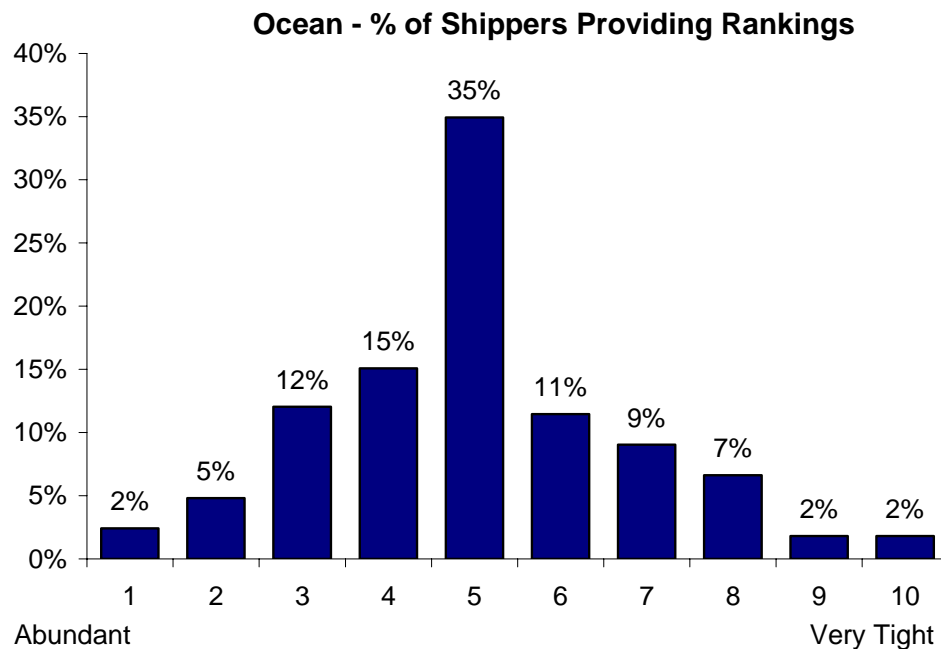
### Projected Capacity in 6 Months

Airfreight - % of Shippers Providing Rankings

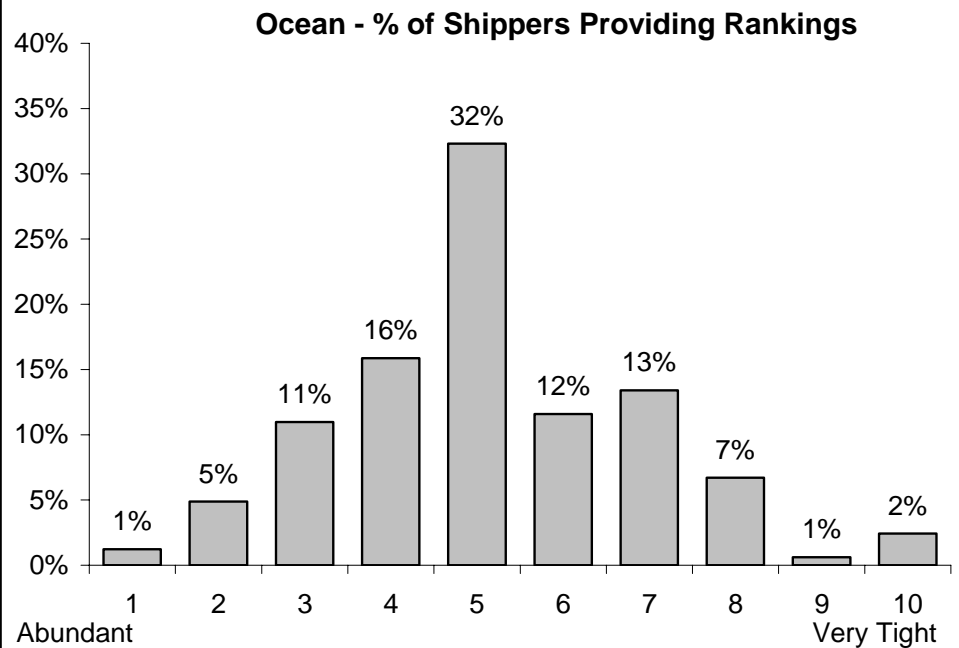


## Capacity Ranking Skew: Ocean

### Current Capacity

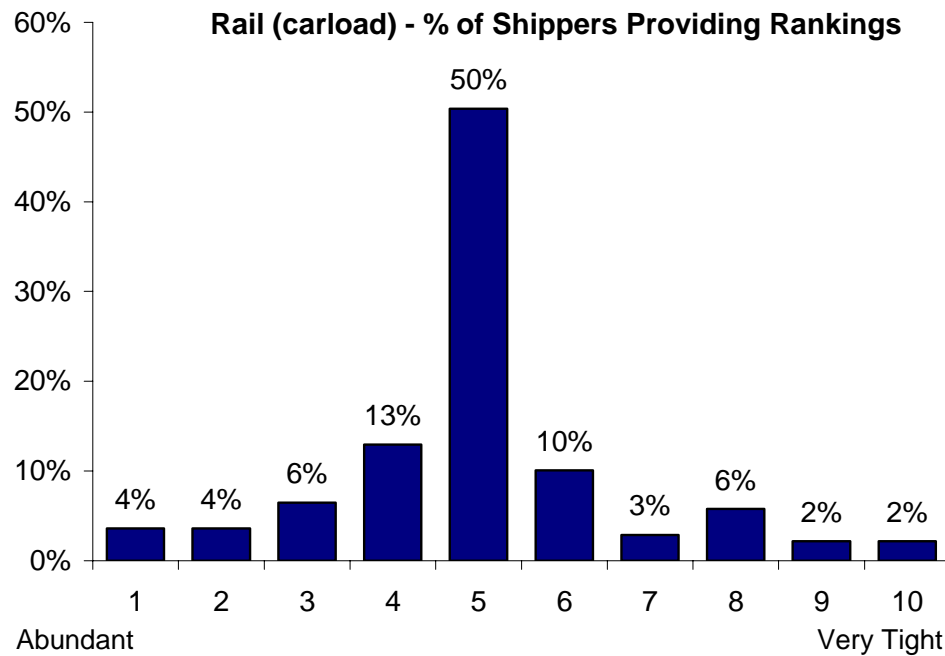


### Projected Capacity in 6 Months

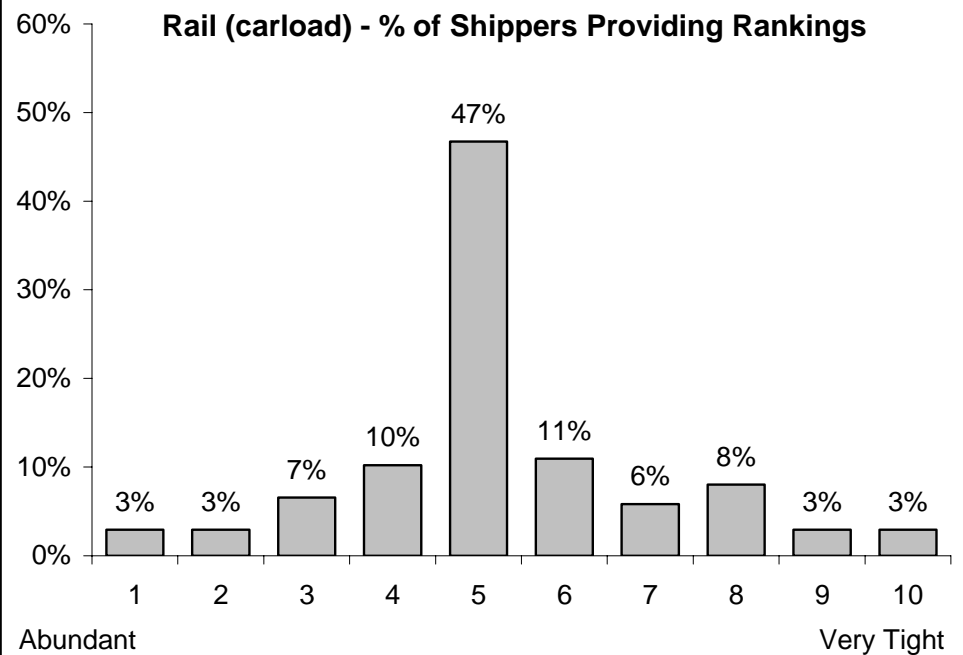


## Capacity Ranking Skew: Rail (Carload)

### Current Capacity



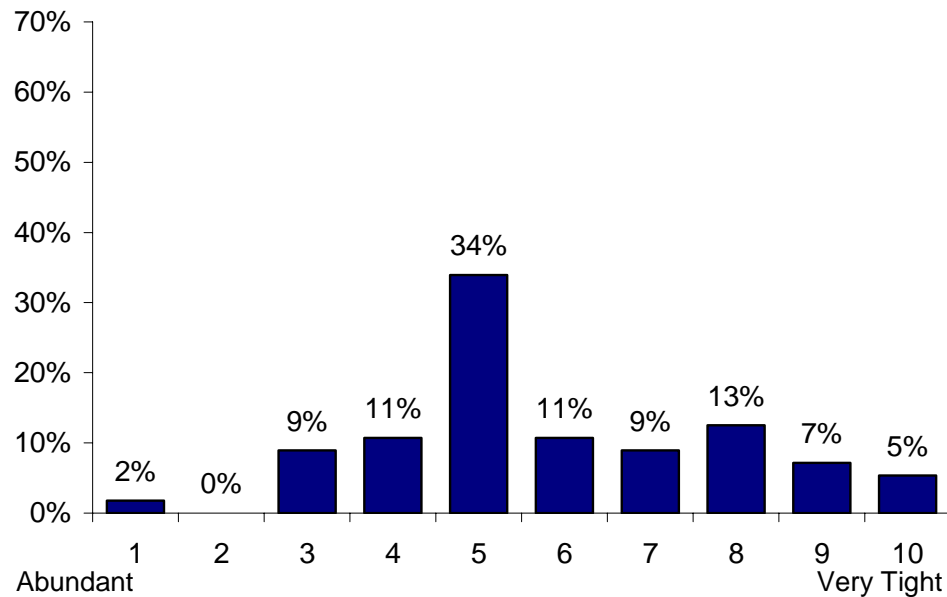
### Projected Capacity in 6 Months



## Capacity Ranking Skew: Barge

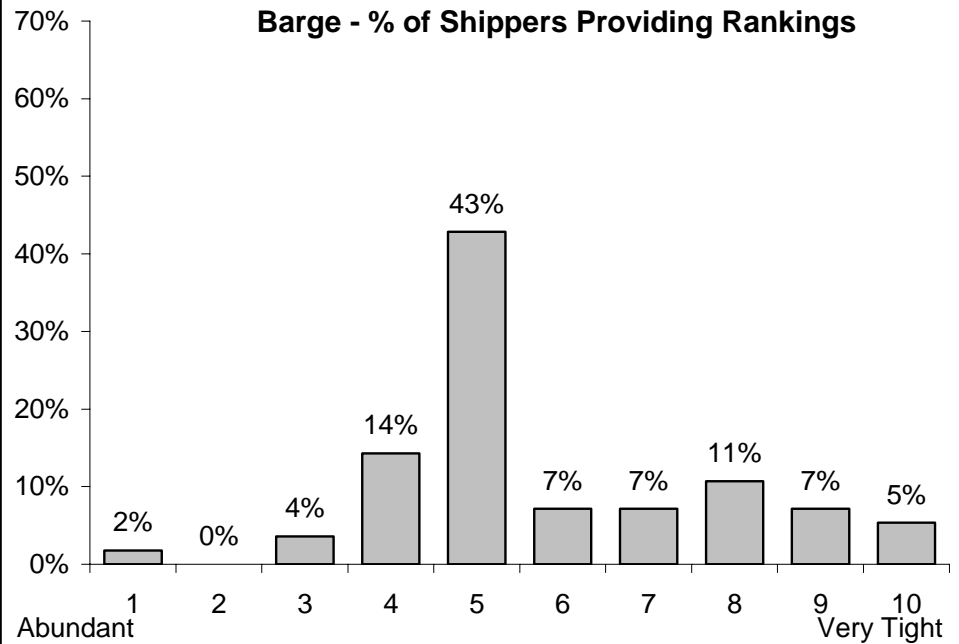
### Current Capacity

Barge - % of Shippers Providing Rankings

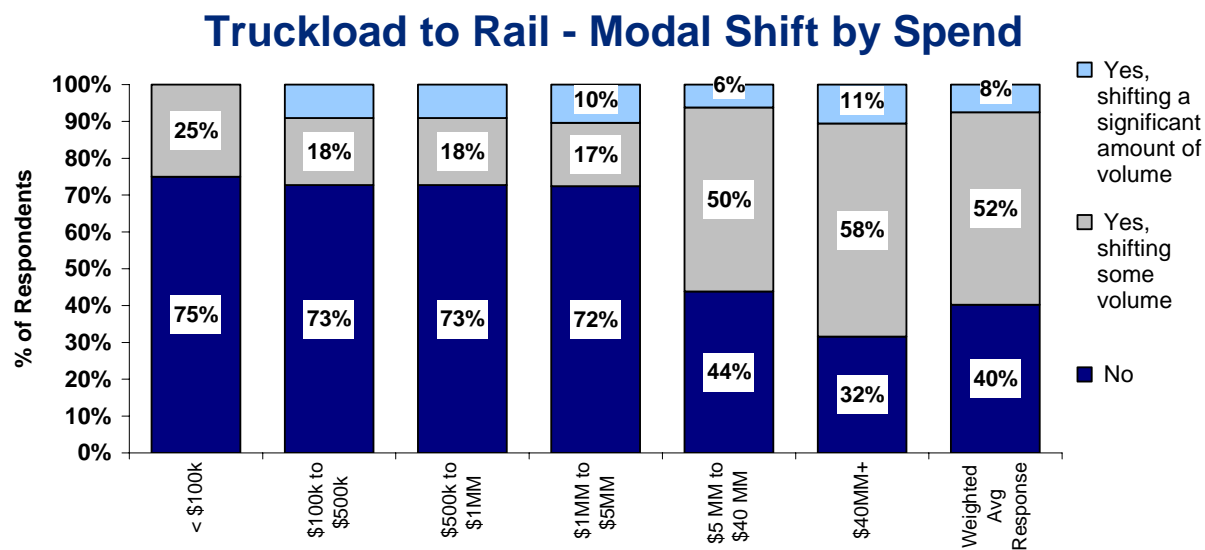
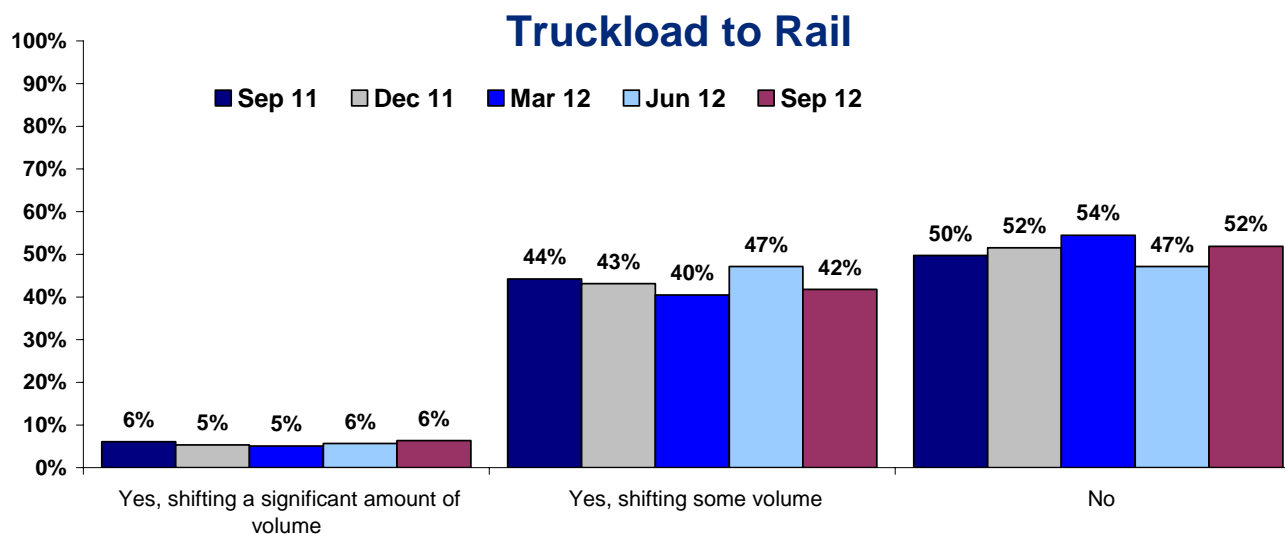


### Projected Capacity in 6 Months

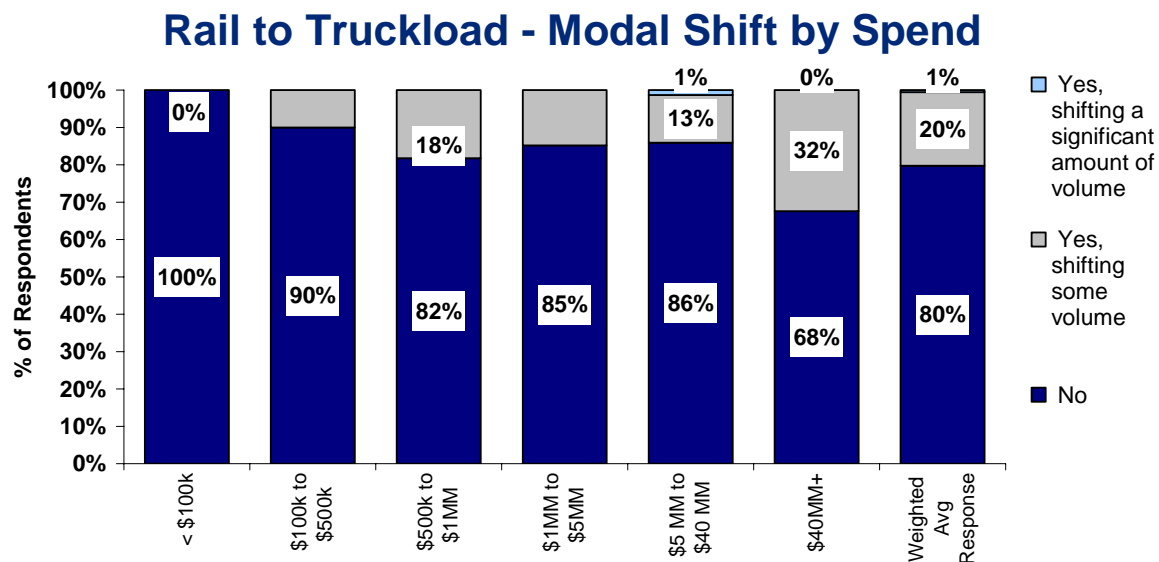
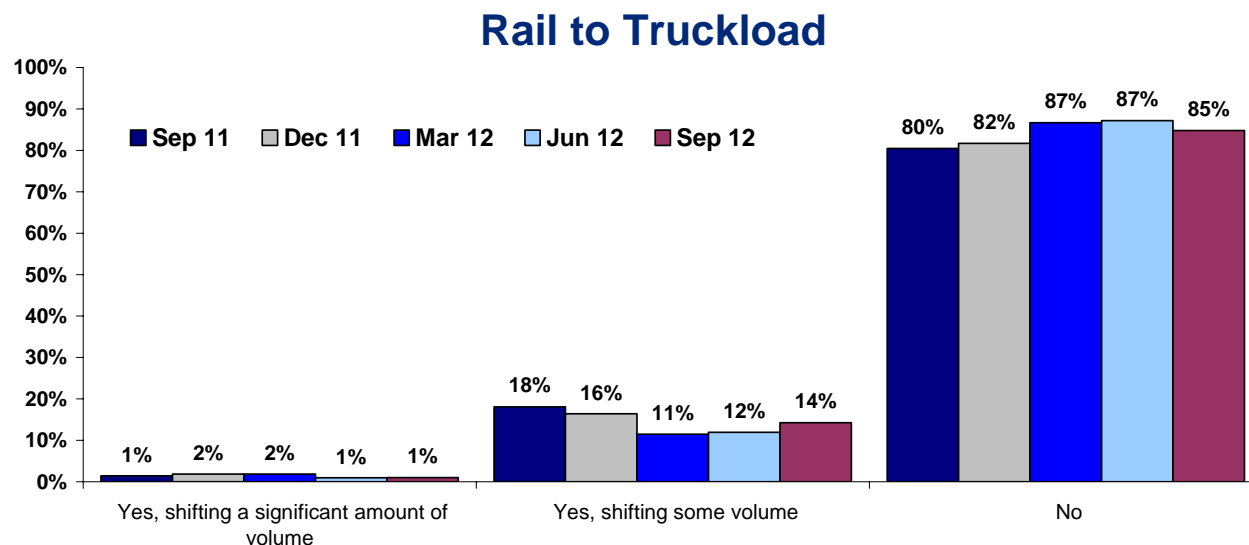
Barge - % of Shippers Providing Rankings



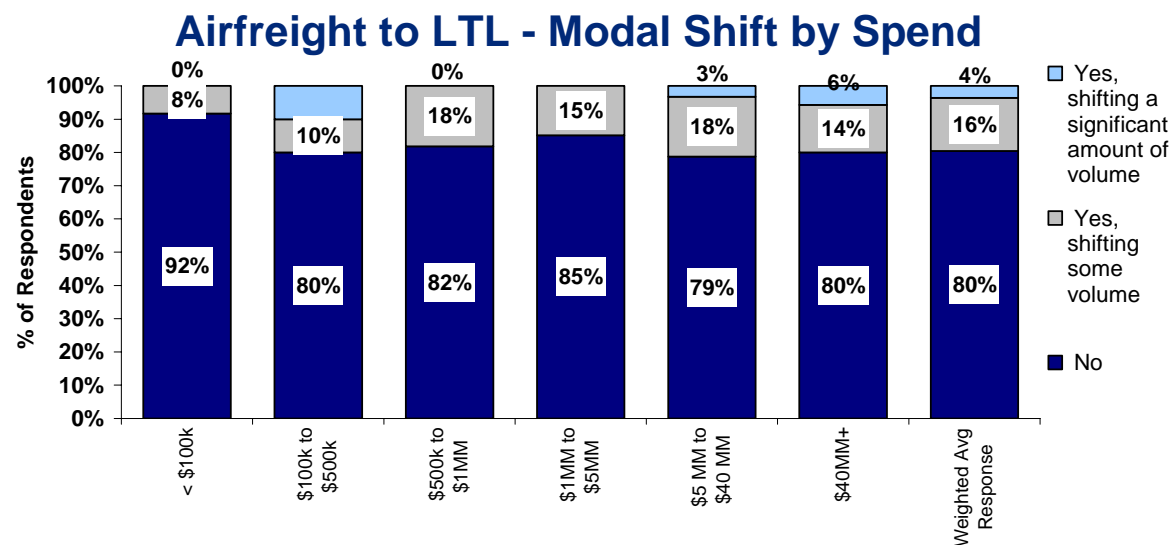
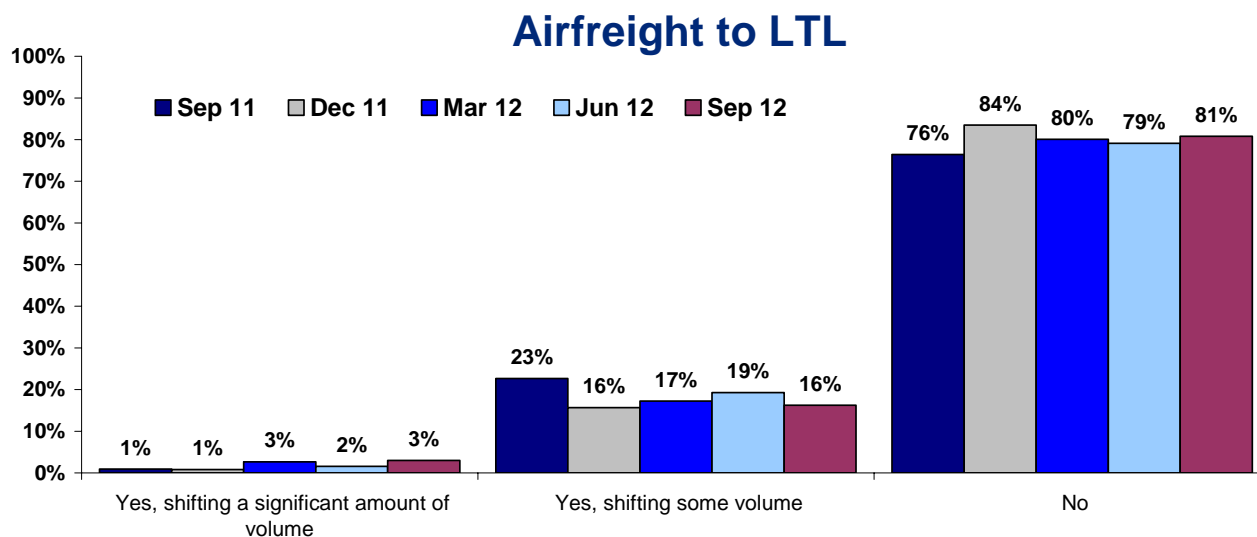
## Shipper Modal Shift Statistics – Truckload to Rail



## Shipper Modal Shift Statistics – Rail to Truckload

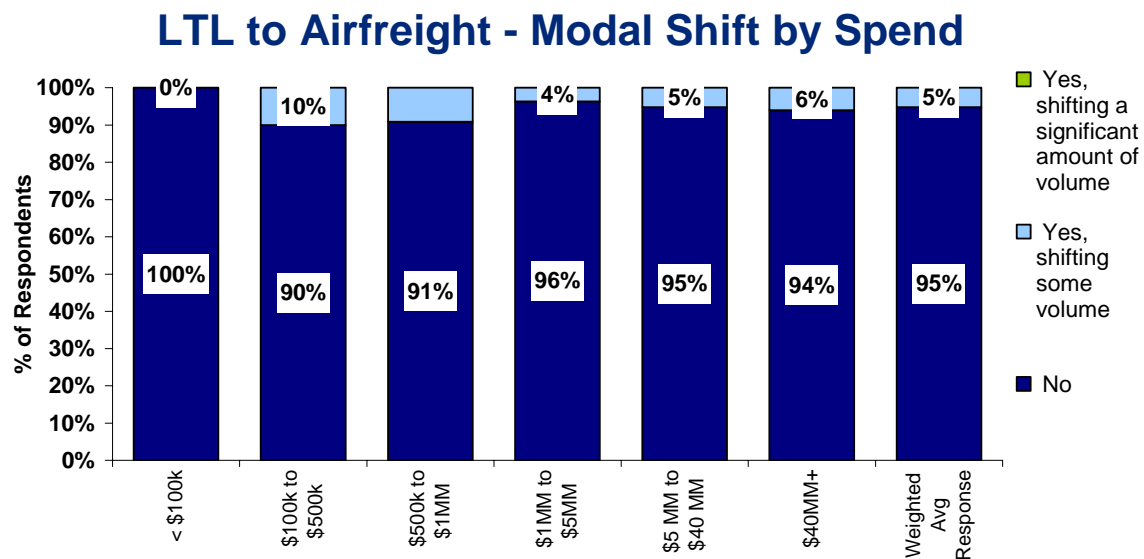
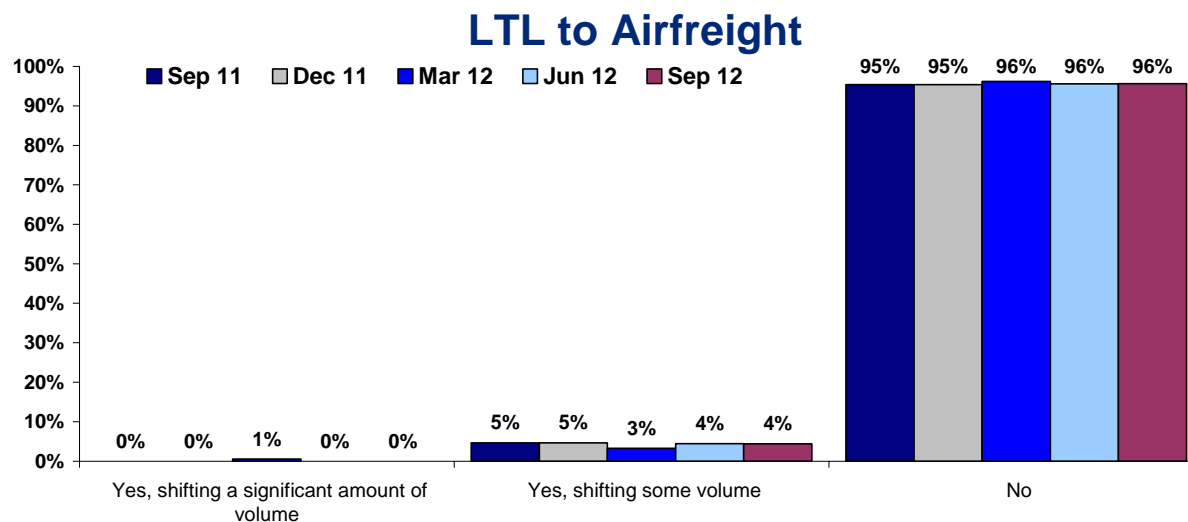


## Shipper Modal Shift Statistics – Airfreight to LTL

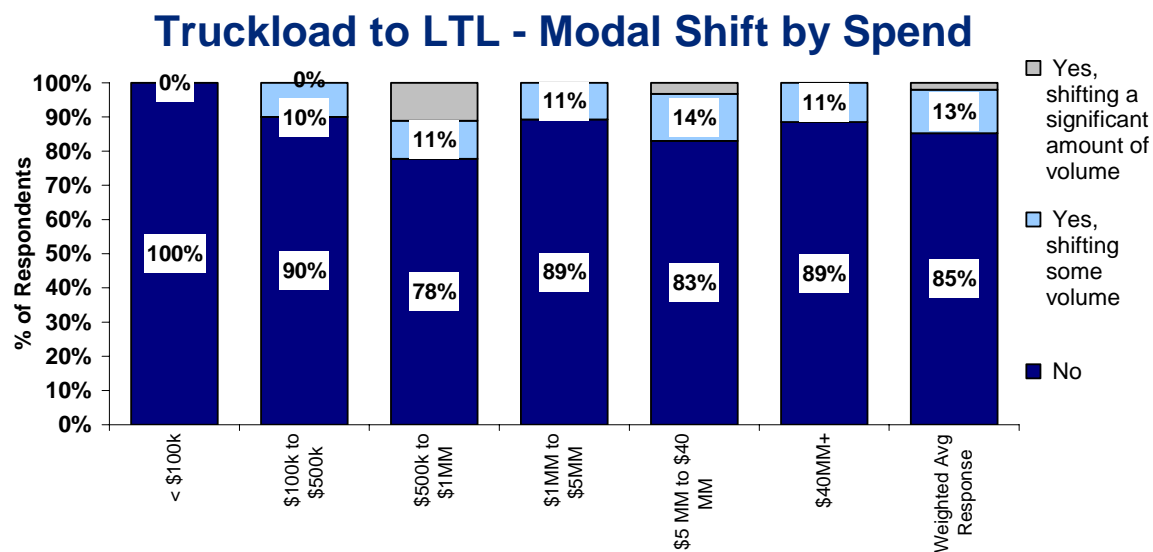
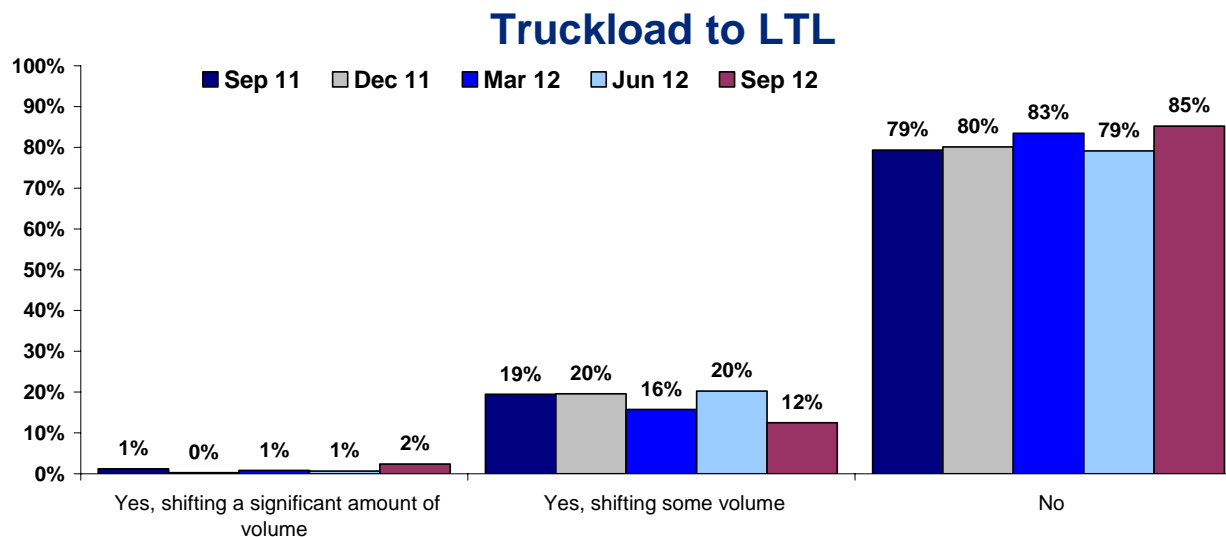




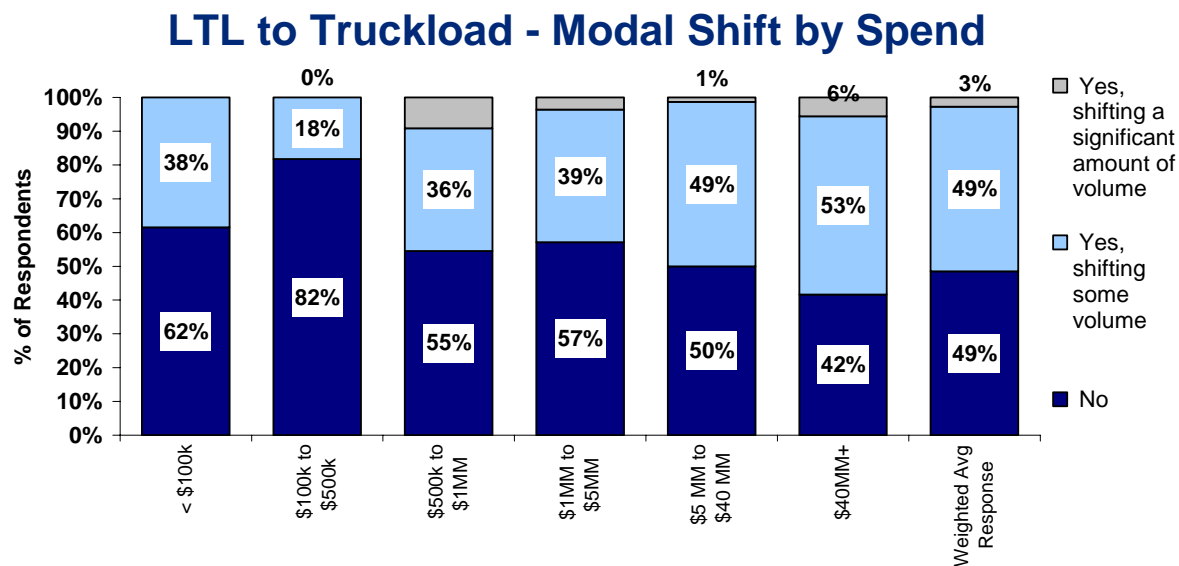
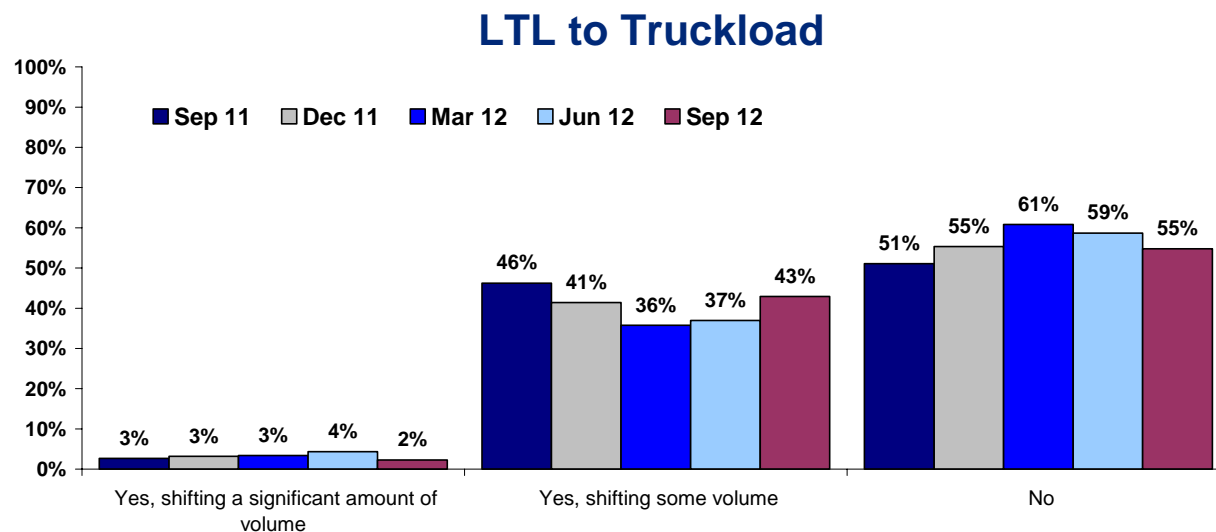
## Shipper Modal Shift Statistics – LTL to Airfreight



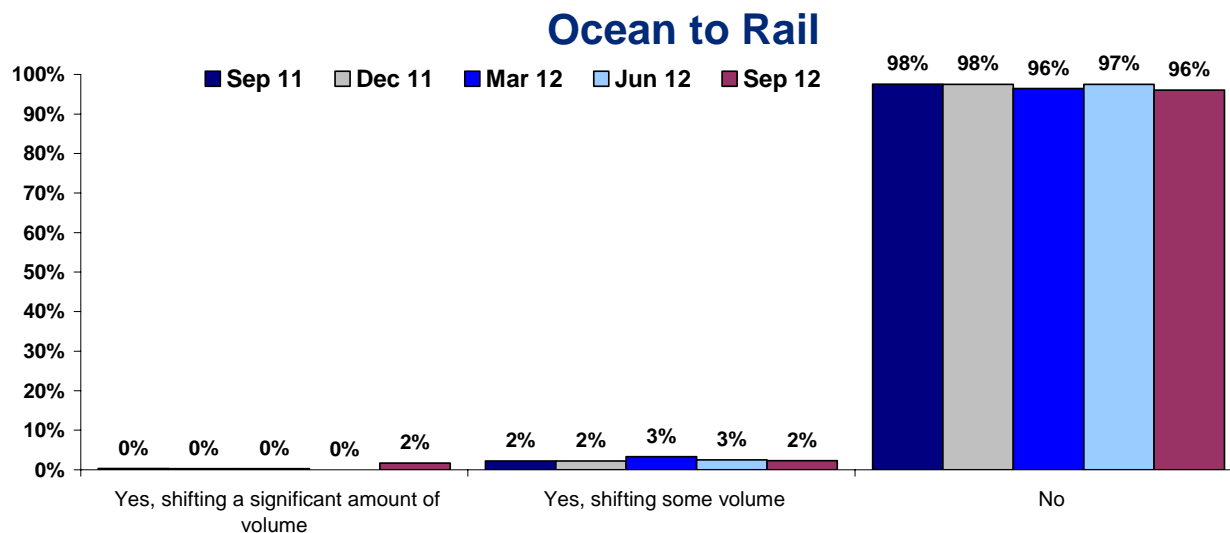
## Shipper Modal Shift Statistics – Truckload to LTL



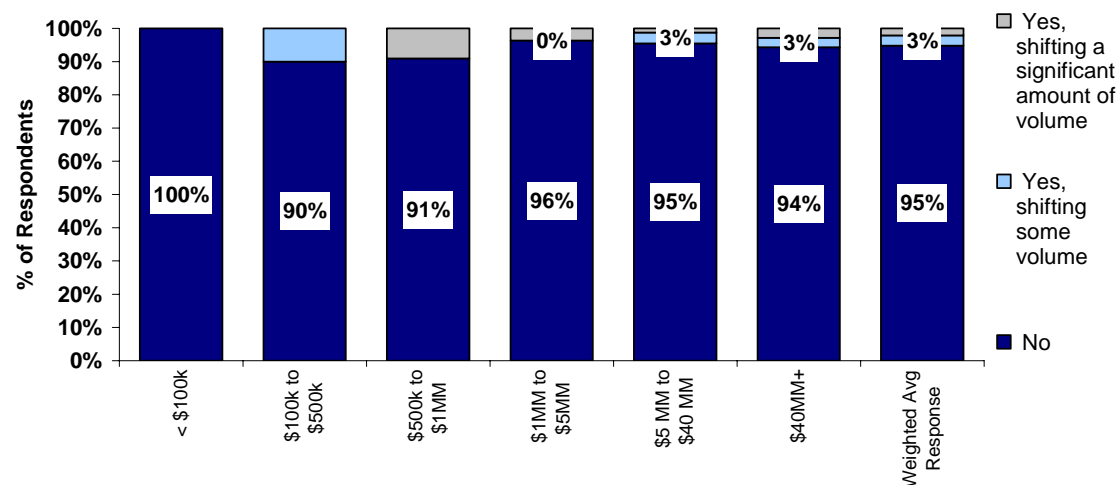
## Shipper Modal Shift Statistics – LTL to Truckload



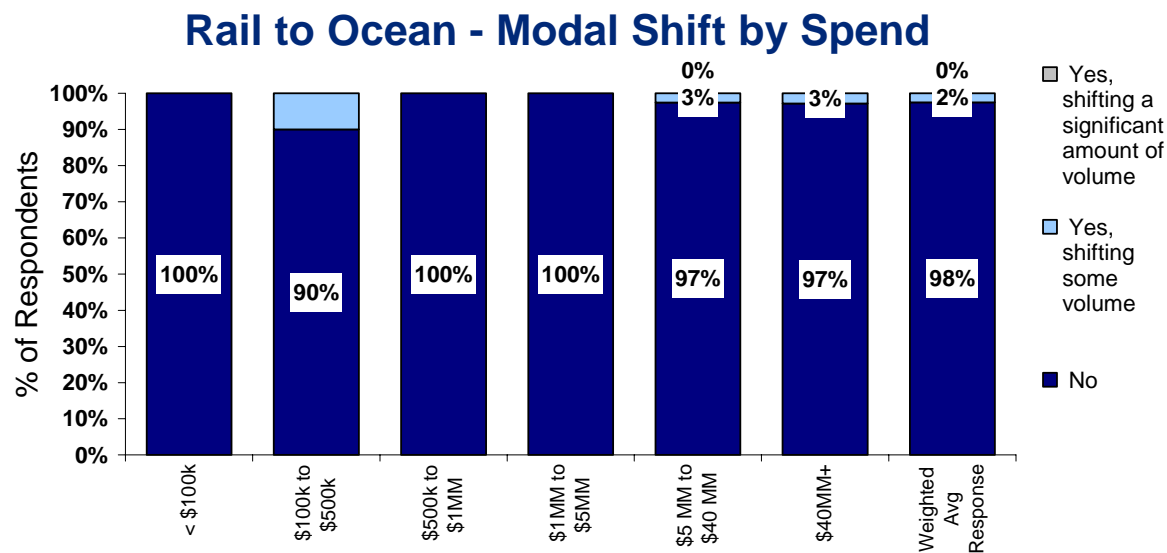
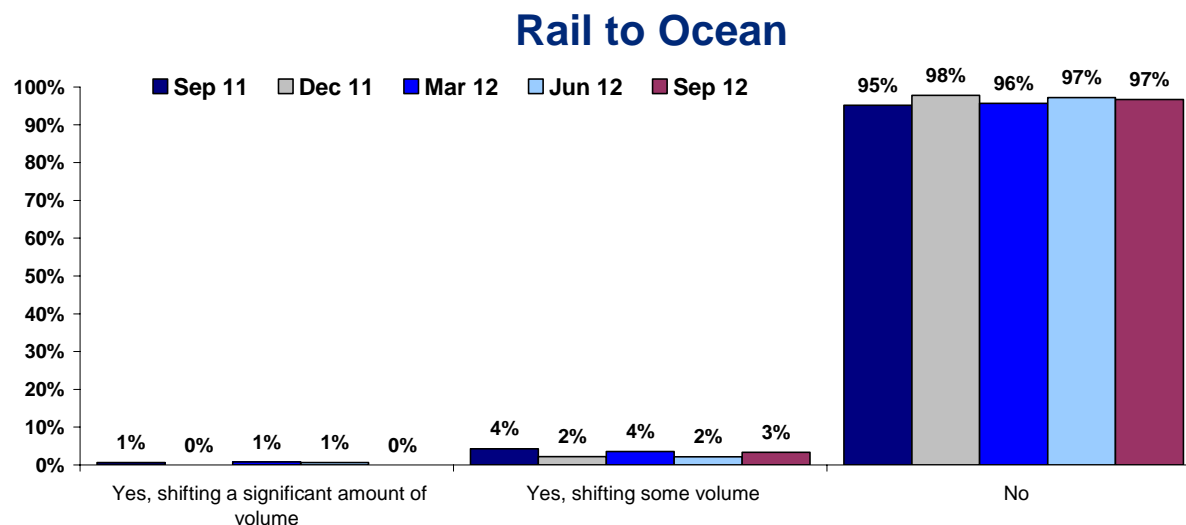
## Shipper Modal Shift Statistics – Ocean to Rail



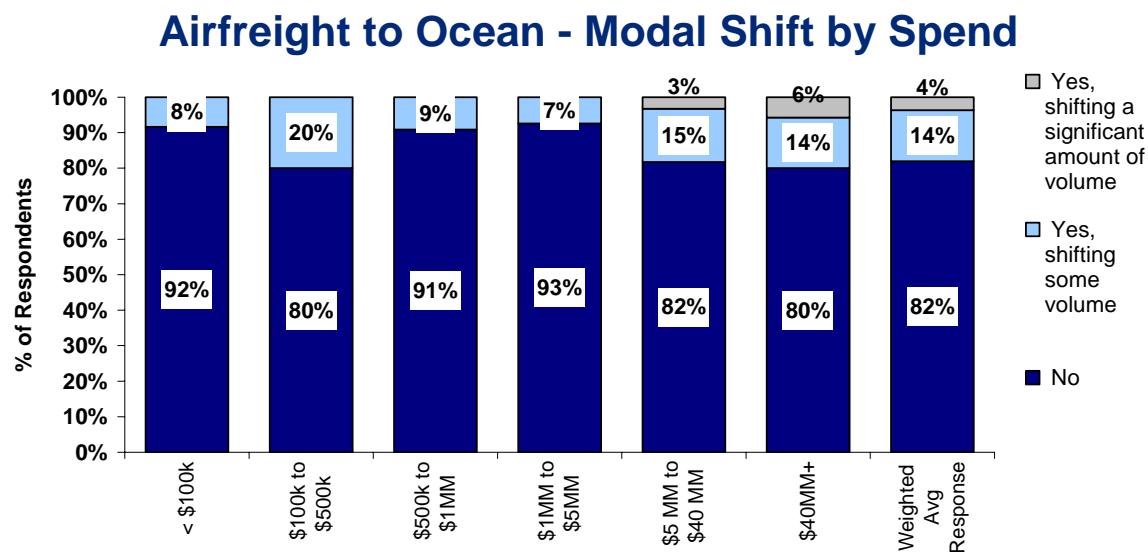
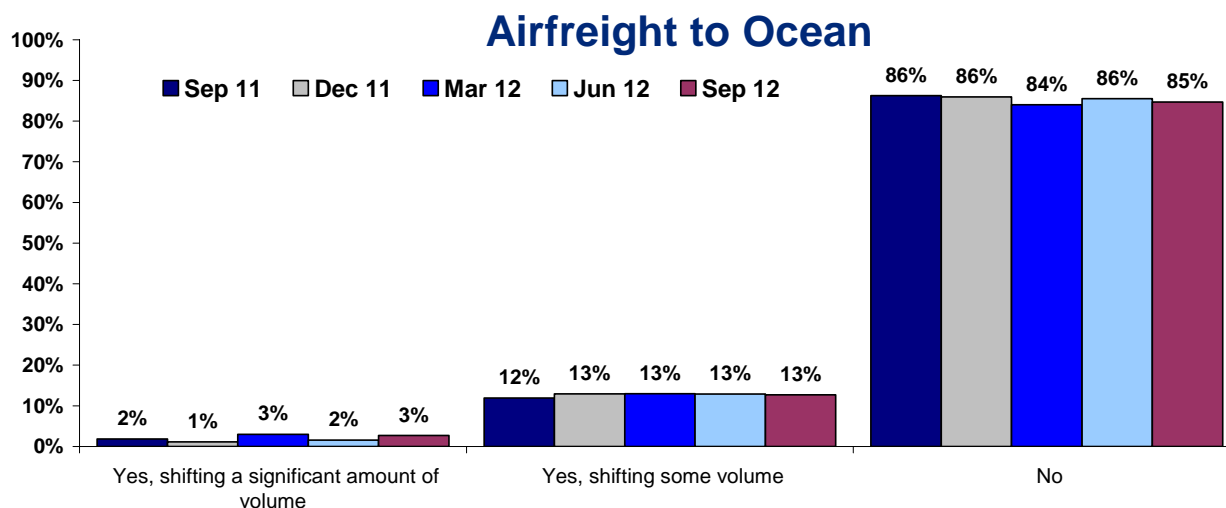
## Ocean to Rail - Modal Shift by Spend



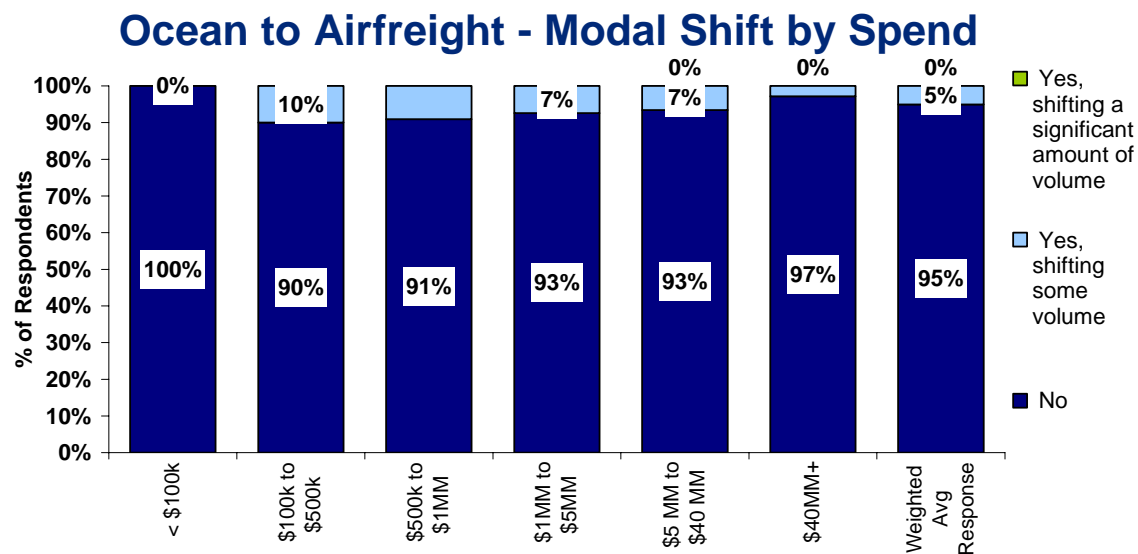
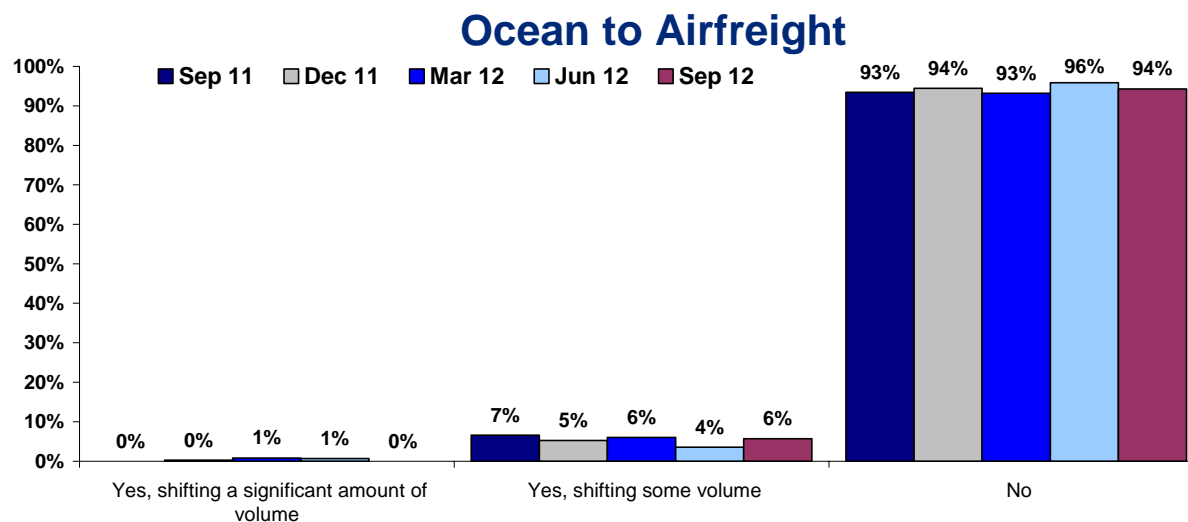
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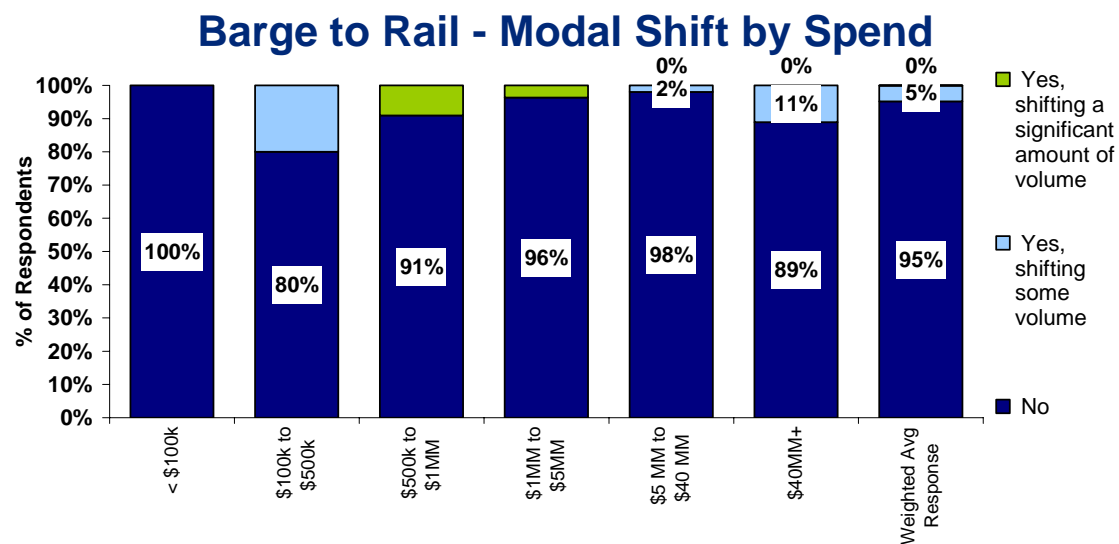
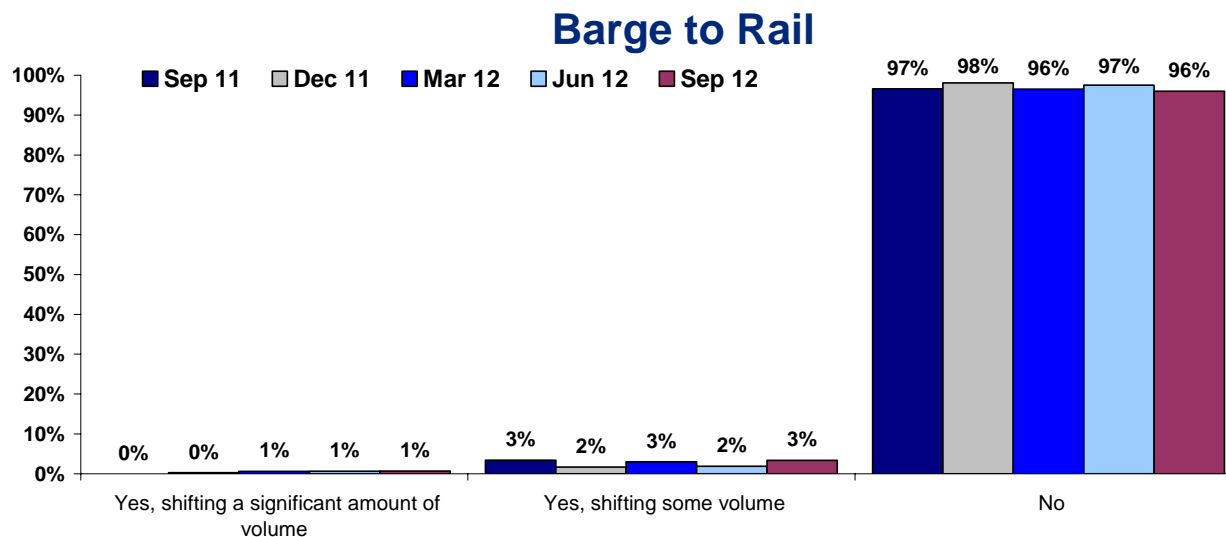
## Shipper Modal Shift Statistics – Airfreight to Ocean



## Shipper Modal Shift Statistics – Ocean to Airfreight

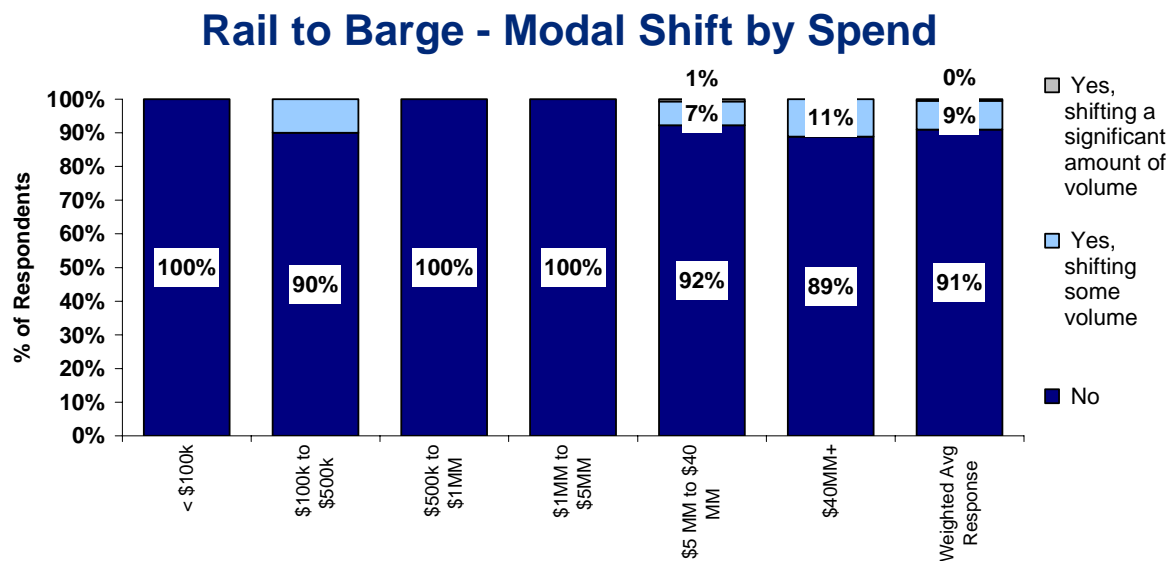
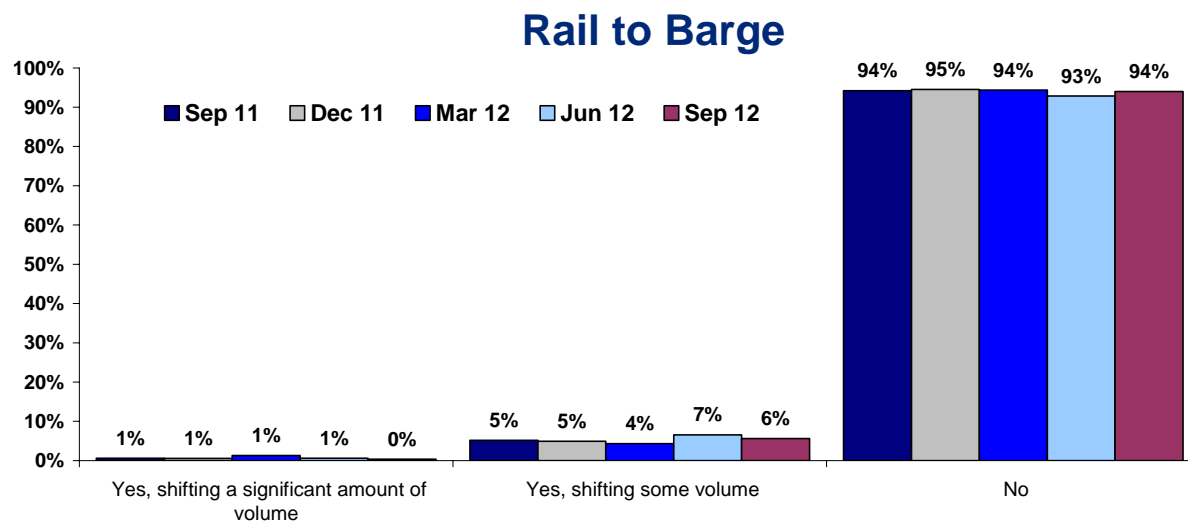


## Shipper Modal Shift Statistics – Barge to Rail



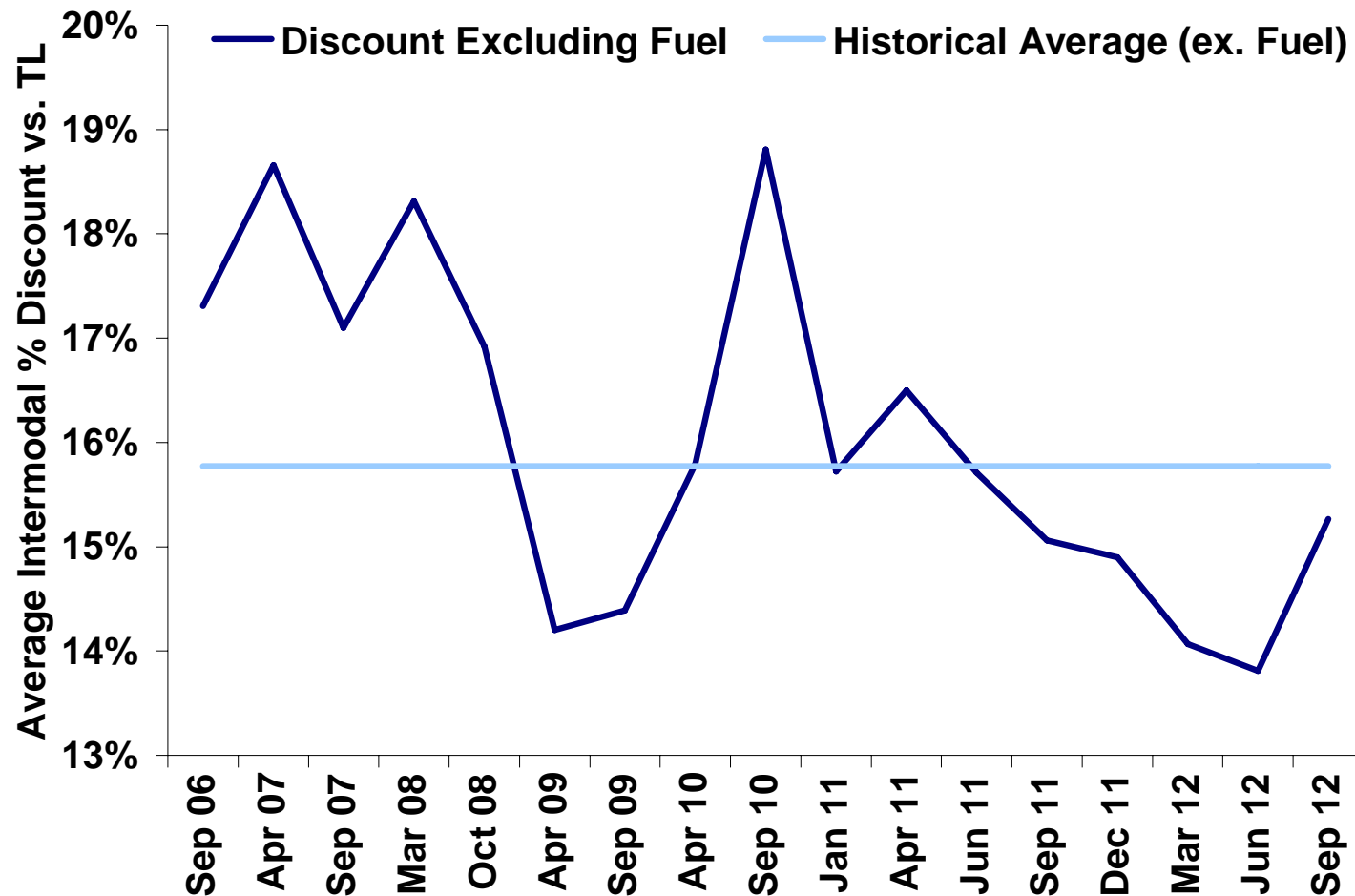


## Shipper Modal Shift Statistics – Rail to Barge



## 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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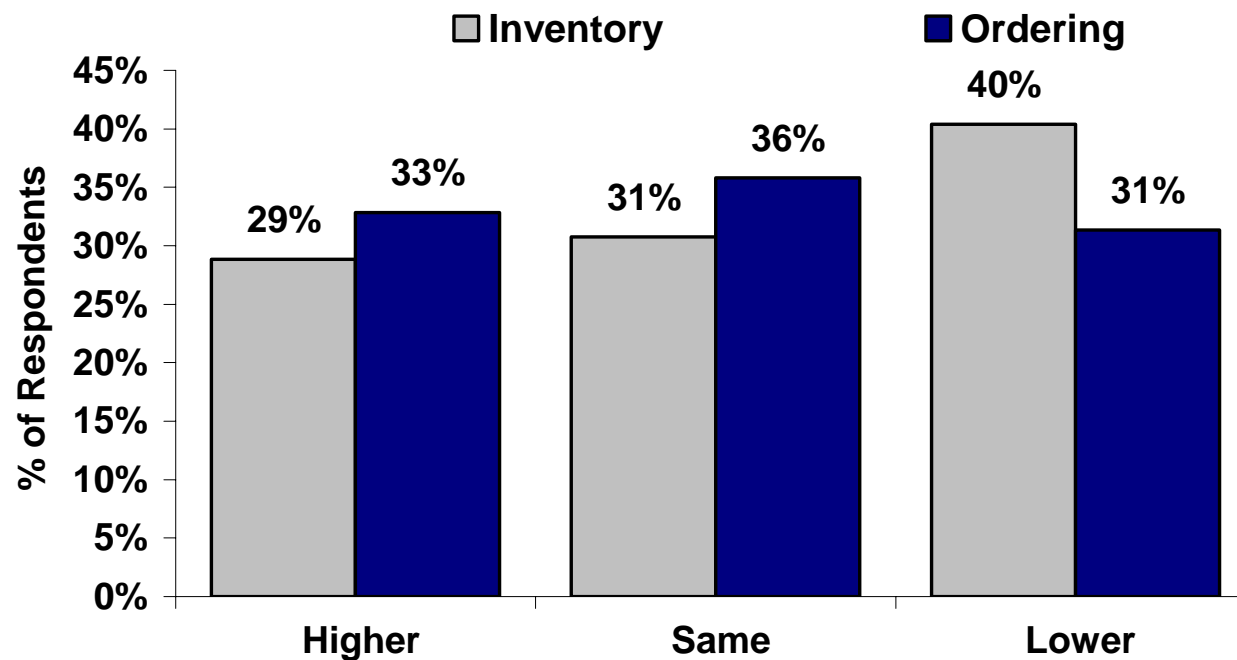
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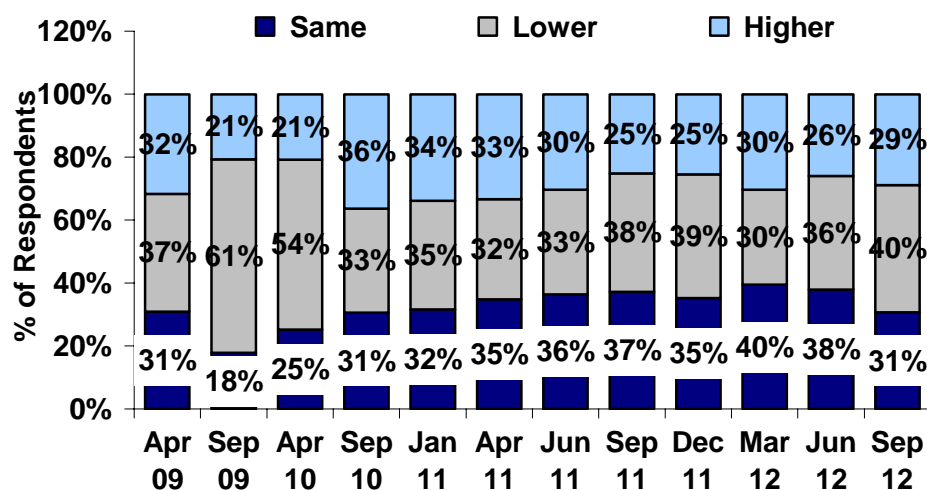
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### Shipper Inventories and Orders Relative to Last Year

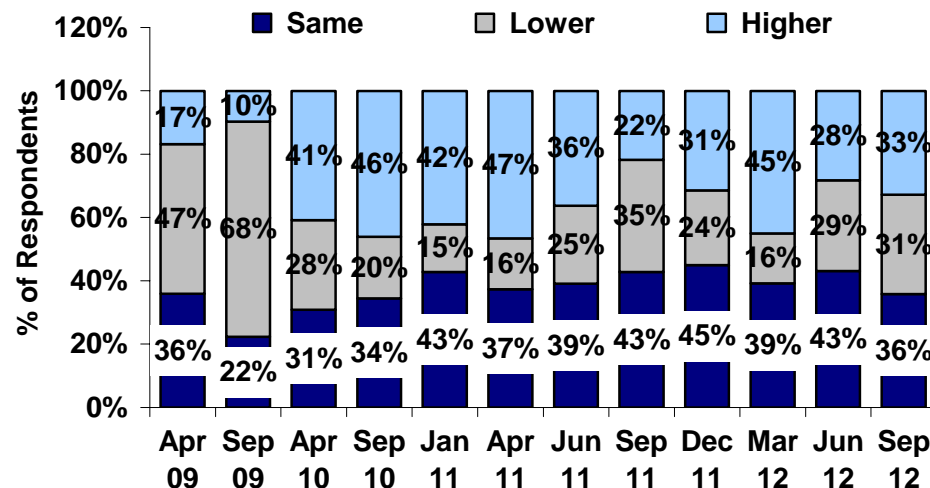


## Shipper Inventory and Stocking Trends

### Y/Y Change in Shippers' Inventory

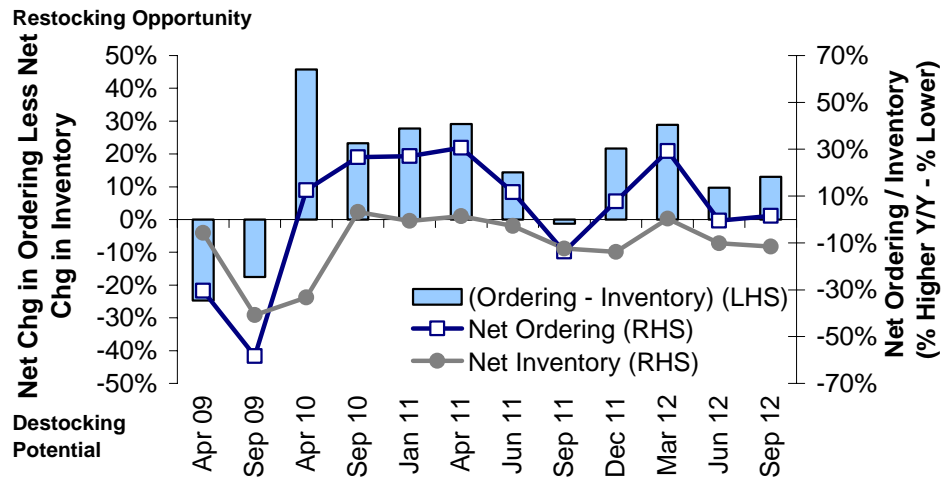


### Y/Y Change in Shippers' Orders

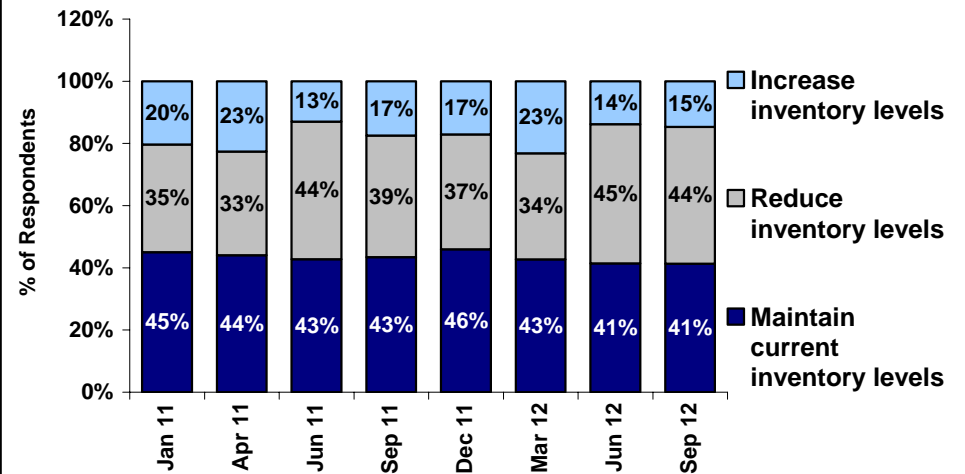


## Assessing Restocking Potential: Net Inventory Trends and Inventory Plans

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

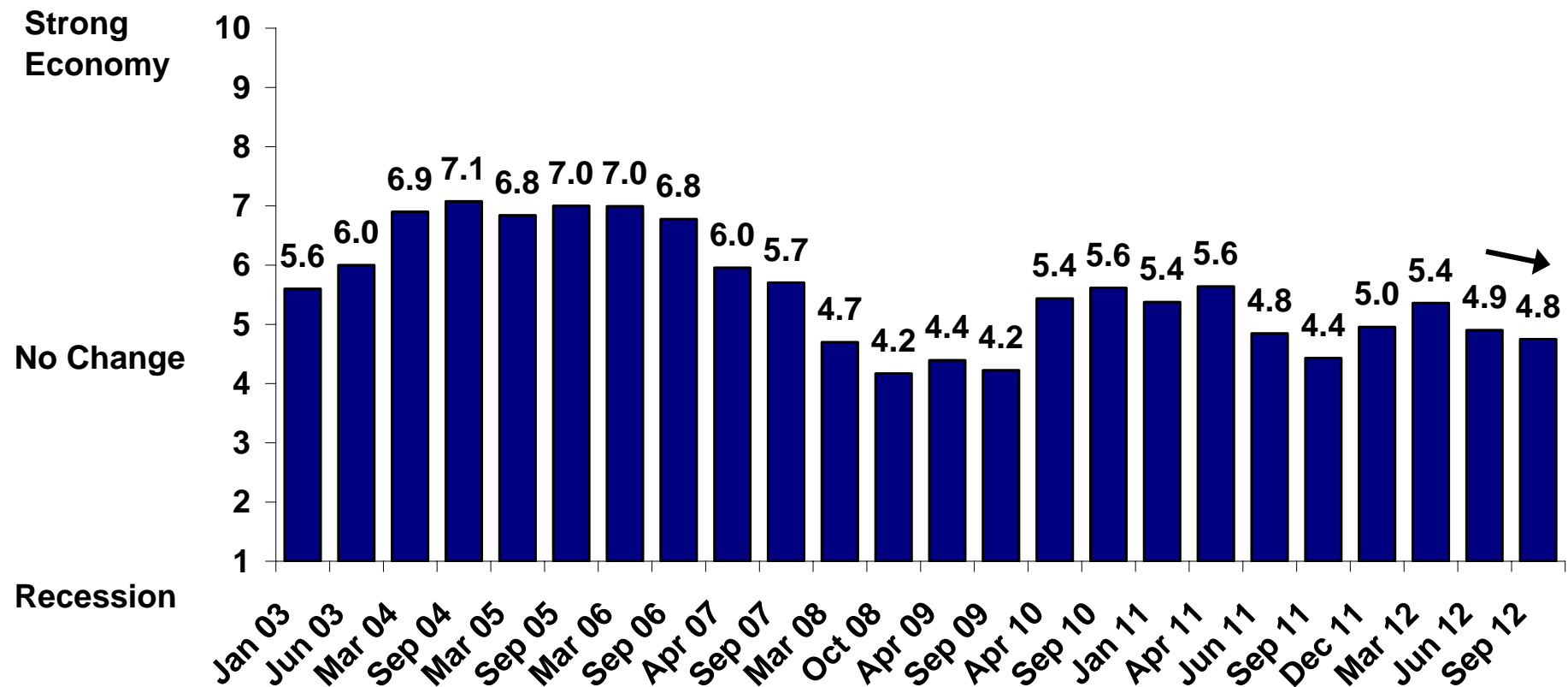


### Shippers' Inventory Plans

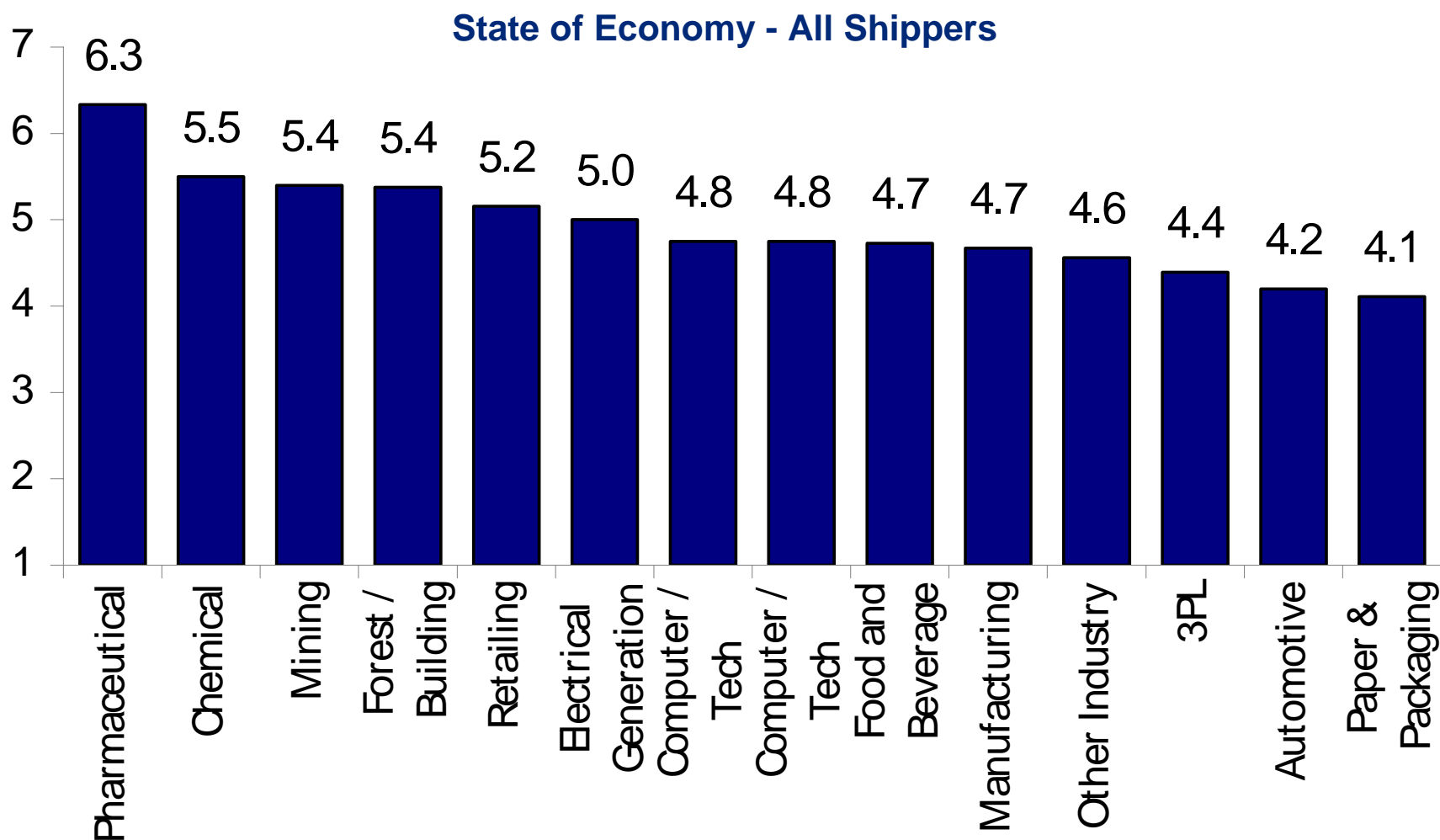


## Economic Outlook: Average Across All Shippers

### State of the Economy from Shippers' Perspective



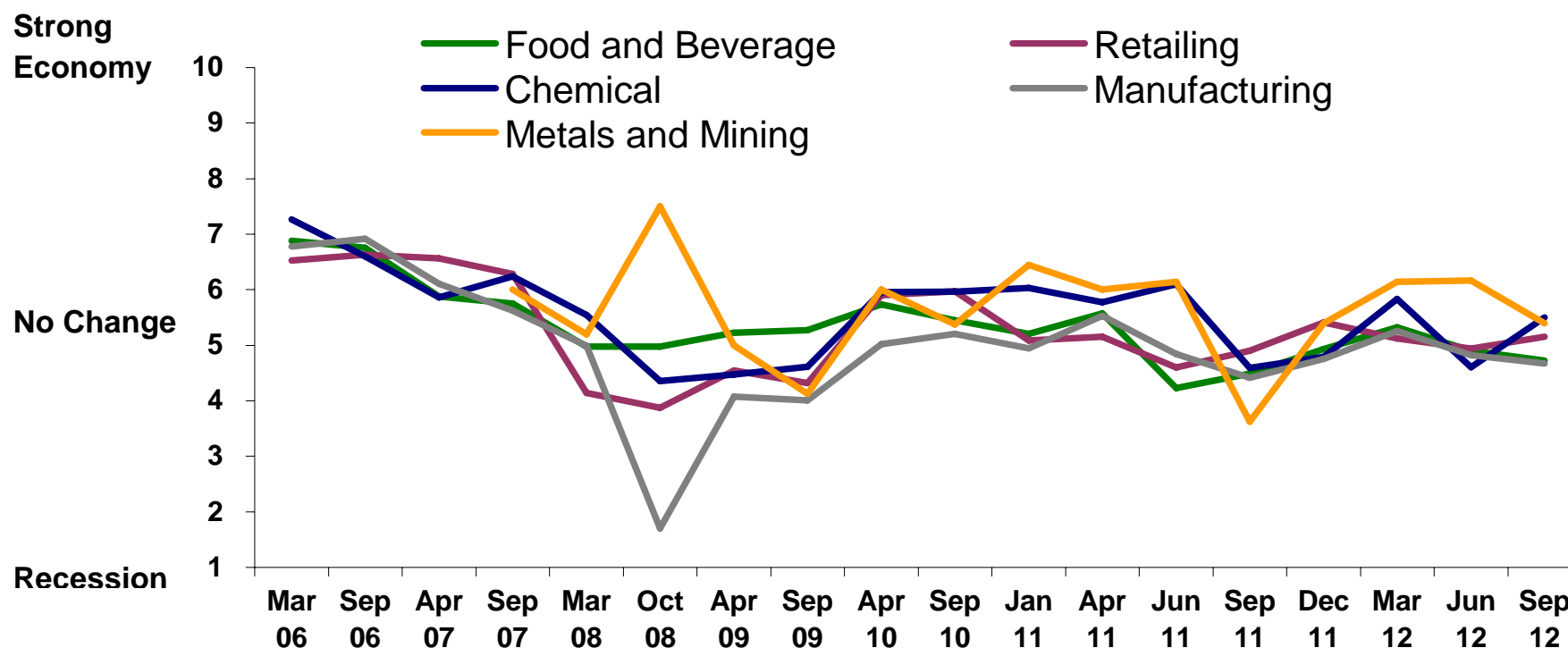
## Economic Outlook: Granular View by Spend and Shipper Industry





## Economic Outlook: View by Industry Over Time

### Shippers' Historical View of the Economy by Industry Segment



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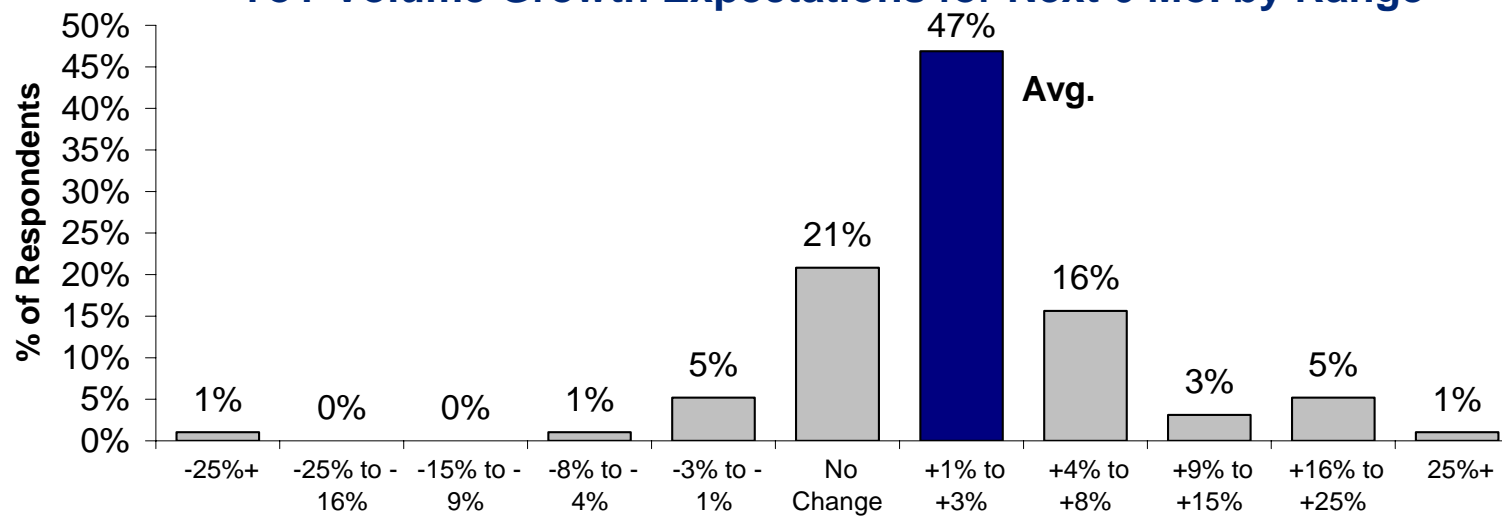
1. Volume Trends
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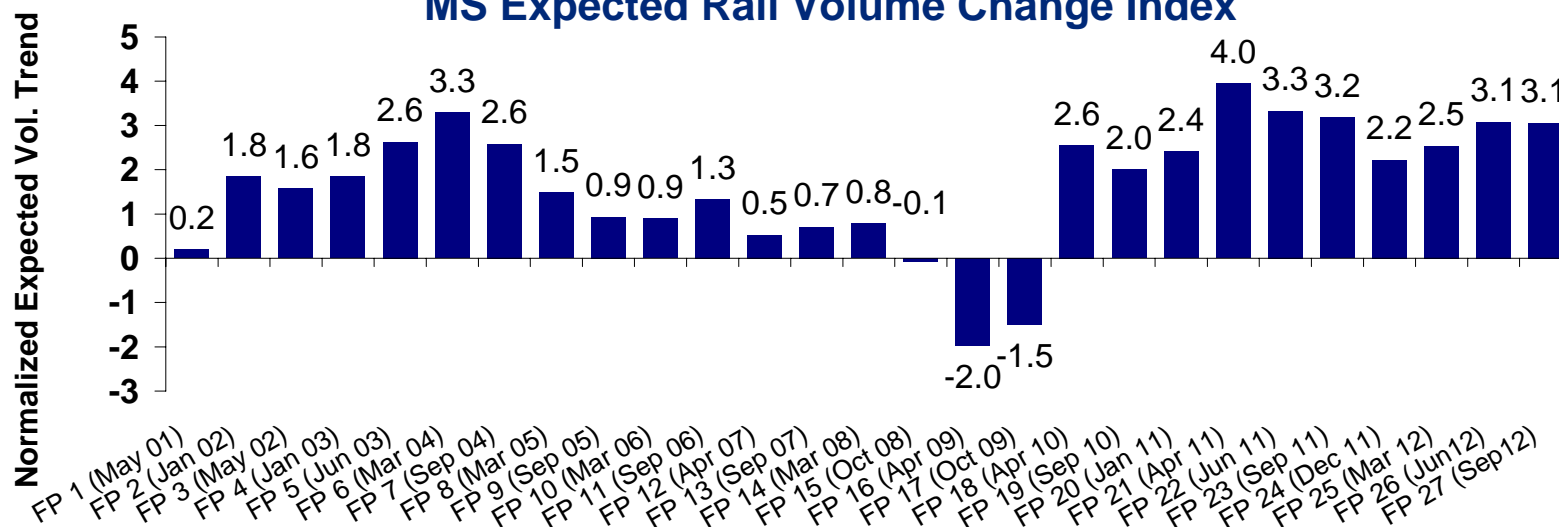
1. Intermodal
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## Rail Volume Trends: Forward 6 Month YoY Volume Expectations

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

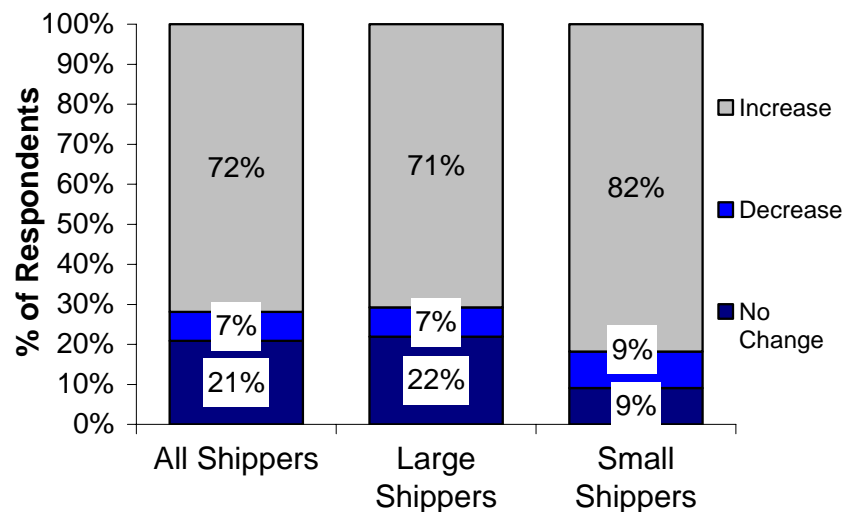


### MS Expected Rail Volume Change Index

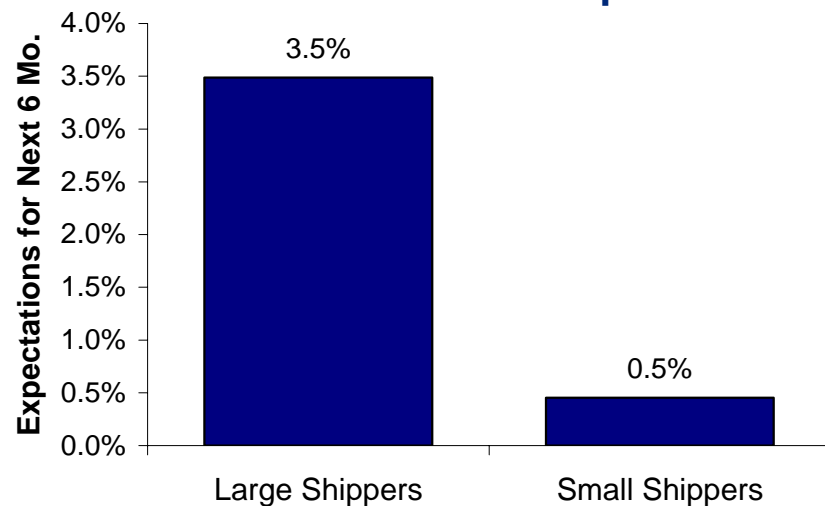


## Rail Volume Trends: Forward 6 Month YoY Volume Expectations by Segment

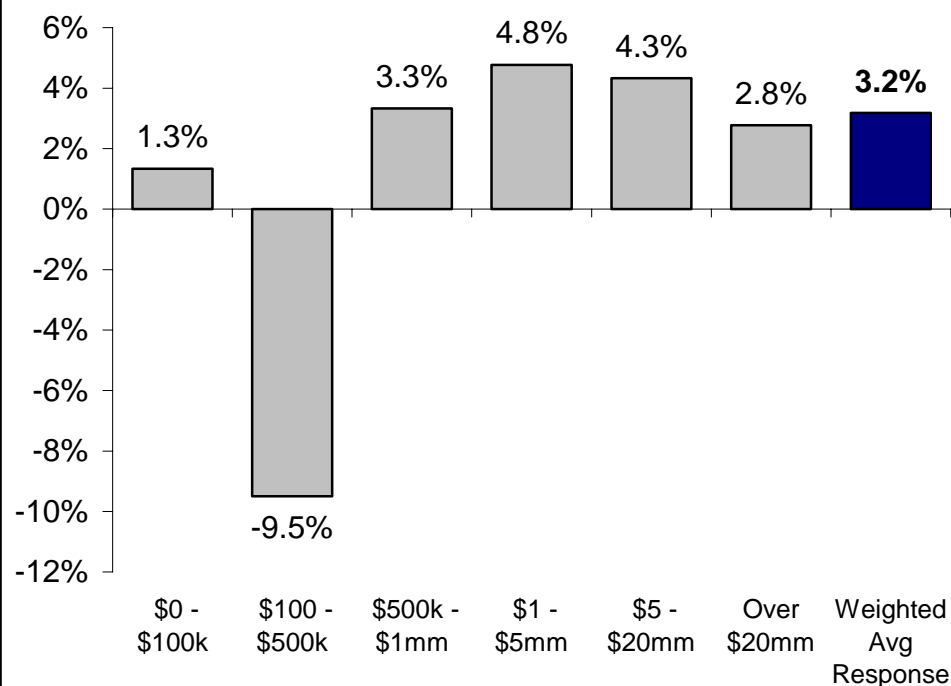
### YoY Volume Growth Expectations



### YoY Volume Growth Expectations

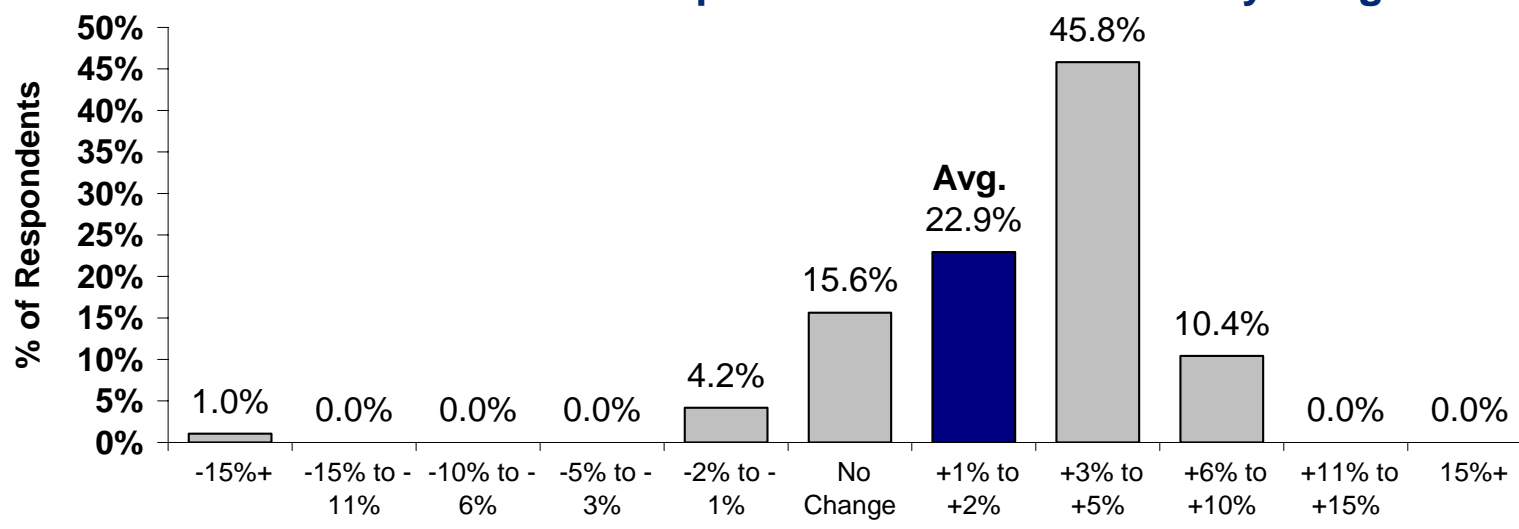


### 6 Mo. YoY Volume Growth Expectation by Spend

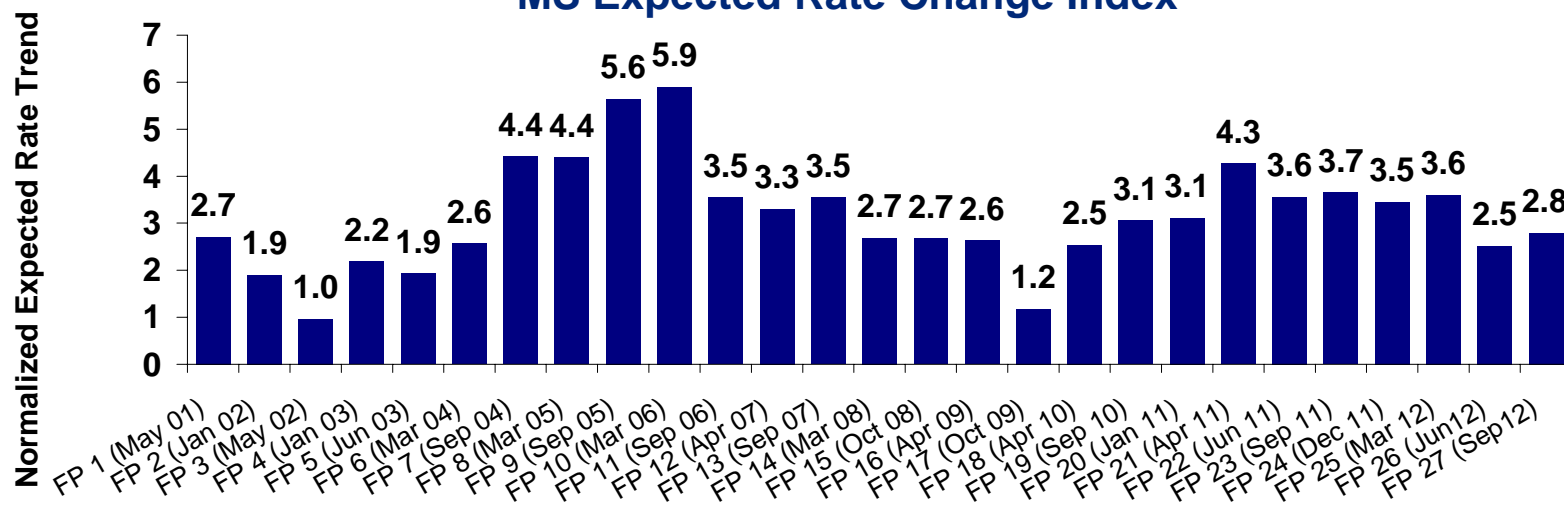


## Rail Rate Trends: Forward 6 Month YoY Rate Expectations

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

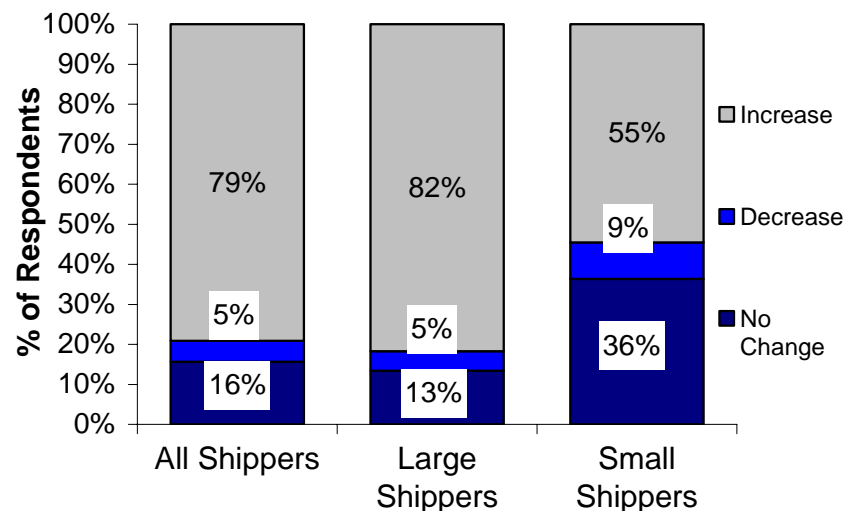


### MS Expected Rate Change Index

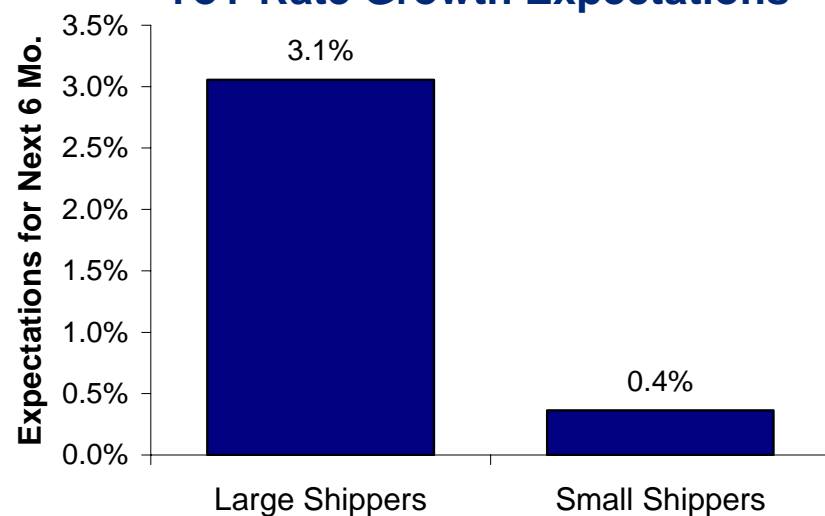


## Rail Rate Trends: Forward 6 Month YoY Rate Expectations by Segment

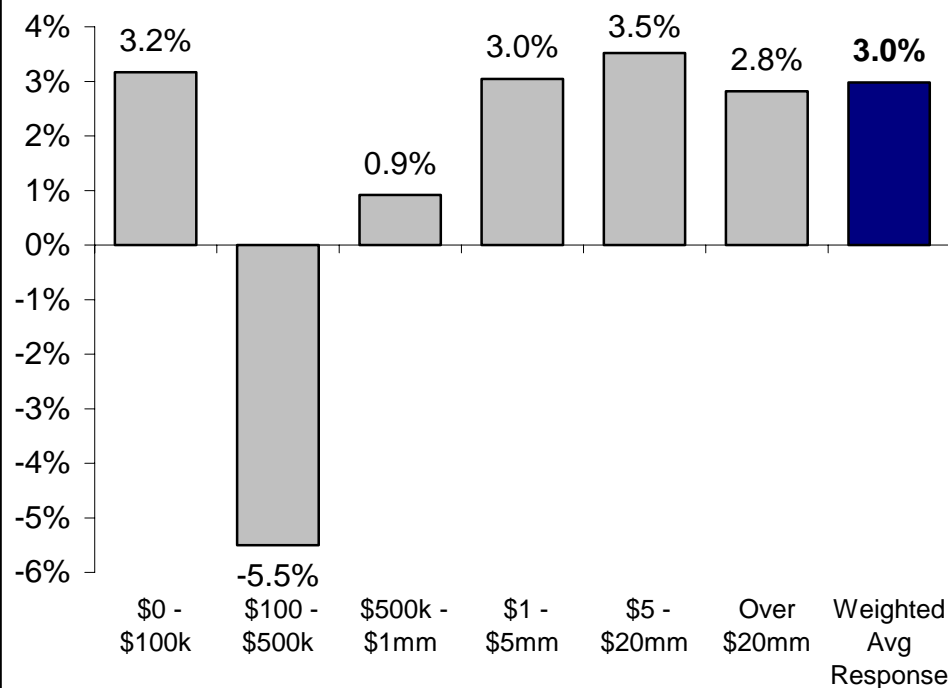
### YoY Rate Growth Expectations



### YoY Rate Growth Expectations

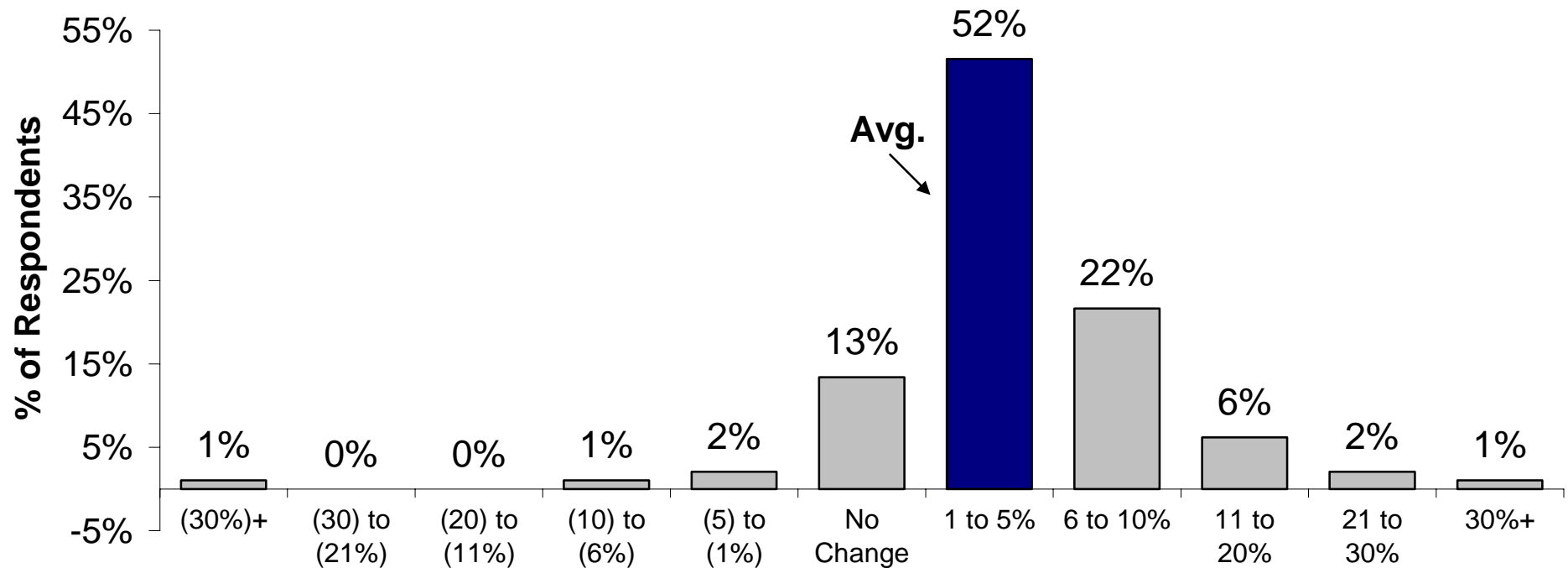


### 6 Mo. YoY Rate Growth Expectation by Spend



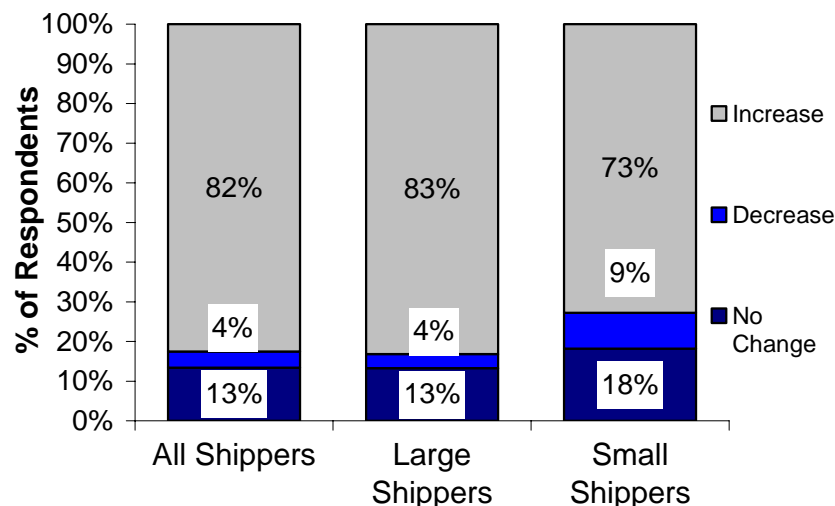
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### YoY Rail Spend Growth Expectations for Next 6 Mo. by Range

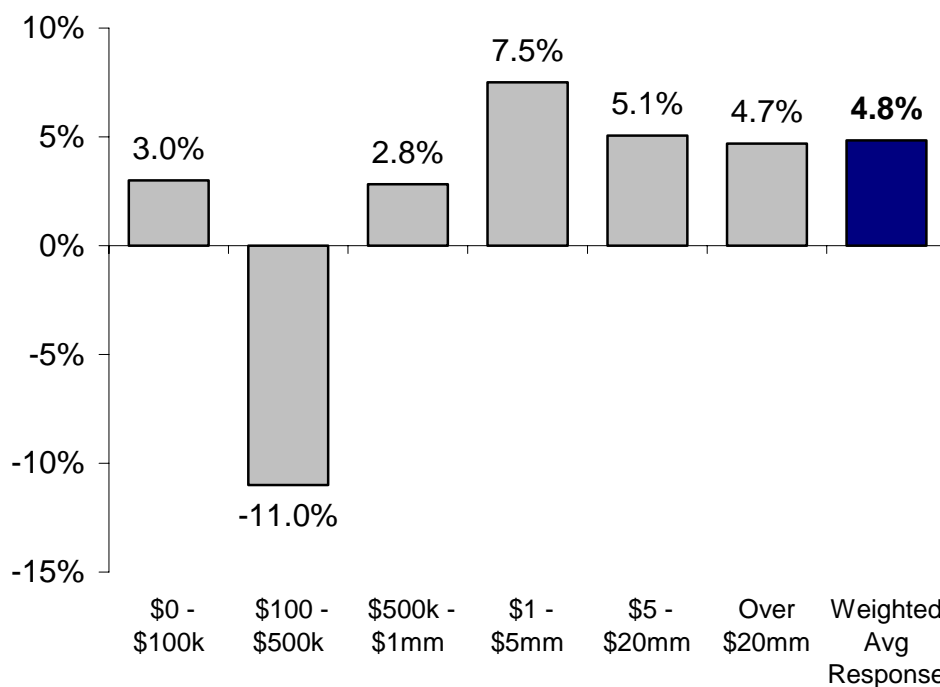


## Spend Trends: Forward 6 Month YoY Spend Expectations by Segment

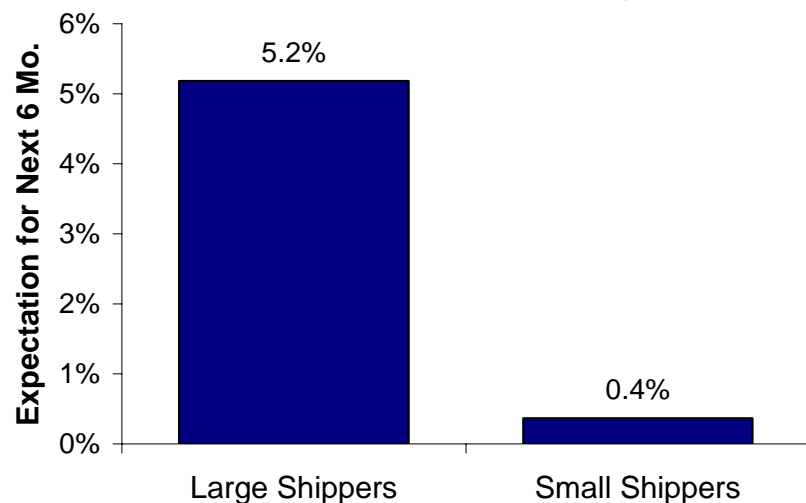
### YoY Spend Growth Expectations



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



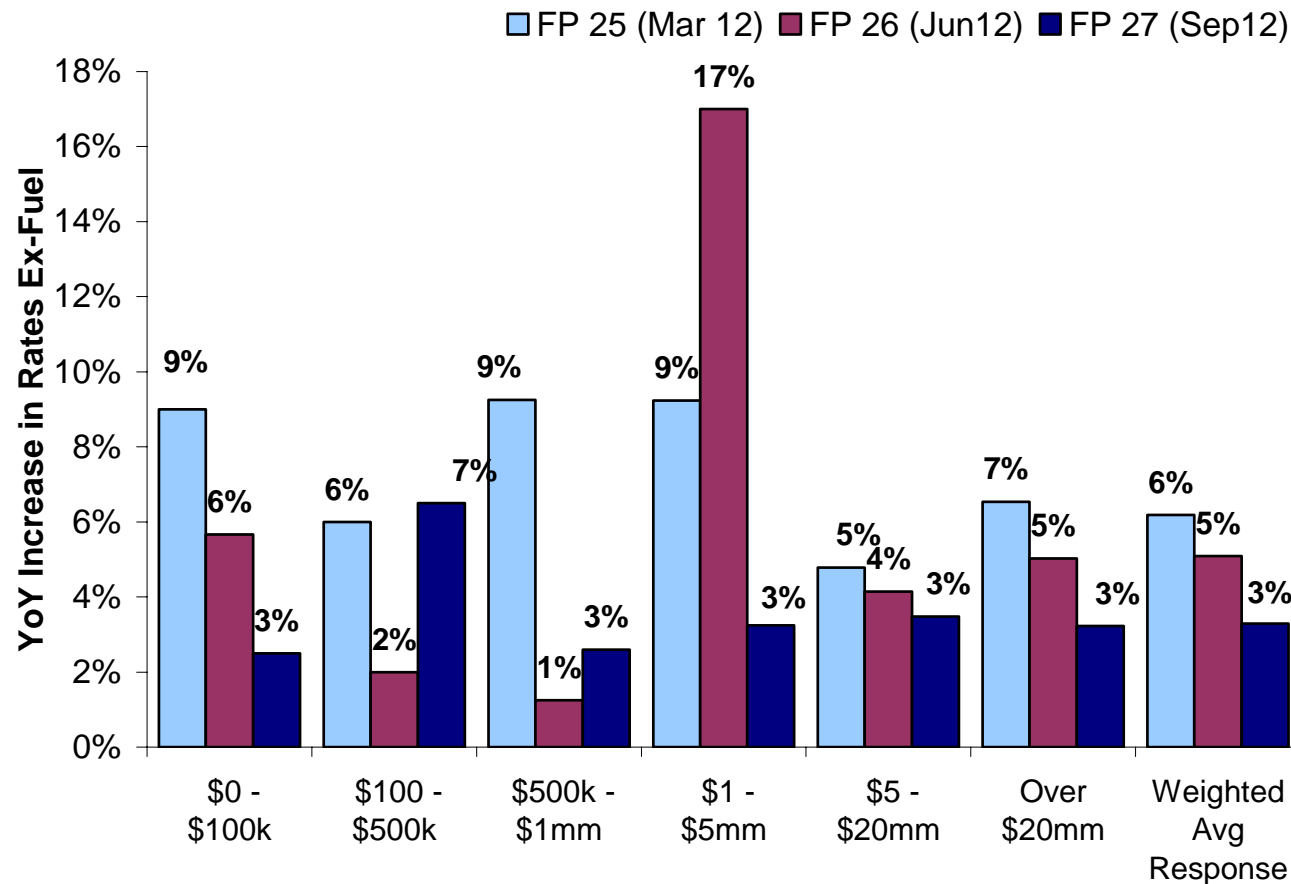
### Spend Expectations by Size



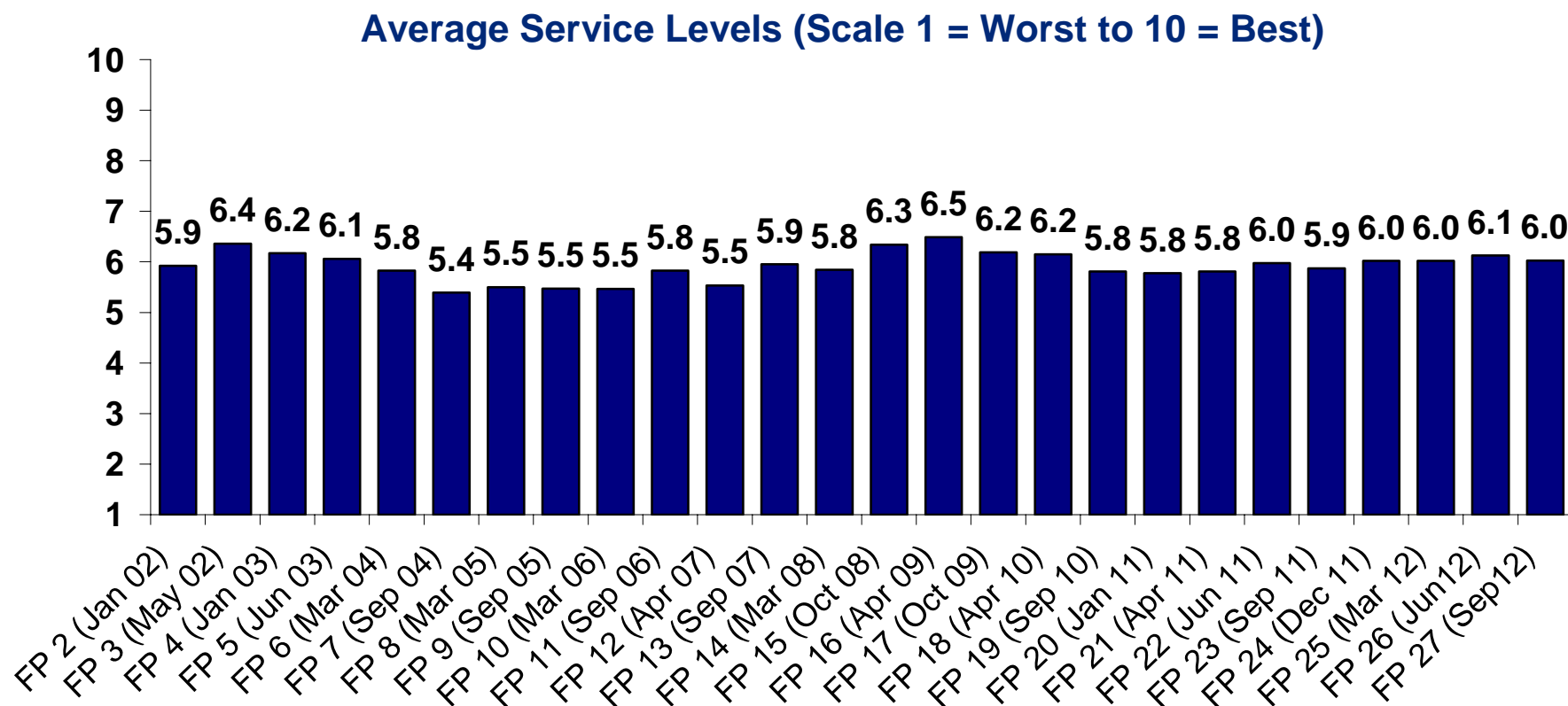


## Rail Pricing Trends: Renewal Rates

### Expectations for 2012 YoY Pricing Ex-Fuel by Spend

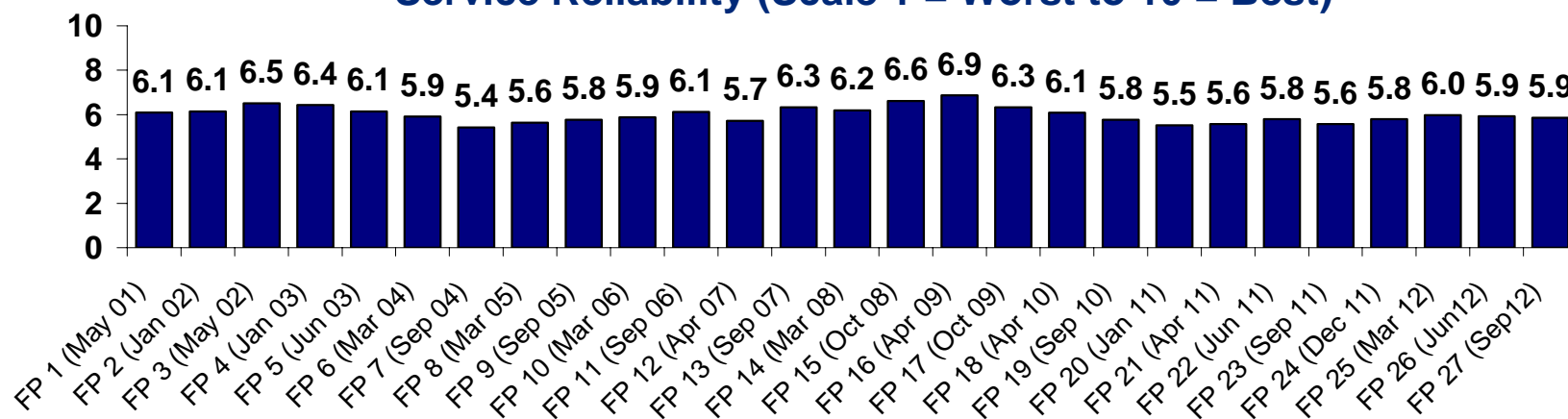


## Rail Service Trends: Average Service Levels

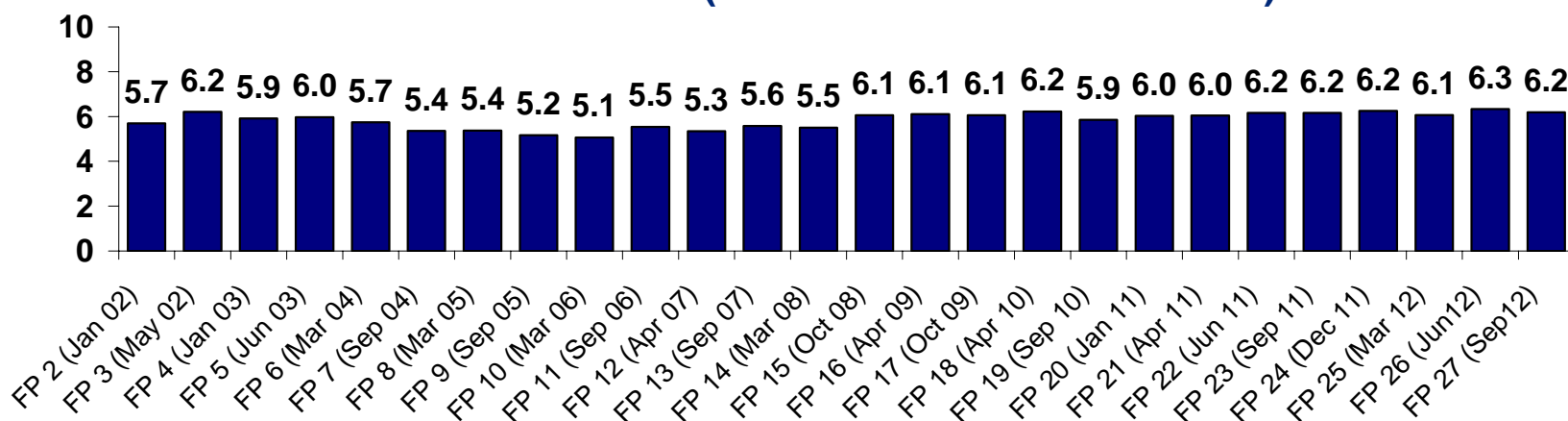


## Rail Service Trends: Detail

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



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



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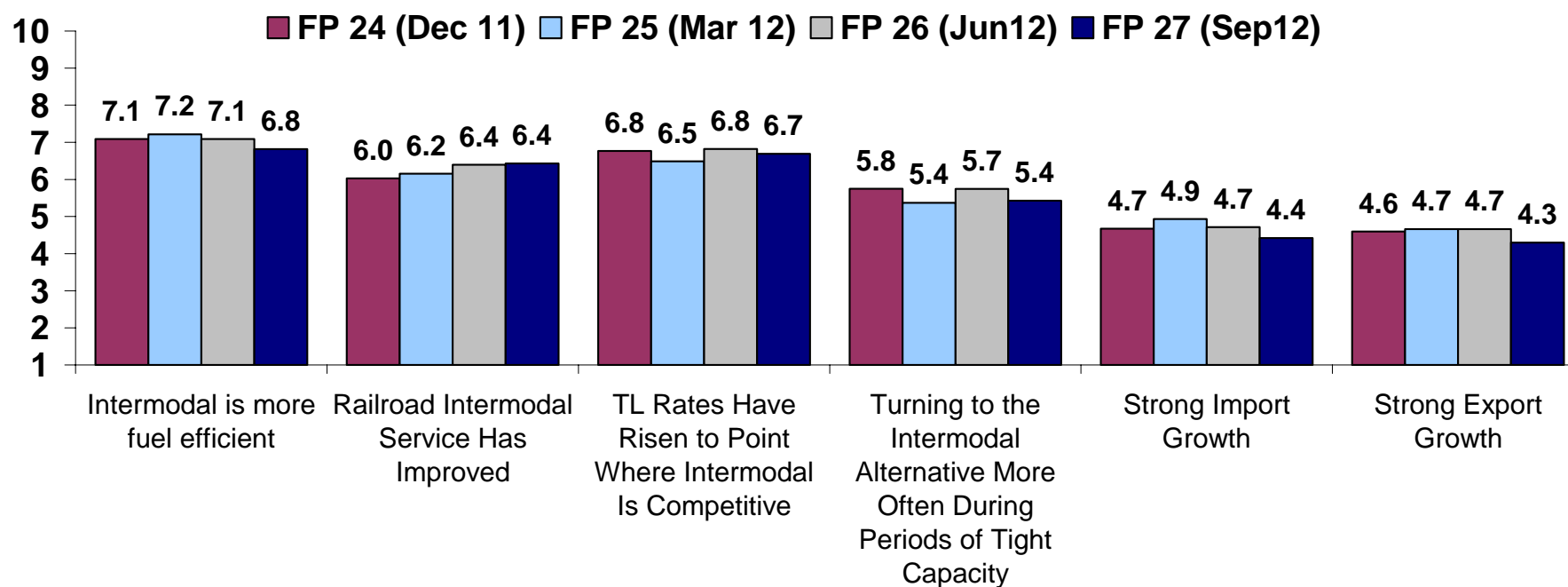
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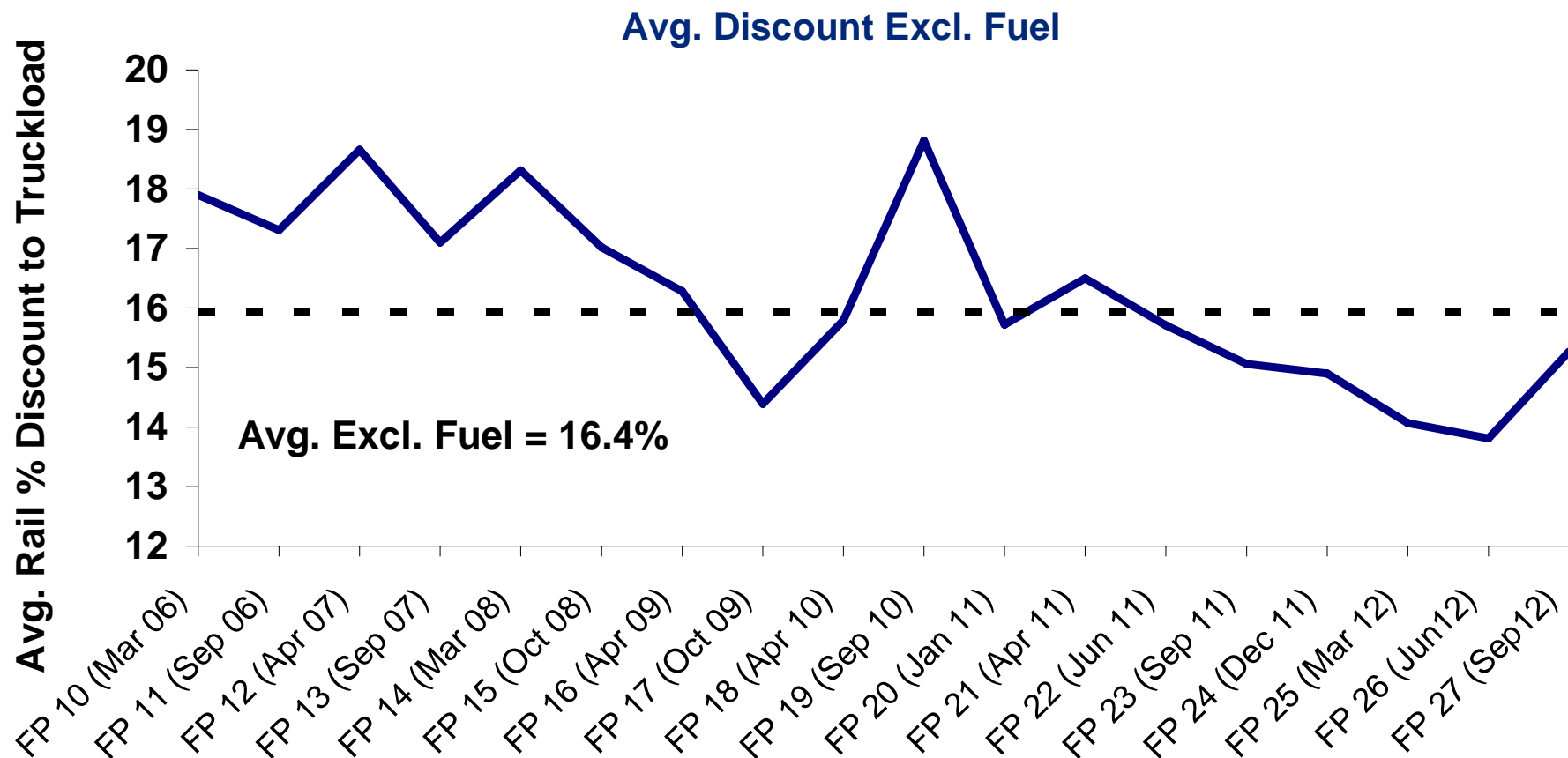
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## Intermodal: What Factors Are Impacting Your Use of Intermodal Most?

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

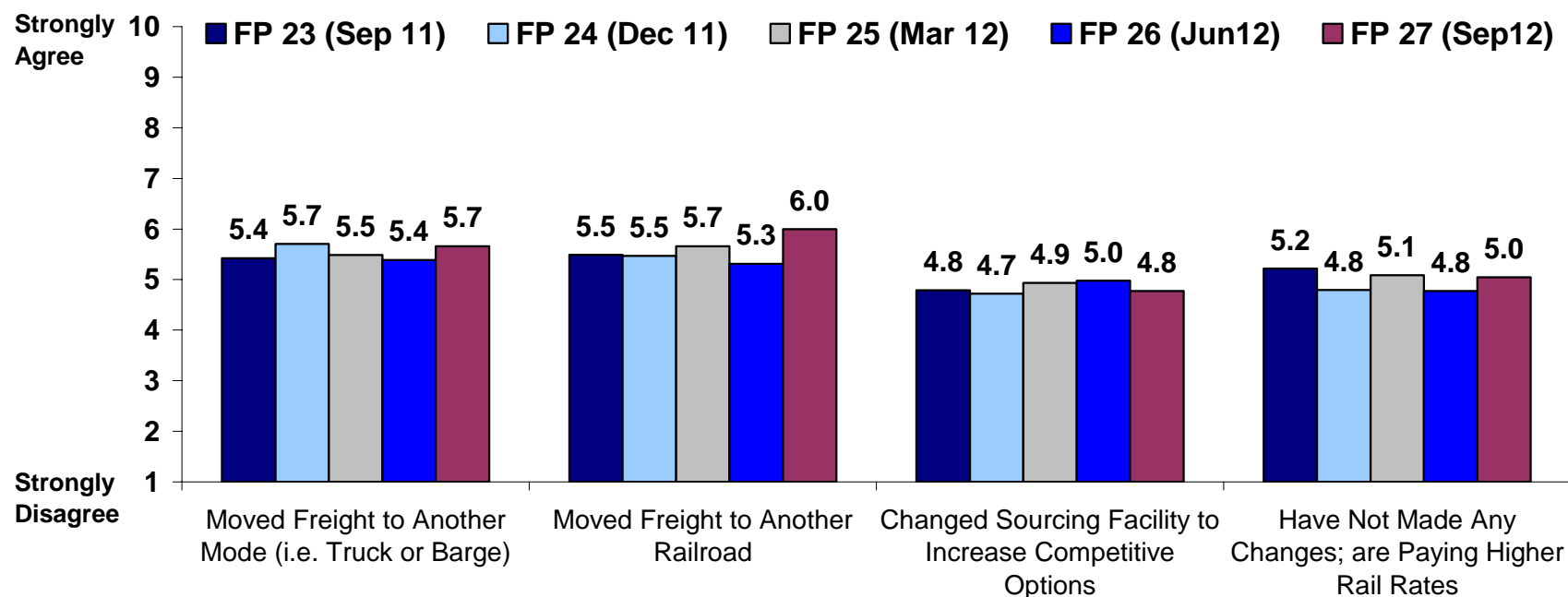


## Intermodal: Average % Discount to Truckload Carriers?



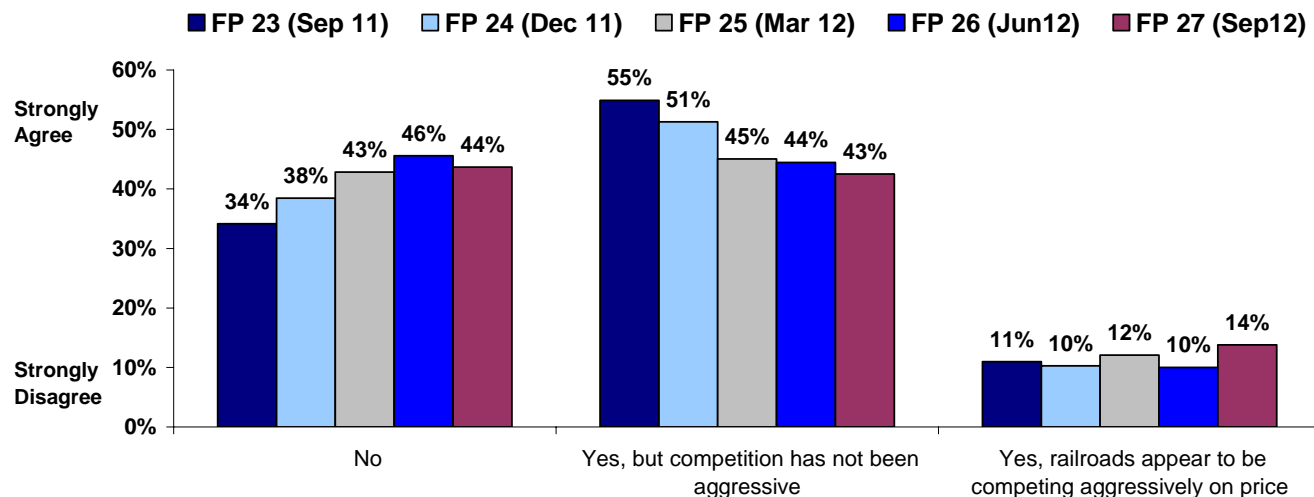
## Rate Mitigation: What Have You Done in an Effort to Reduce Railroad Spend ?

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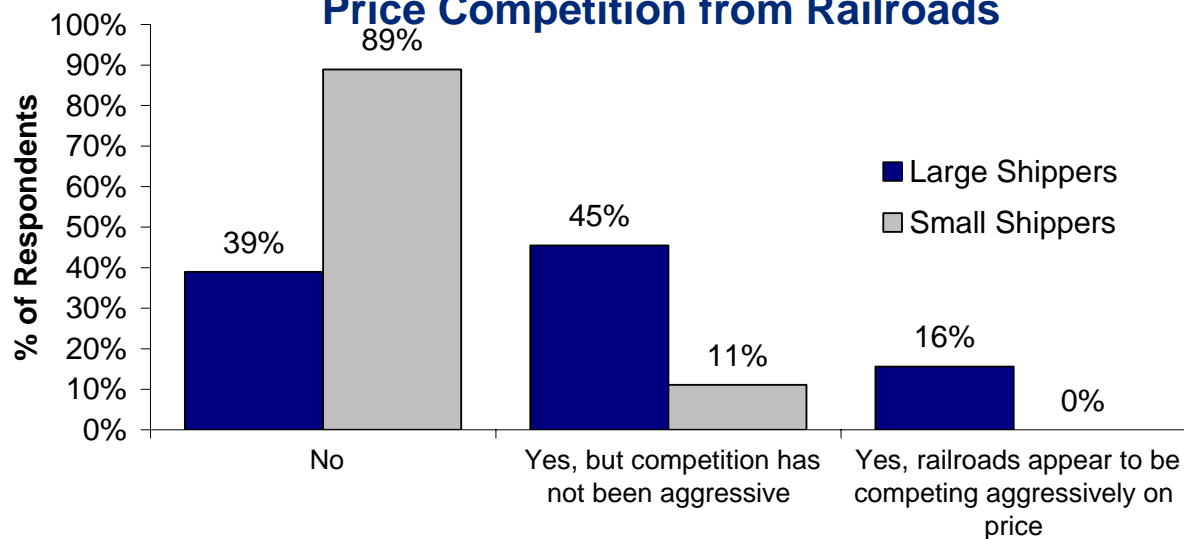


## Competition: Have You Been Solicited With Competing Bids Offering Lower Rates?

### All Shippers



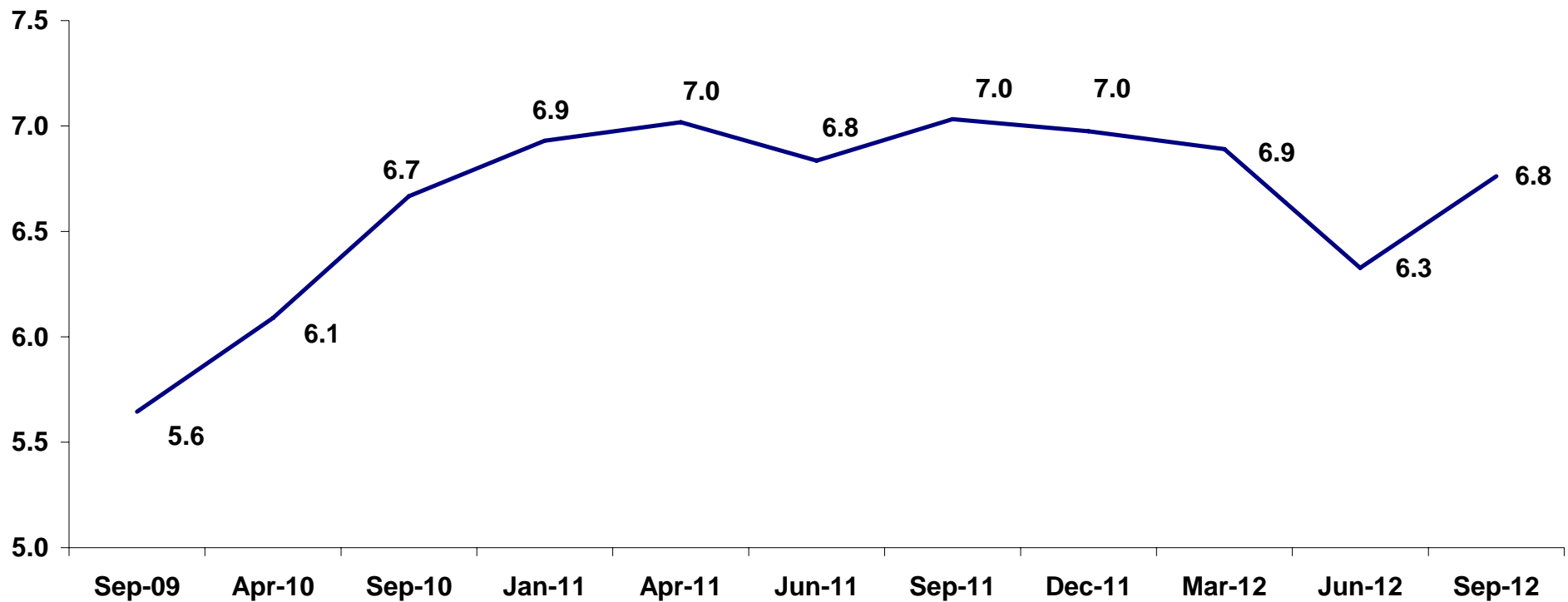
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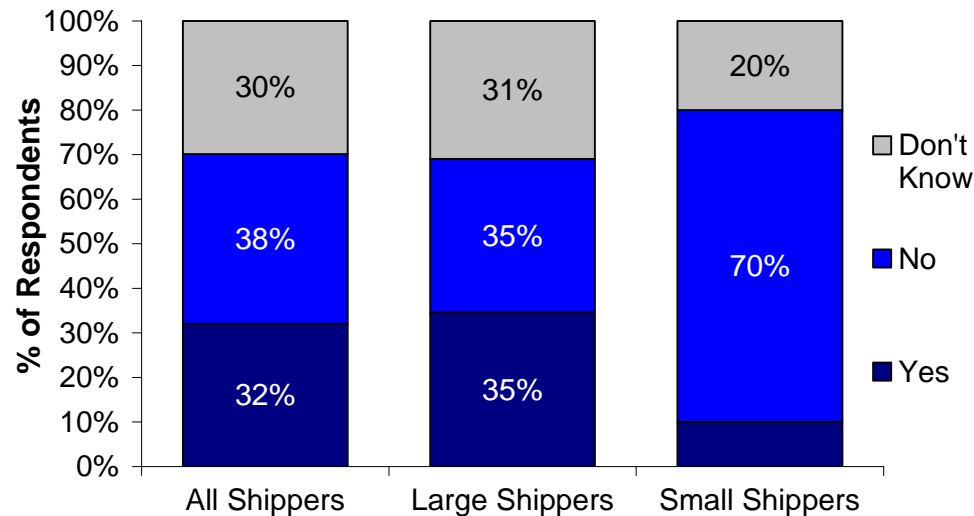
## Rail Rate Negotiations: Rate the Difficulty of Recent Rate Negotiations

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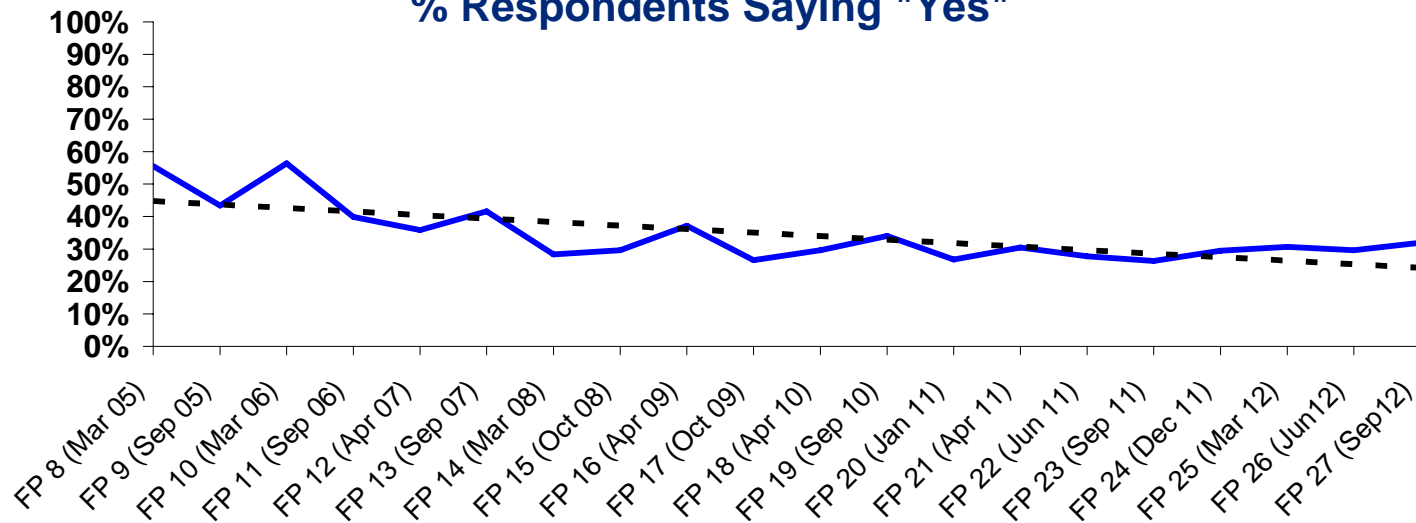


## Legislation: Do You Expect to Take a More Active Role in Legislative Rail Reform?

### Action on Legislative Rail Reform



### % Respondents Saying "Yes"



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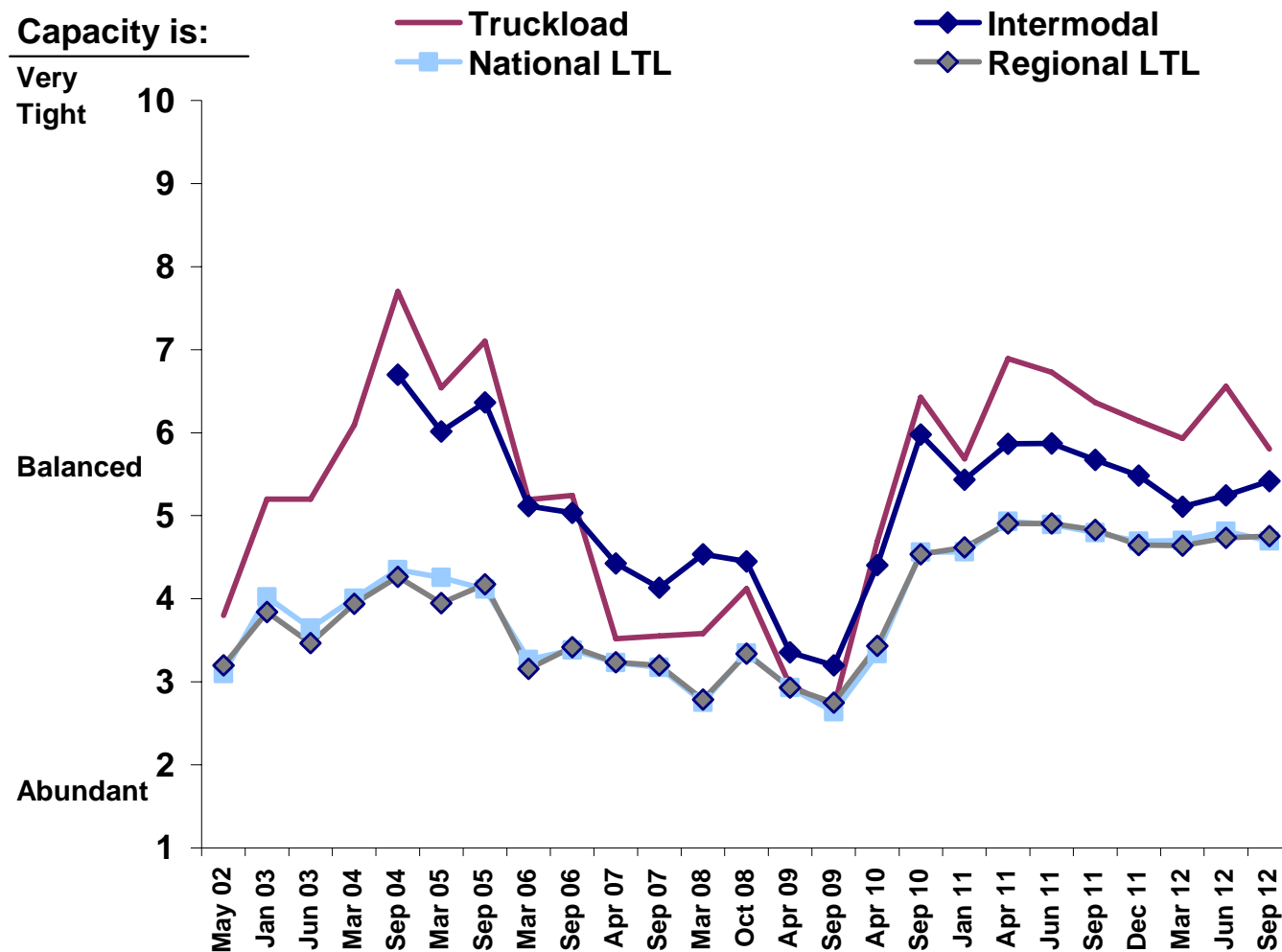
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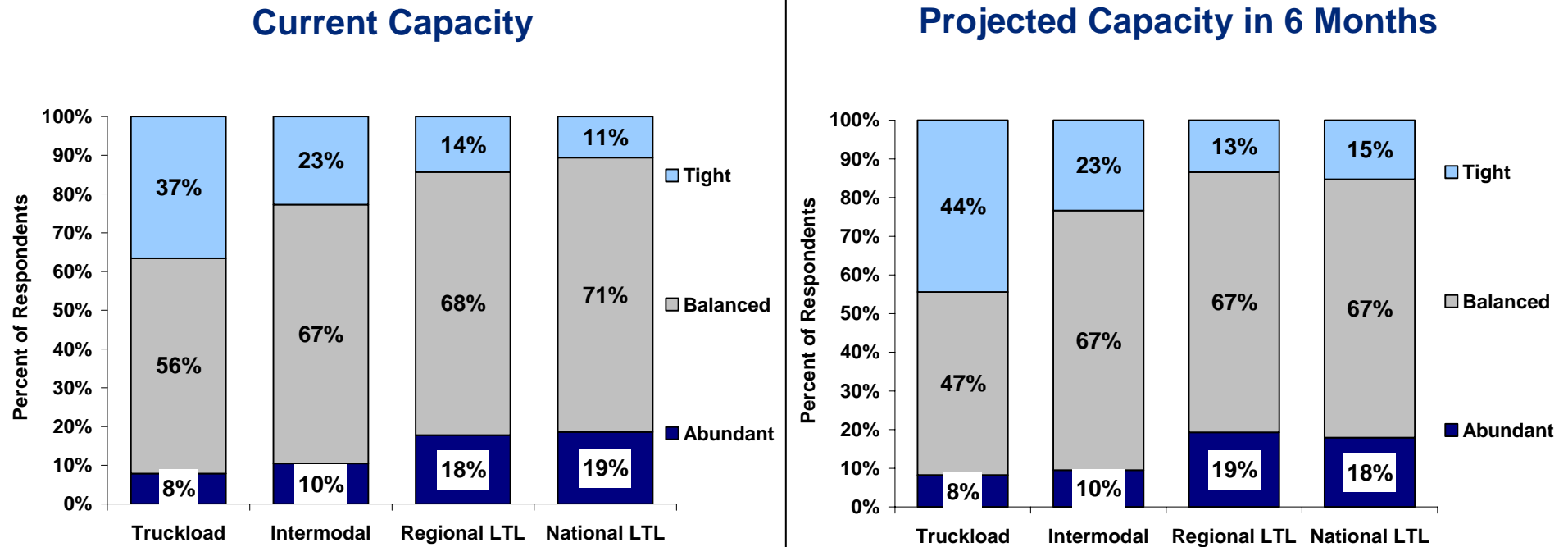
### Trucking Shipper Responses to “How Would You Currently Characterize the Availability of Equipment?”



Source: Morgan Stanley Freight Pulse Surveys

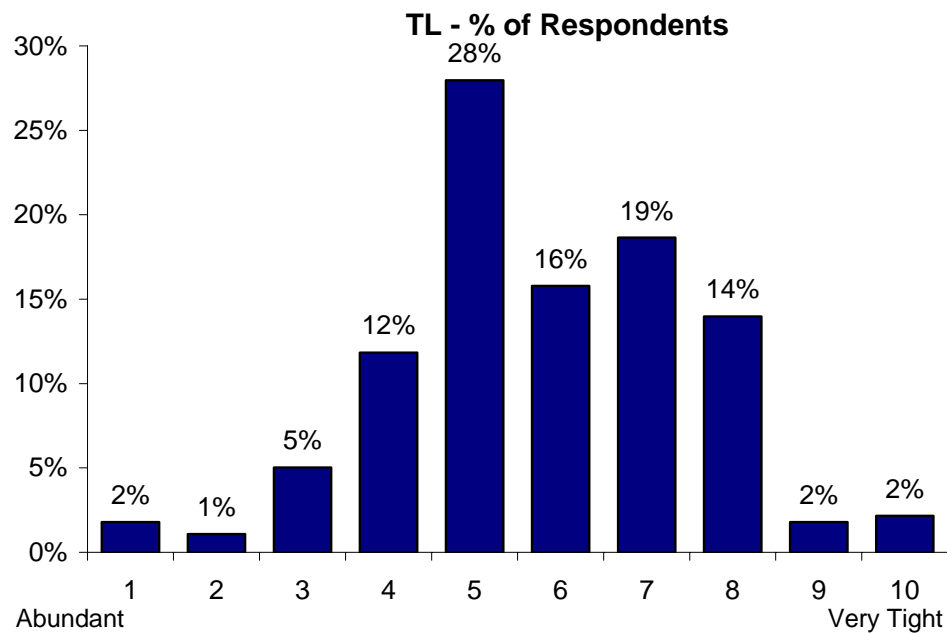
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Shipper Expectations for Availability of Truck Capacity

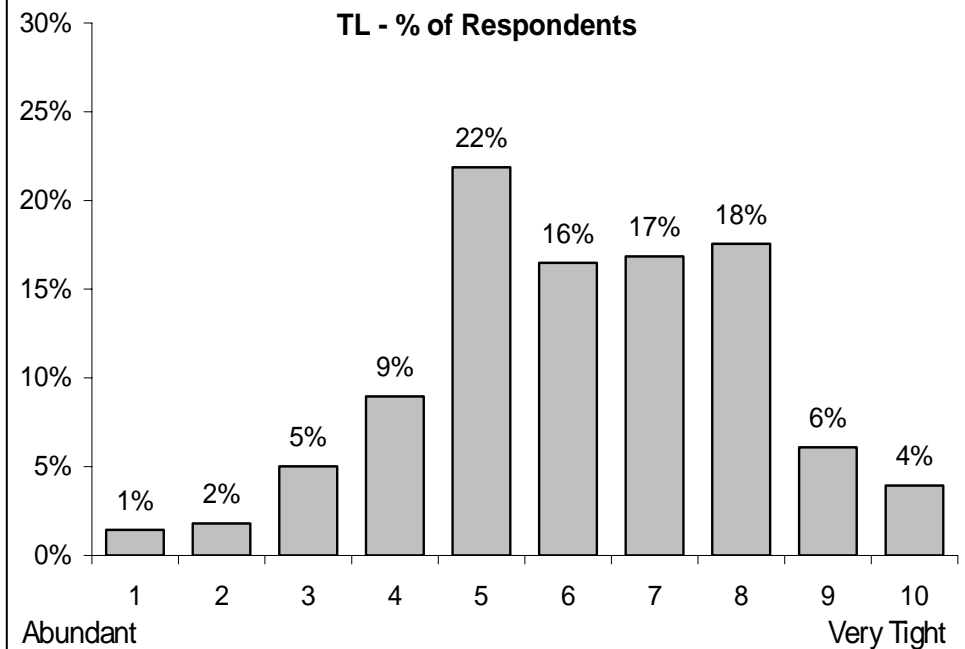


## Capacity: Distribution of Truckload Capacity Rankings

### Current Capacity



### Projected Capacity in 6 Months



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

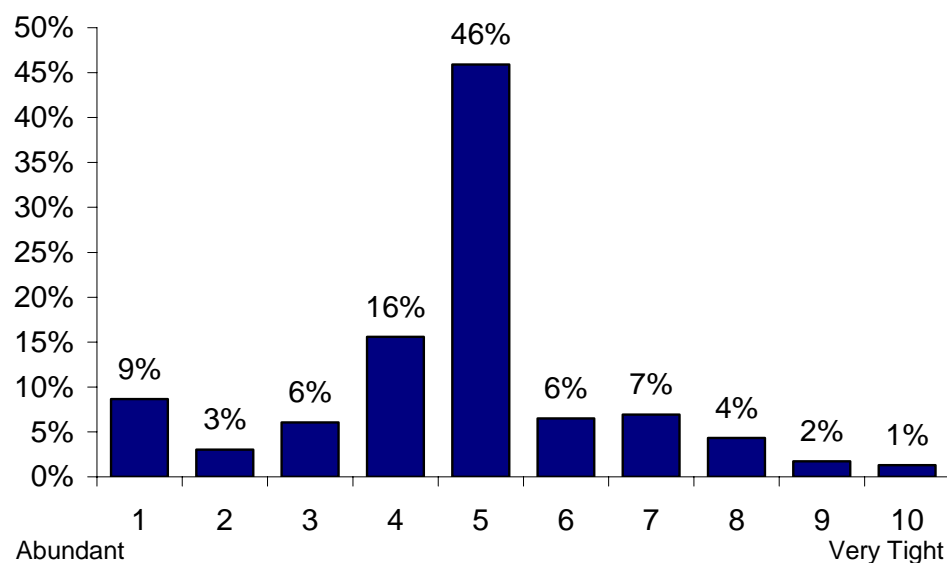
Source: Morgan Stanley Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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

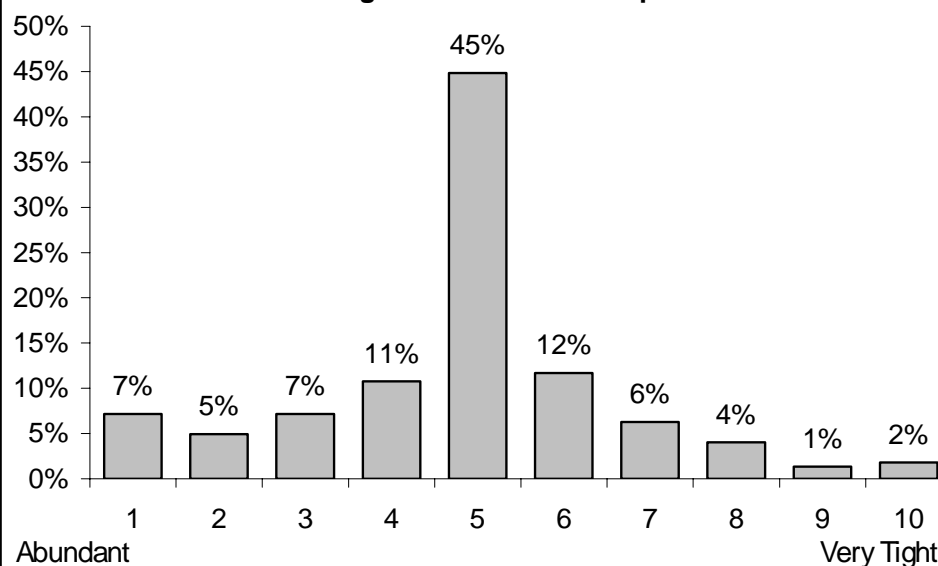
### Current Capacity

Regional LTL - % of Respondents



### Projected Capacity in 6 Months

Regional LTL - % of Respondents



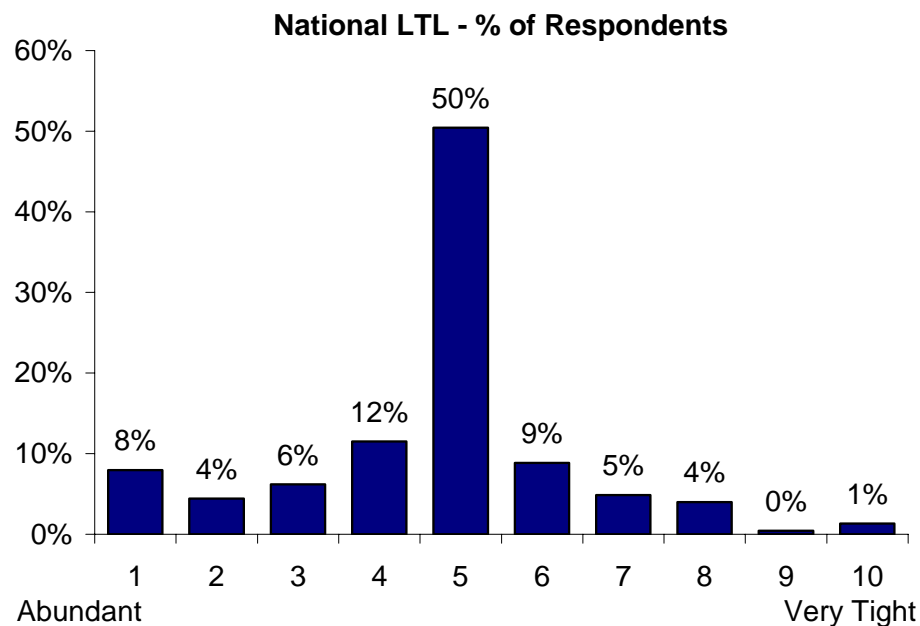
\* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

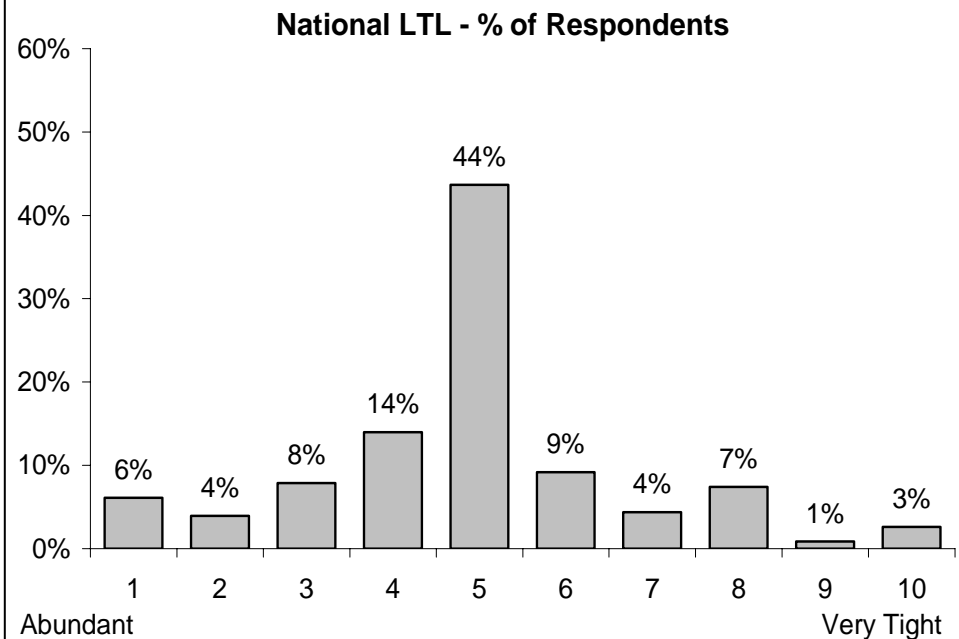
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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

### Current Capacity



### Projected Capacity in 6 Months



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

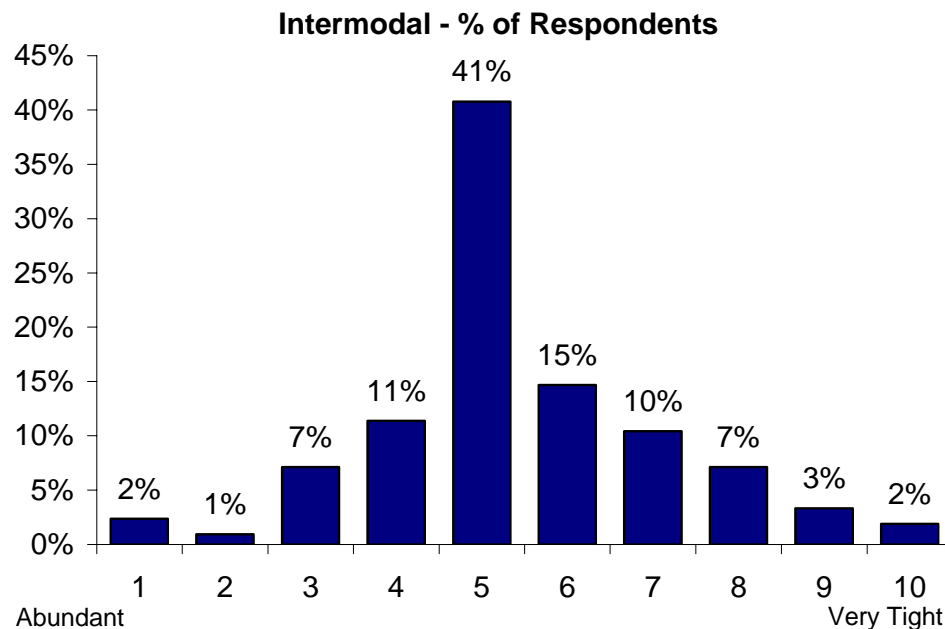
Source: Morgan Stanley Freight Pulse Surveys

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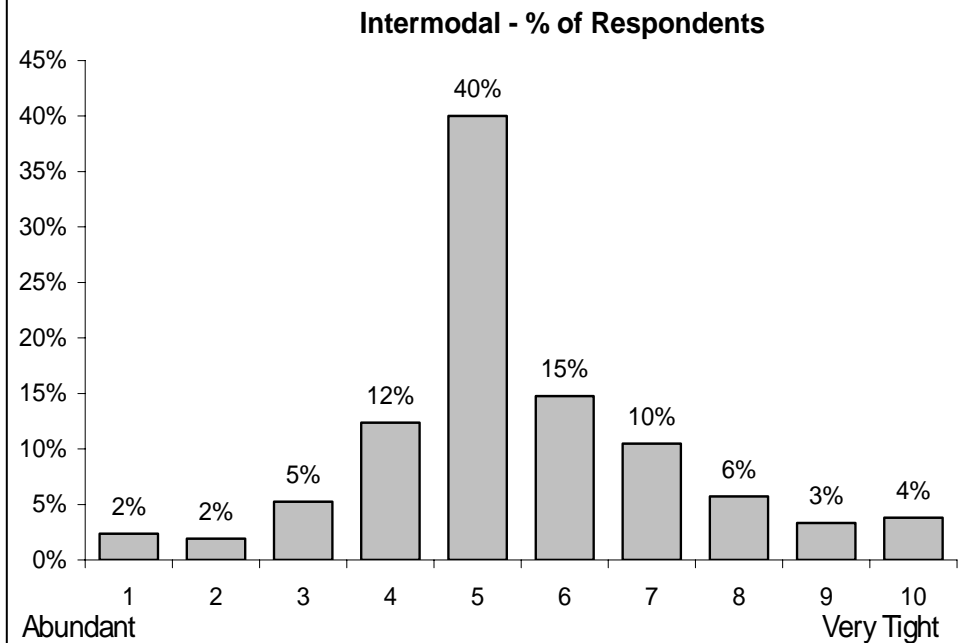


## Capacity: Distribution of Intermodal Capacity Rankings

### Current Capacity



### Projected Capacity in 6 Months

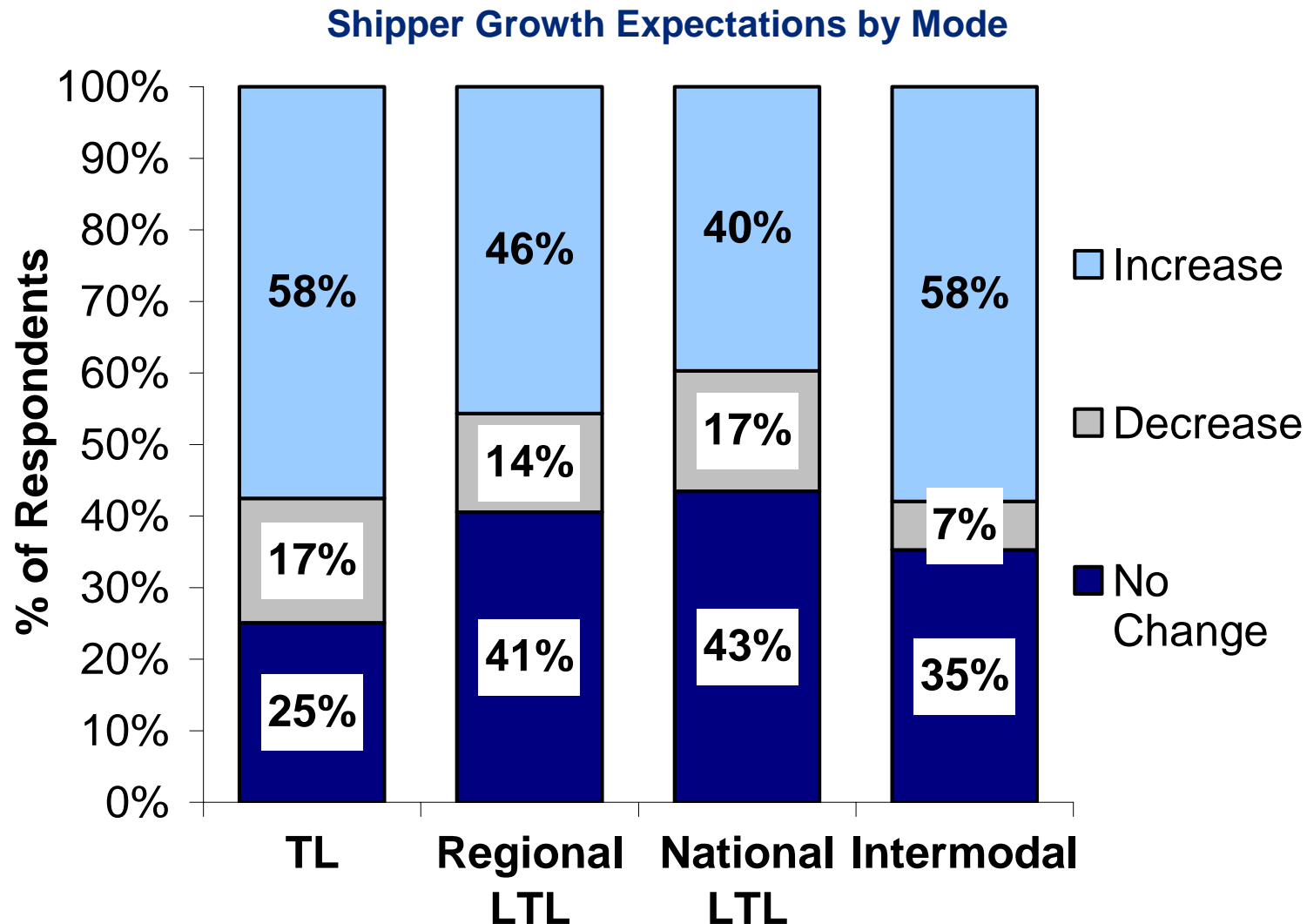


\* Shipper rankings of available capacity where 1= Abundant and 10 = Very Tight

Source: Morgan Stanley Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Truck Volume Outlook Over The Next 6 Months

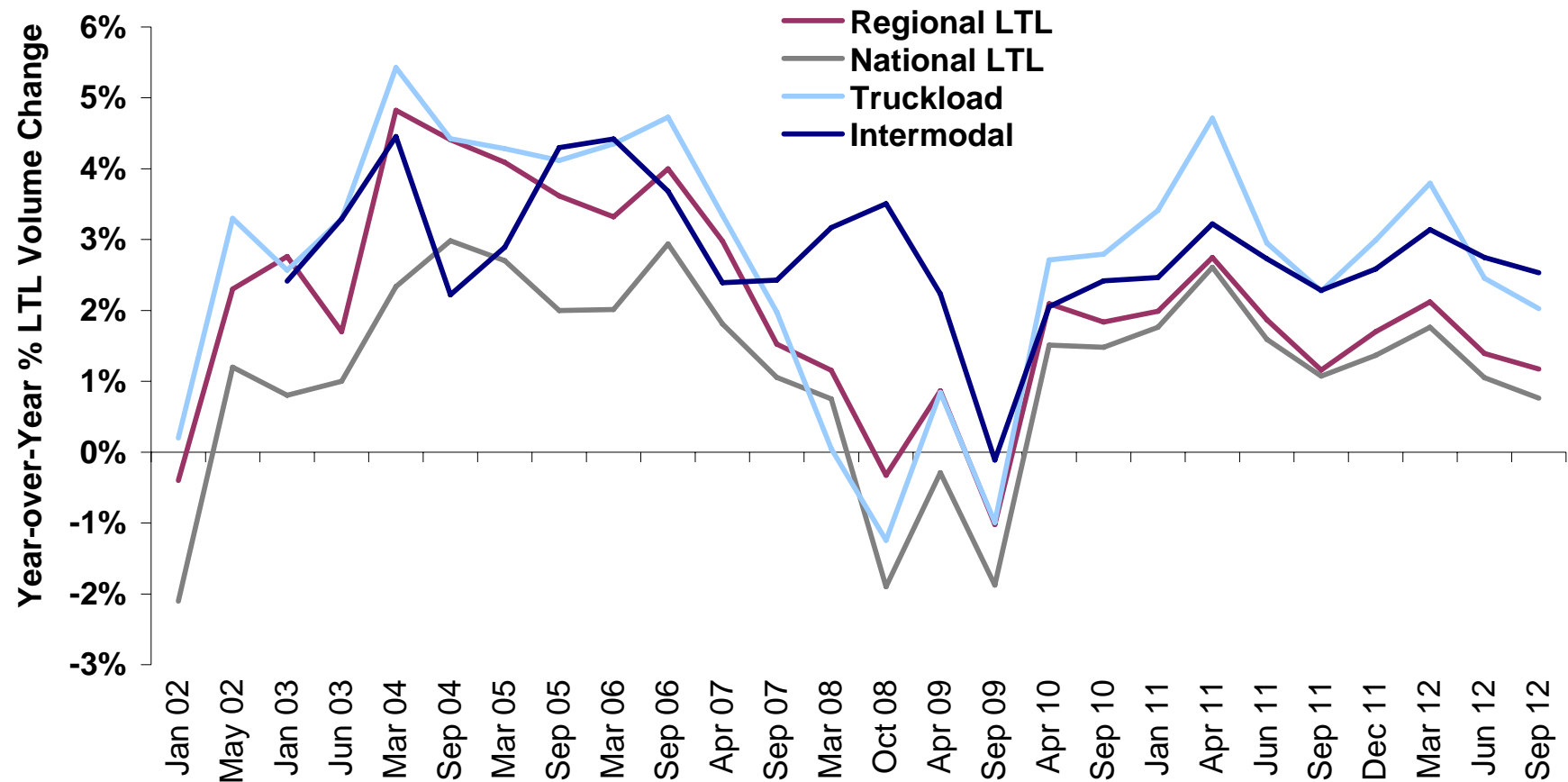


Source: Morgan Stanley Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Volume Response History

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

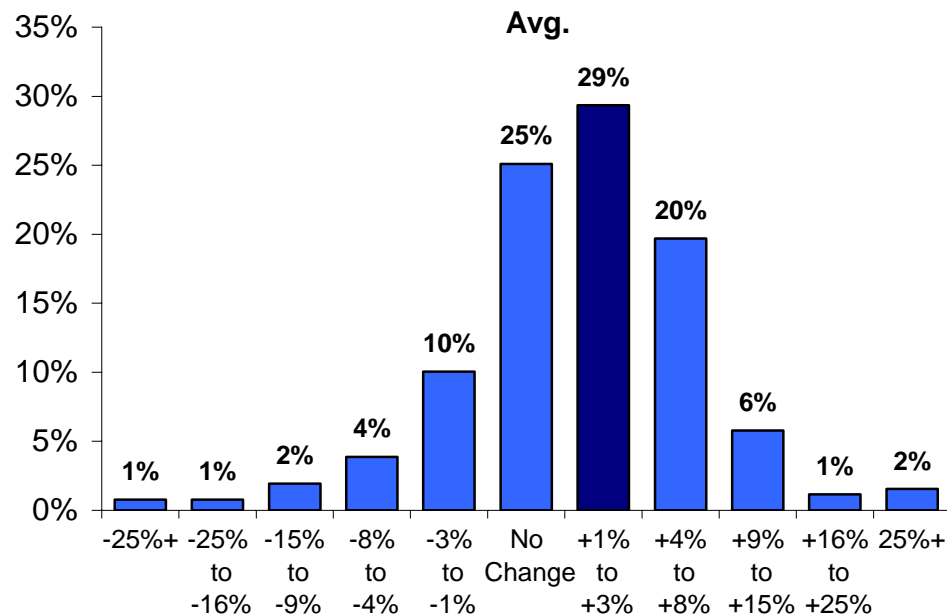


Source: Morgan Stanley Freight Pulse Surveys

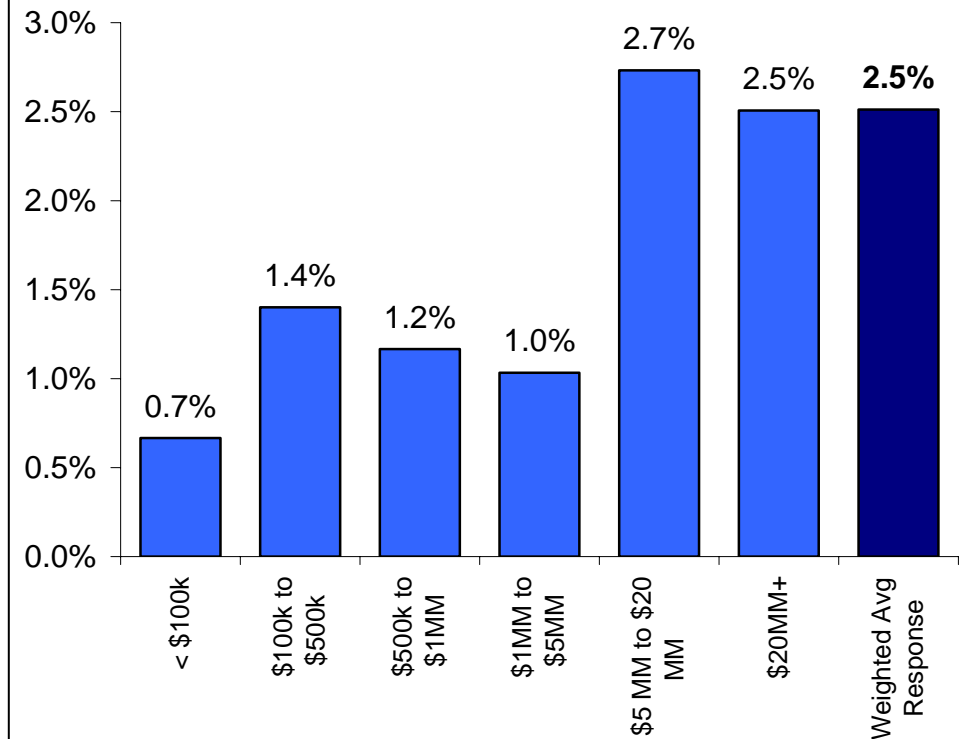
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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

Truckload - Y/Y Volume Expectation by Range



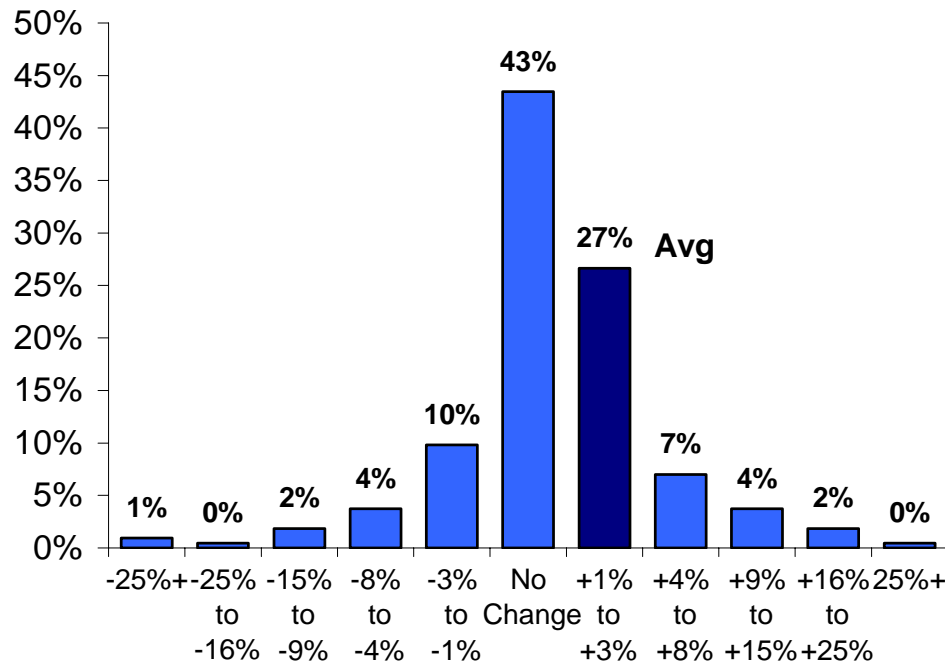
Truckload - Avg Volume Change by Spend



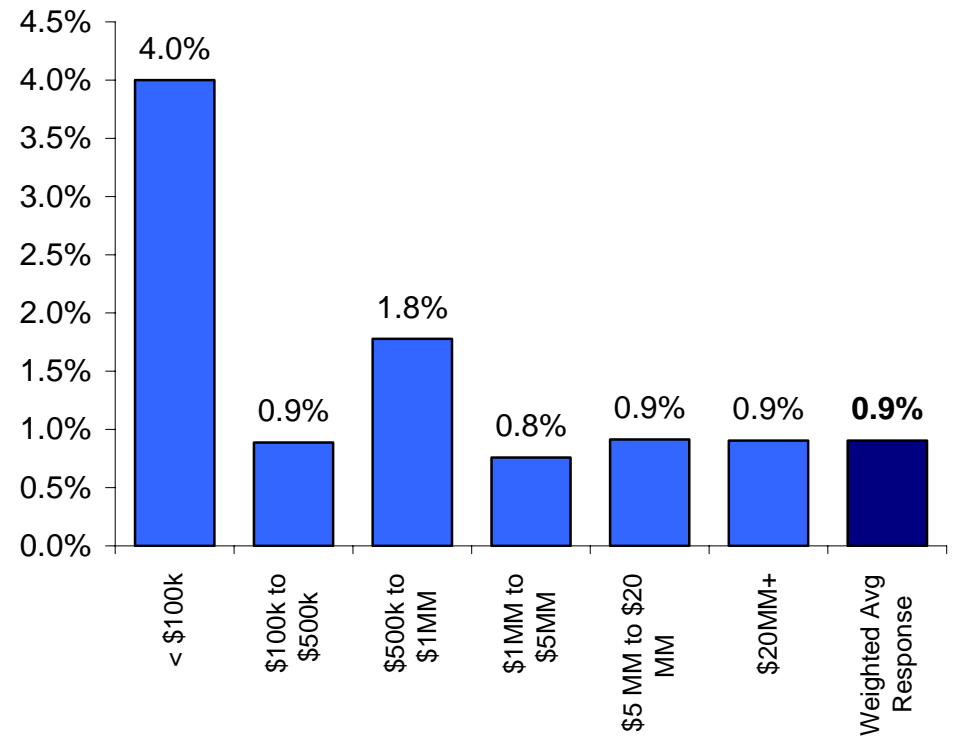
Source: Morgan Stanley Freight Pulse Surveys

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

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



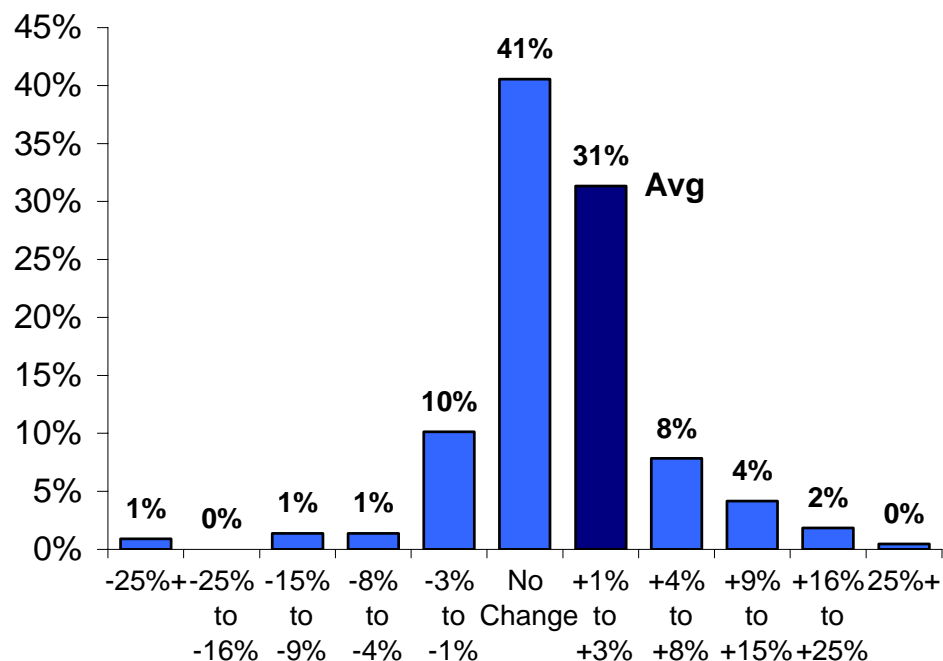
### National LTL - Avg Volume Change by Spend



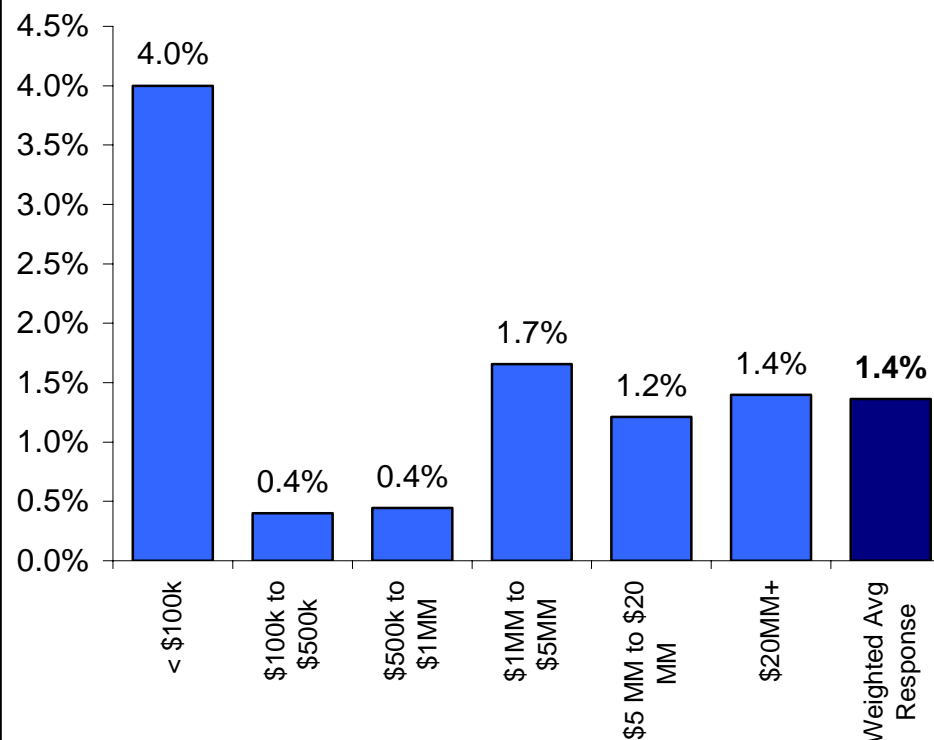
Source: Morgan Stanley Freight Pulse Surveys

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

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



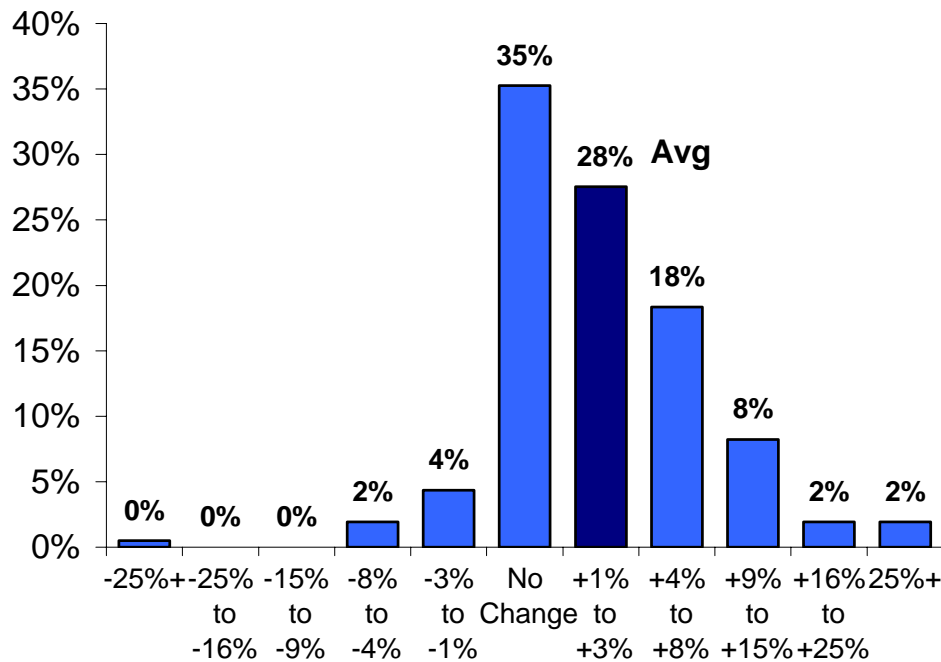
### Regional LTL - Avg Volume Change by Spend



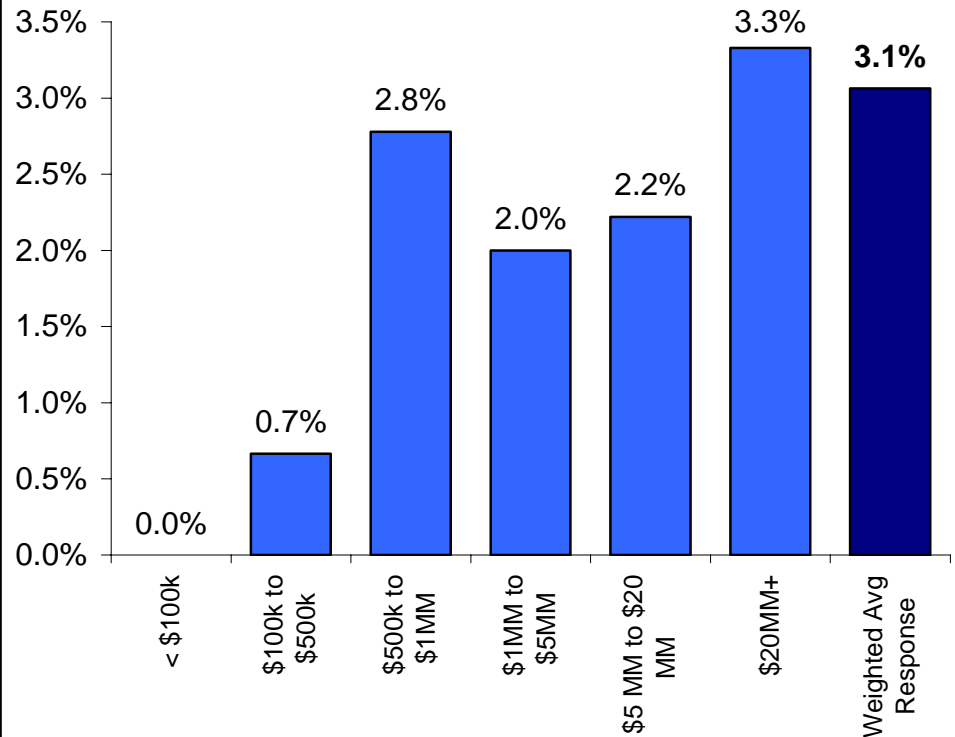
Source: Morgan Stanley Freight Pulse Surveys

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

Intermodal - Y/Y Volume Expectation by Range



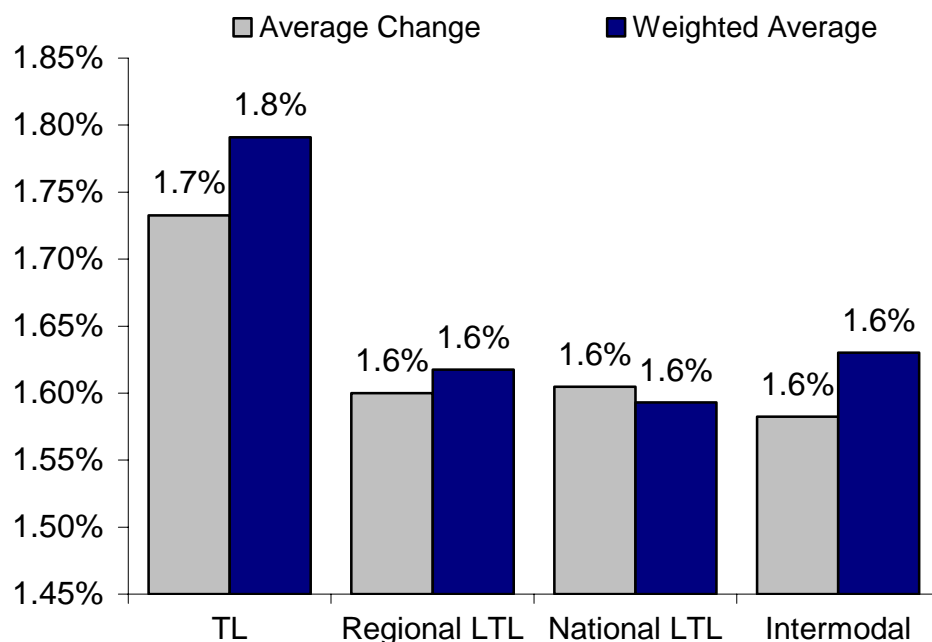
Intermodal - Avg Volume Change by Spend



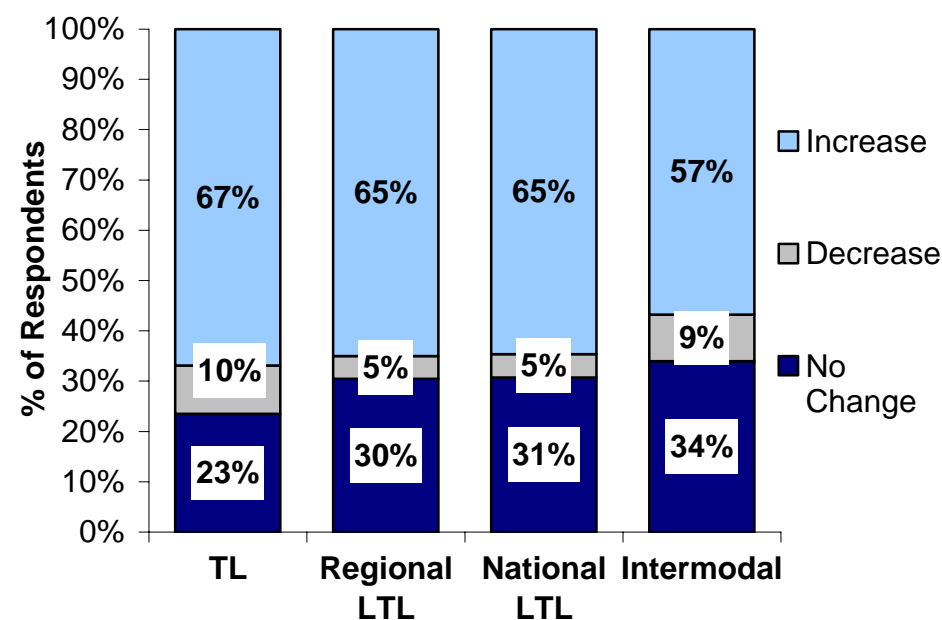
Source: Morgan Stanley Freight Pulse Surveys

## Truck Base Rates Outlook Over The Next 6 Months

### Base Rates: Average vs. Weighted Average



### Shipper Rate Expectations by Mode



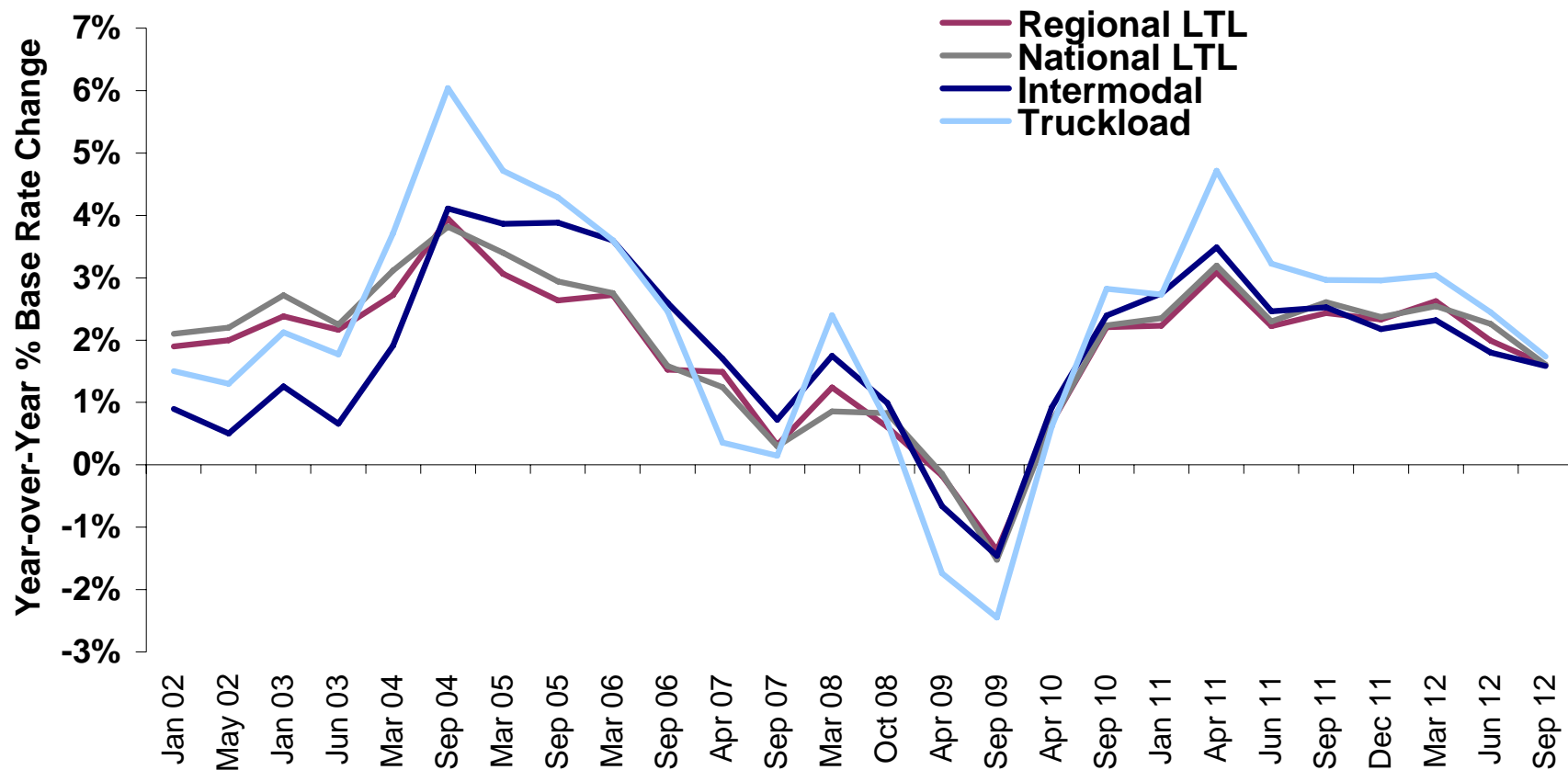
Source: Morgan Stanley Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)



## Base Rate Response History

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

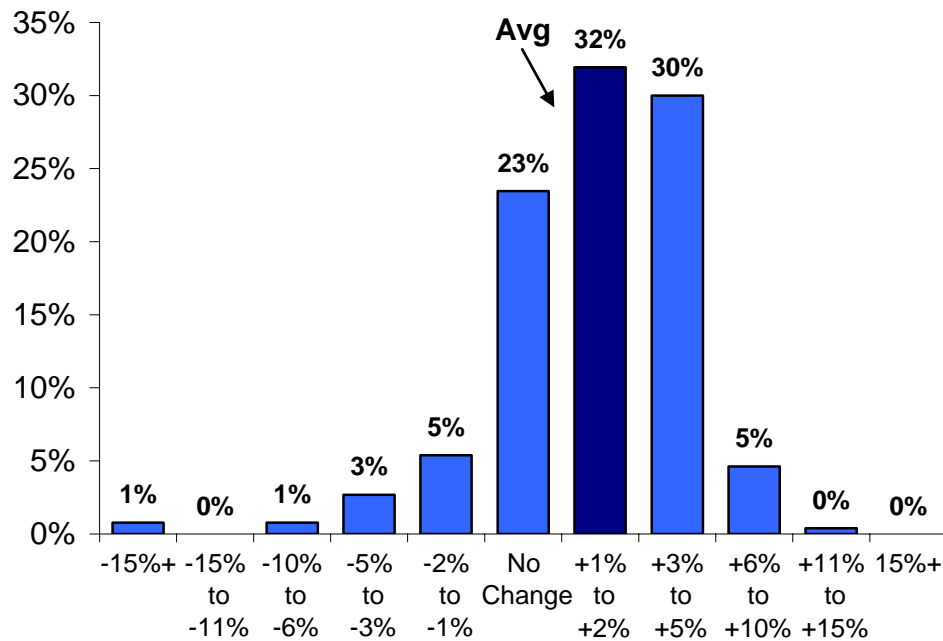


Source: Morgan Stanley Freight Pulse Surveys

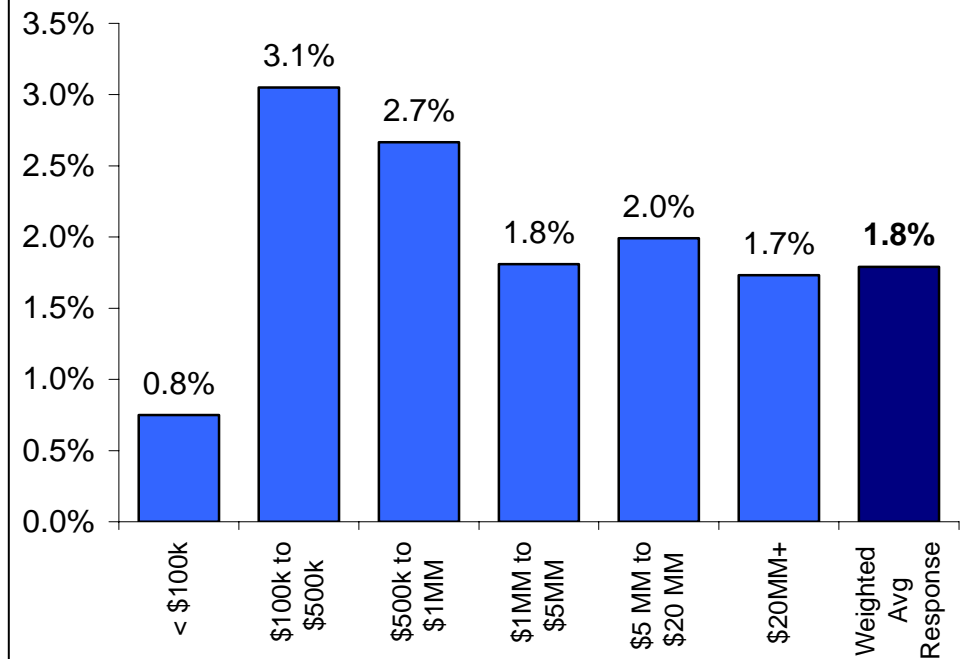
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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

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



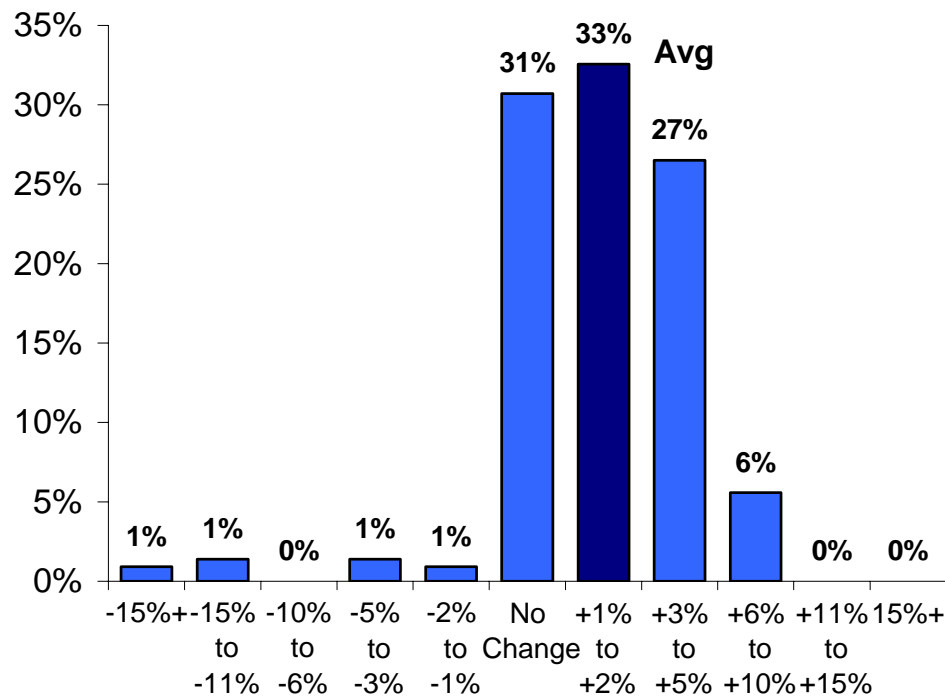
### TL - Avg Change by Spend



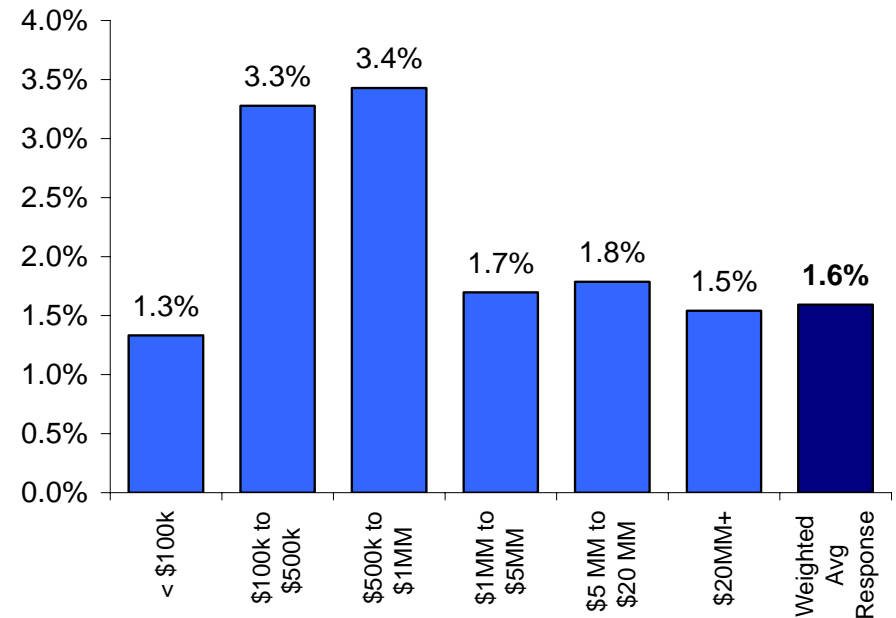
Source: Morgan Stanley Freight Pulse Surveys

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

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



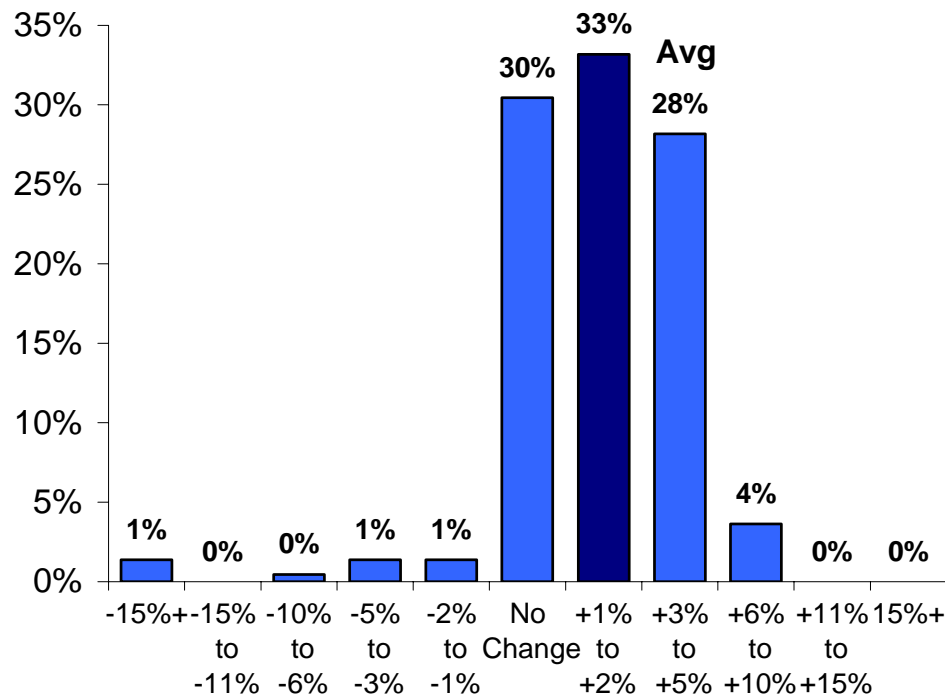
**National LTL - Avg Change by Spend**



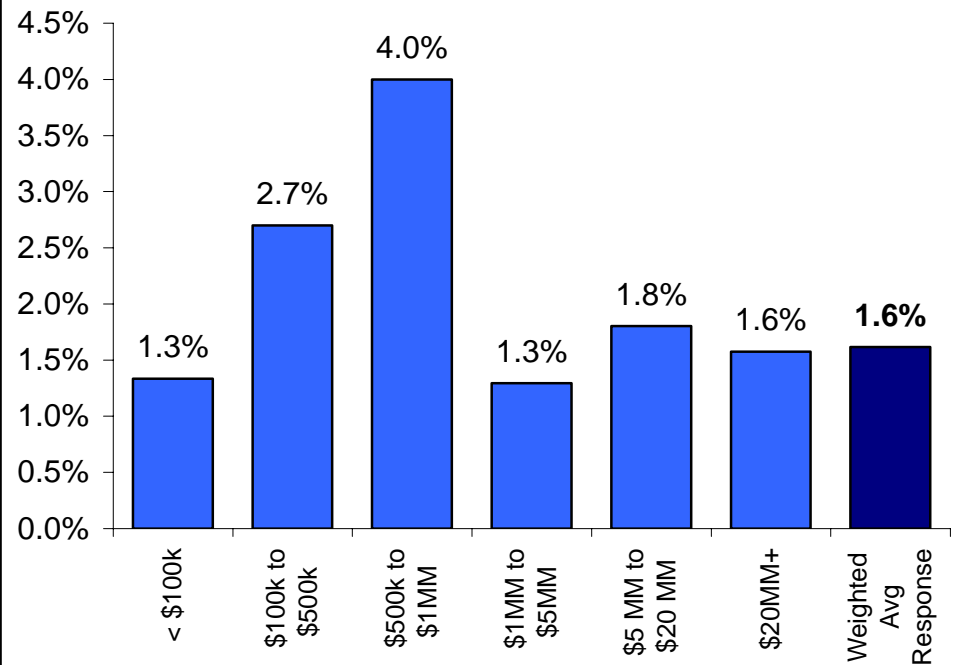
Source: Morgan Stanley Freight Pulse Surveys

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

**Regional LTL - Y/Y Base Rate Expectation by Range**



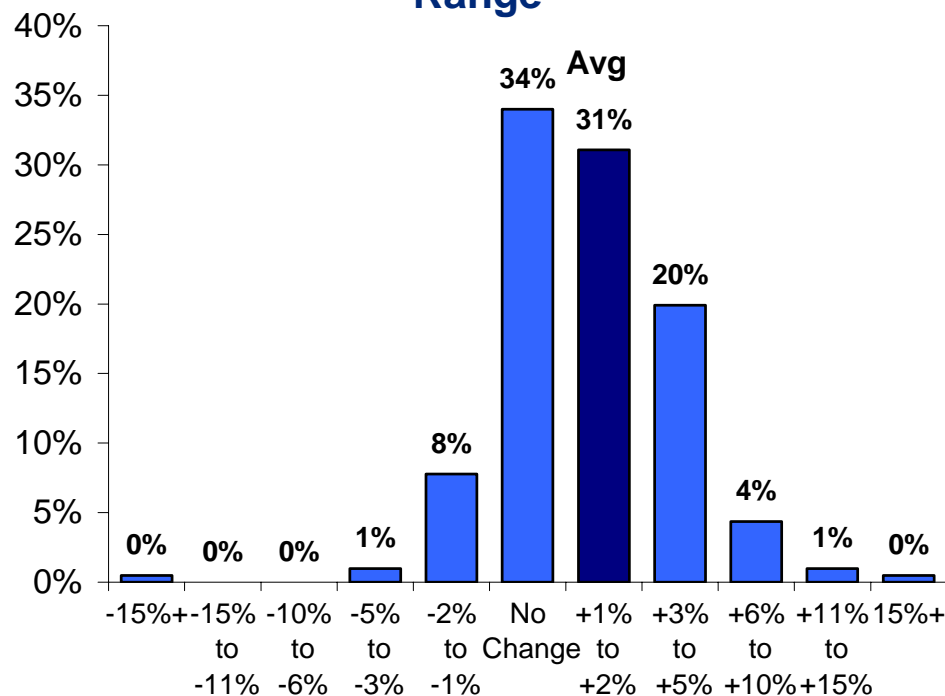
**Regional LTL - Avg Change by Spend**



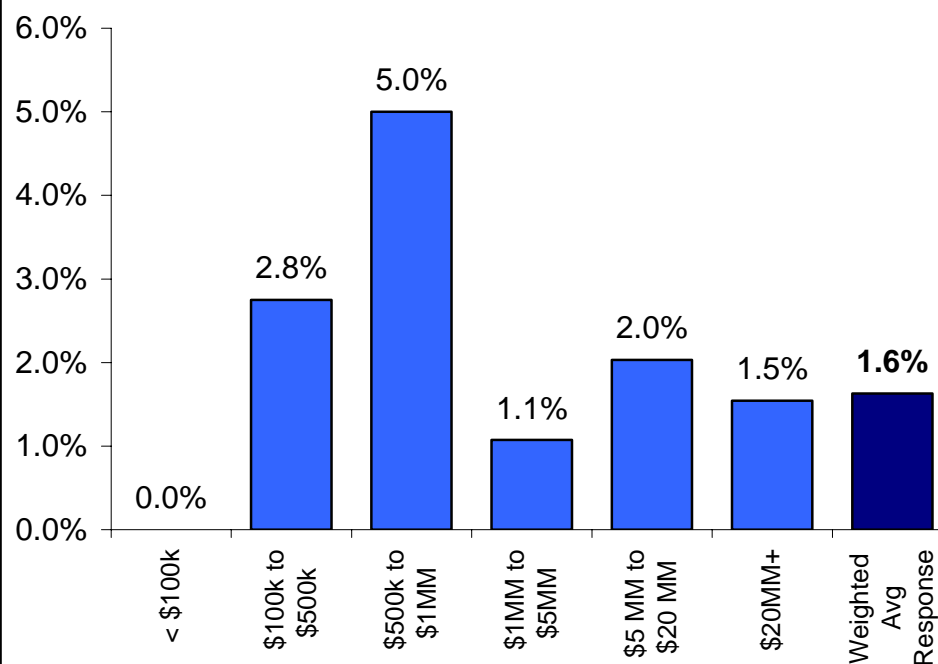
Source: Morgan Stanley Freight Pulse Surveys

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

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



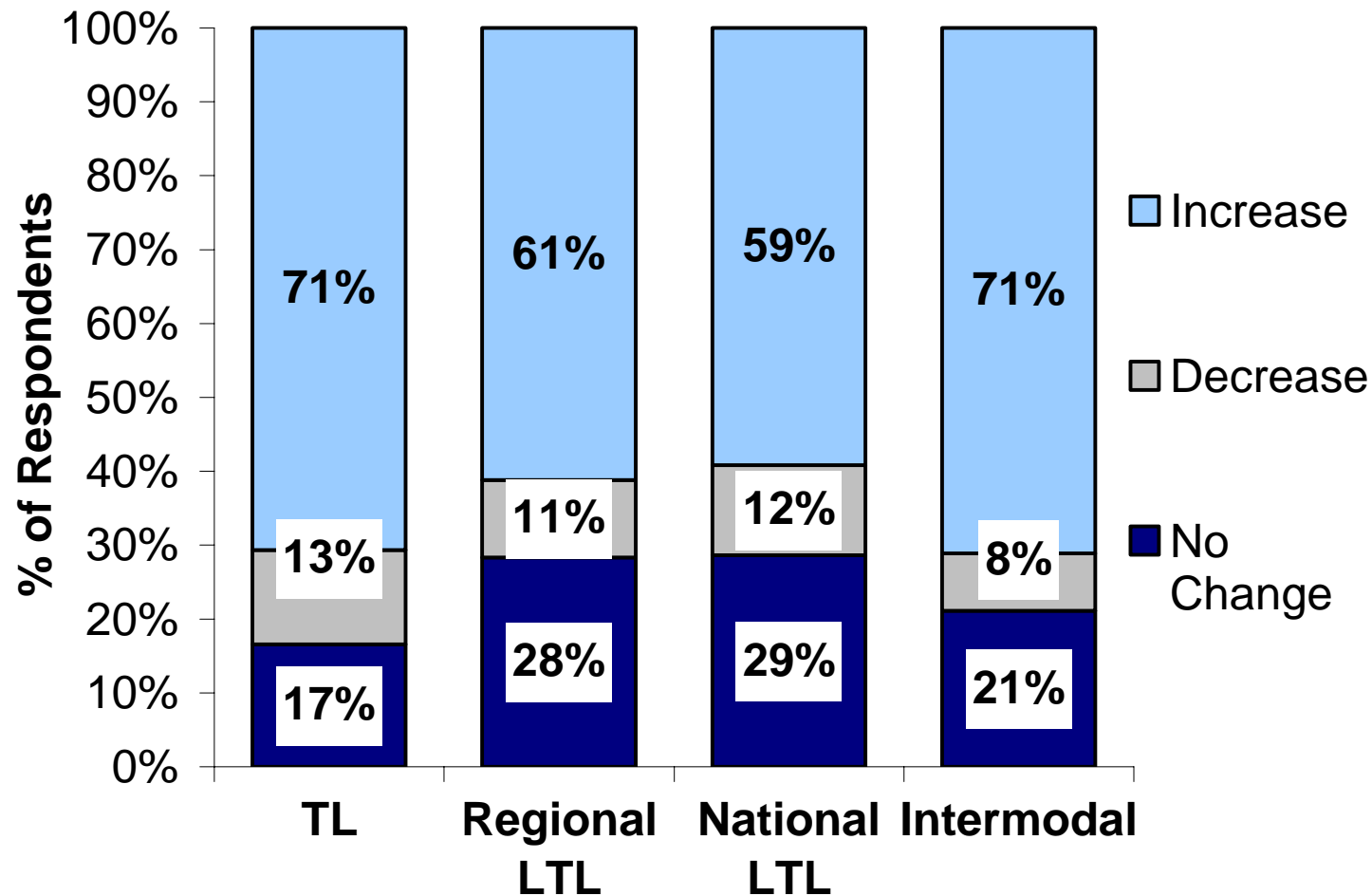
**Intermodal - Avg Change by Spend**



Source: Morgan Stanley Freight Pulse Surveys

## Truck Spend Outlook Over The Next 6 Months

### Shipper Spend Expectations by Mode

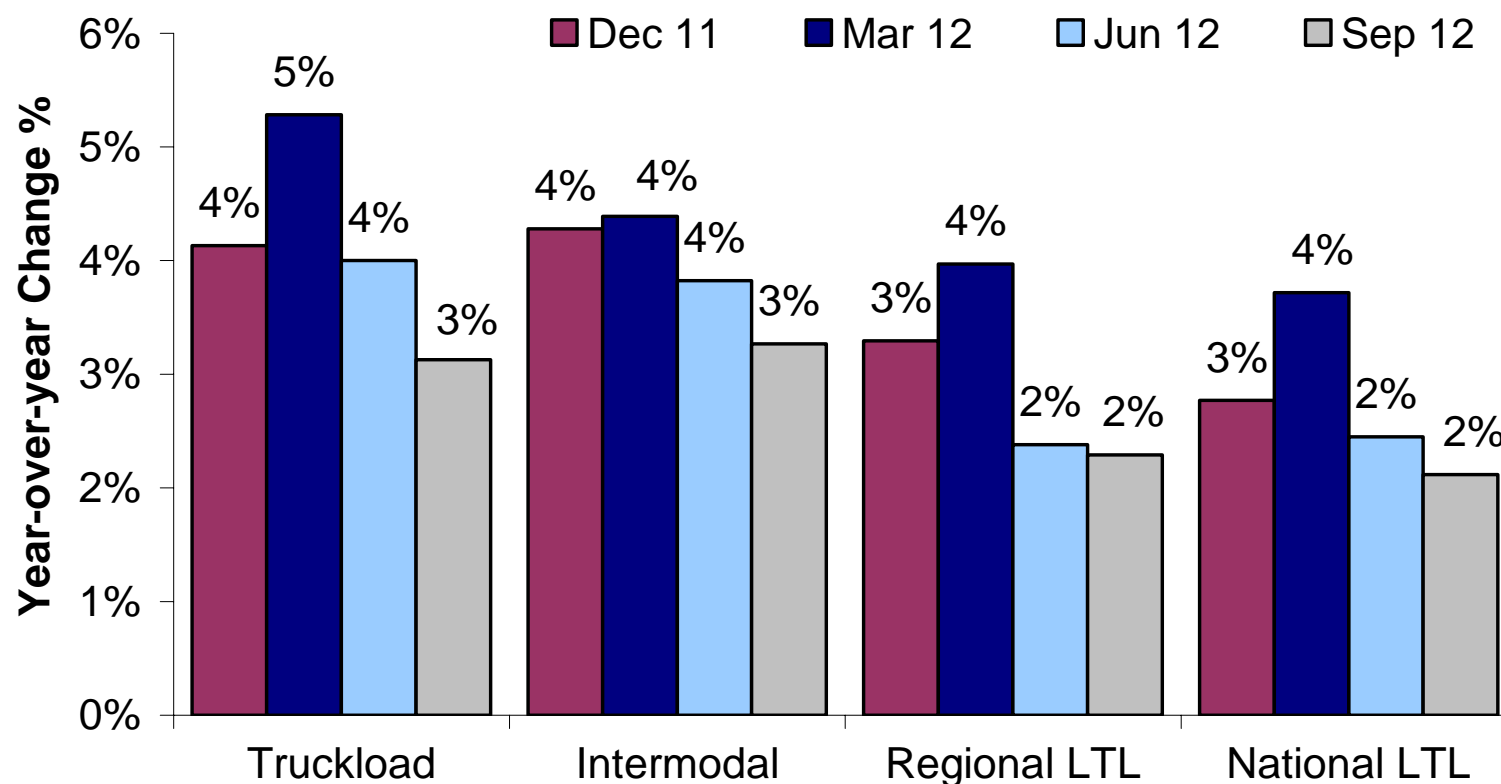


Source: Morgan Stanley Freight Pulse Surveys

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Truck Spend: Change vs. Prior Survey

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



Source: Morgan Stanley Freight Pulse Surveys

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## Part 1: Key Truck Trends

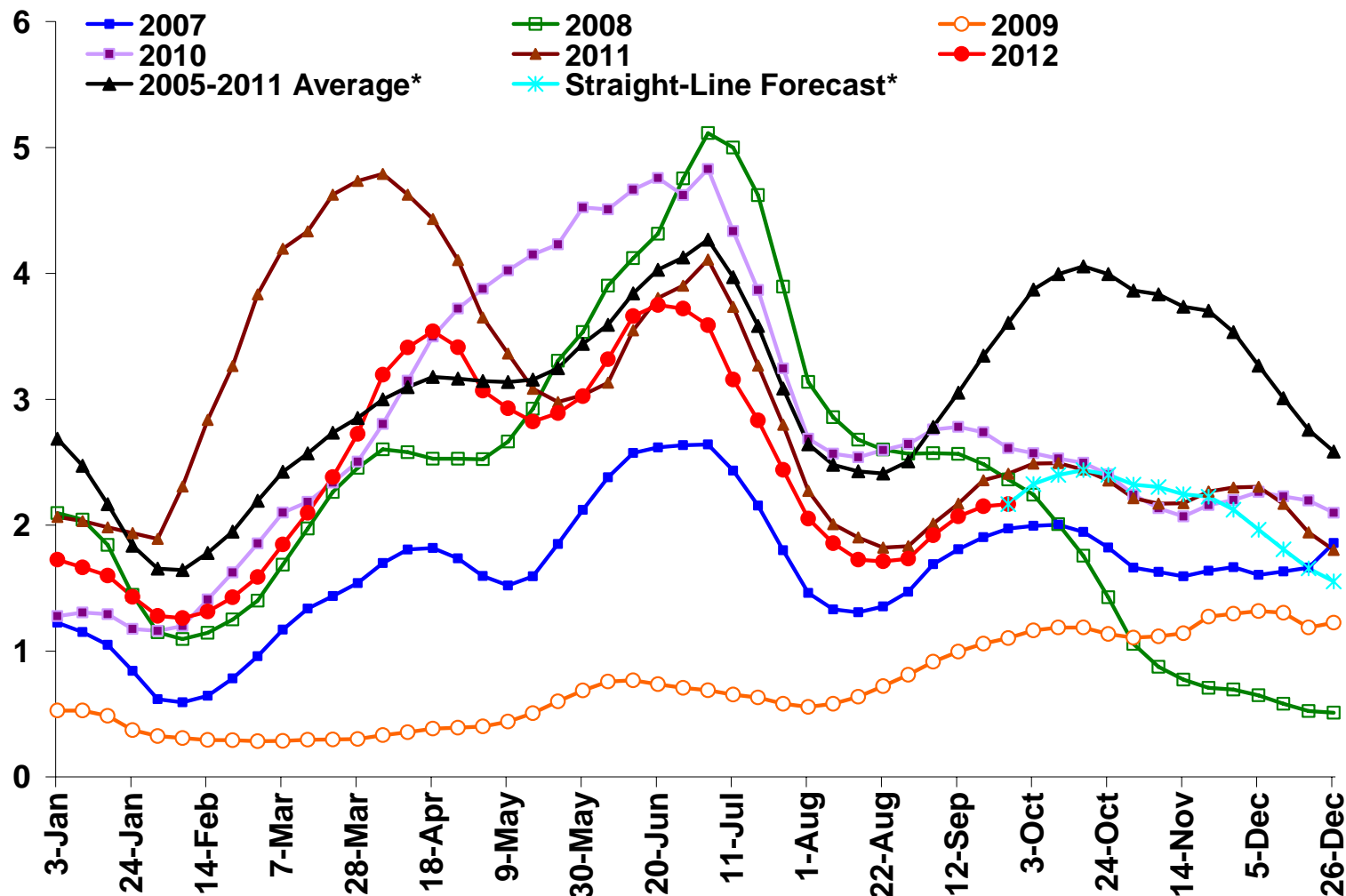
1. Capacity Trends
2. Volume Trends
3. Rate Trends
4. Overall Spend Trends

## 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



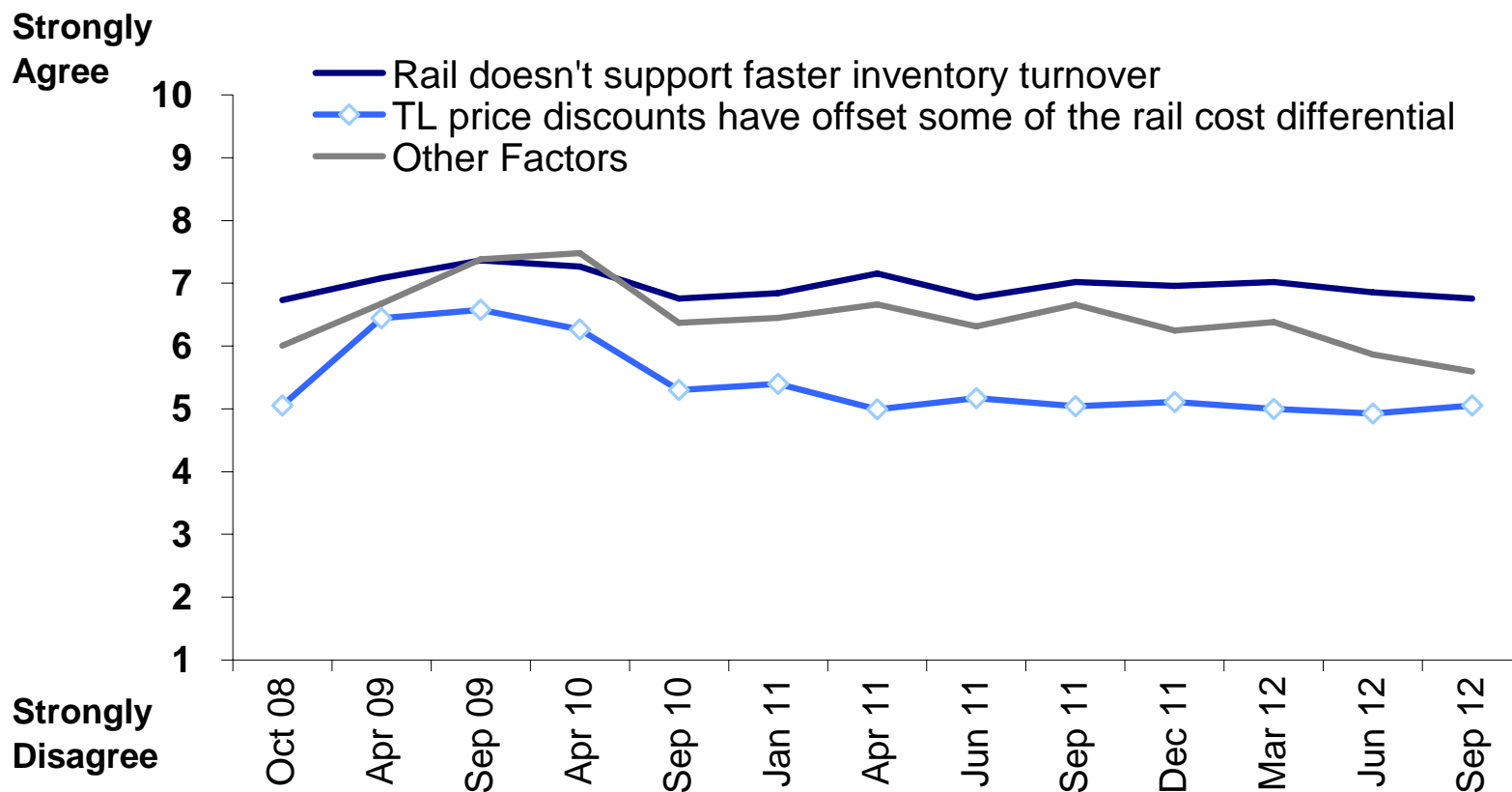
The index measures the demand for Dry-Van Truckload services compared to the number of Dry-Van trucks on the road. The index begins in April 1994. When a given reading is above prior years' level, it means there is more freight demand relative to available capacity. When a given reading is below prior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

Source: Morgan Stanley Research

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## Truckload Fuel Surcharge Concession History

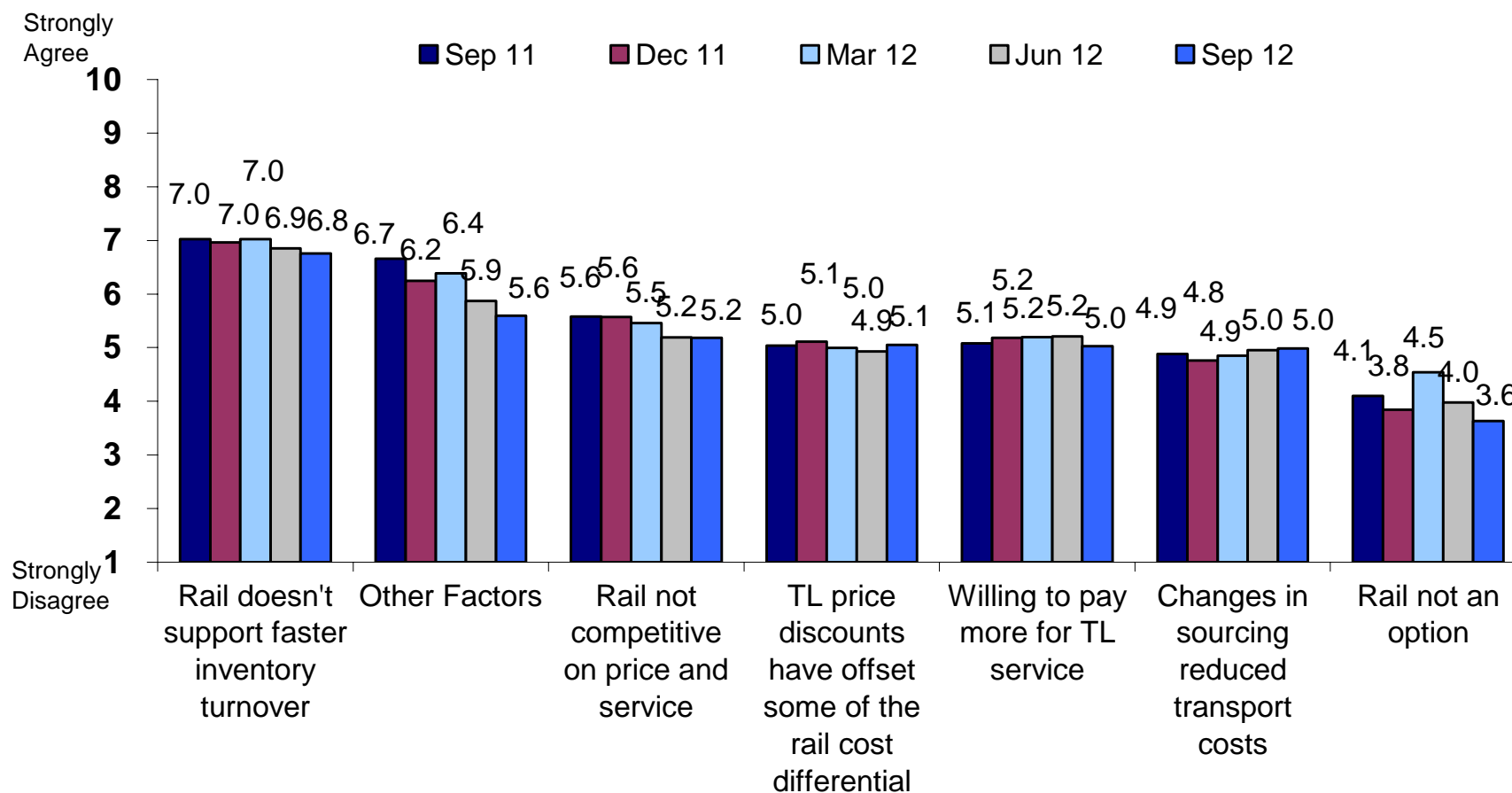
### What Factors are Limiting your Organization from Shipping More Volume on the Railroads?



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?



Source: Morgan Stanley Freight Pulse Survey

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2. Expectations for Total Parcel Spend
3. Product Usage (e.g. Air vs. Ground)
4. B2B vs. B2C
5. Changes in Primary Carrier

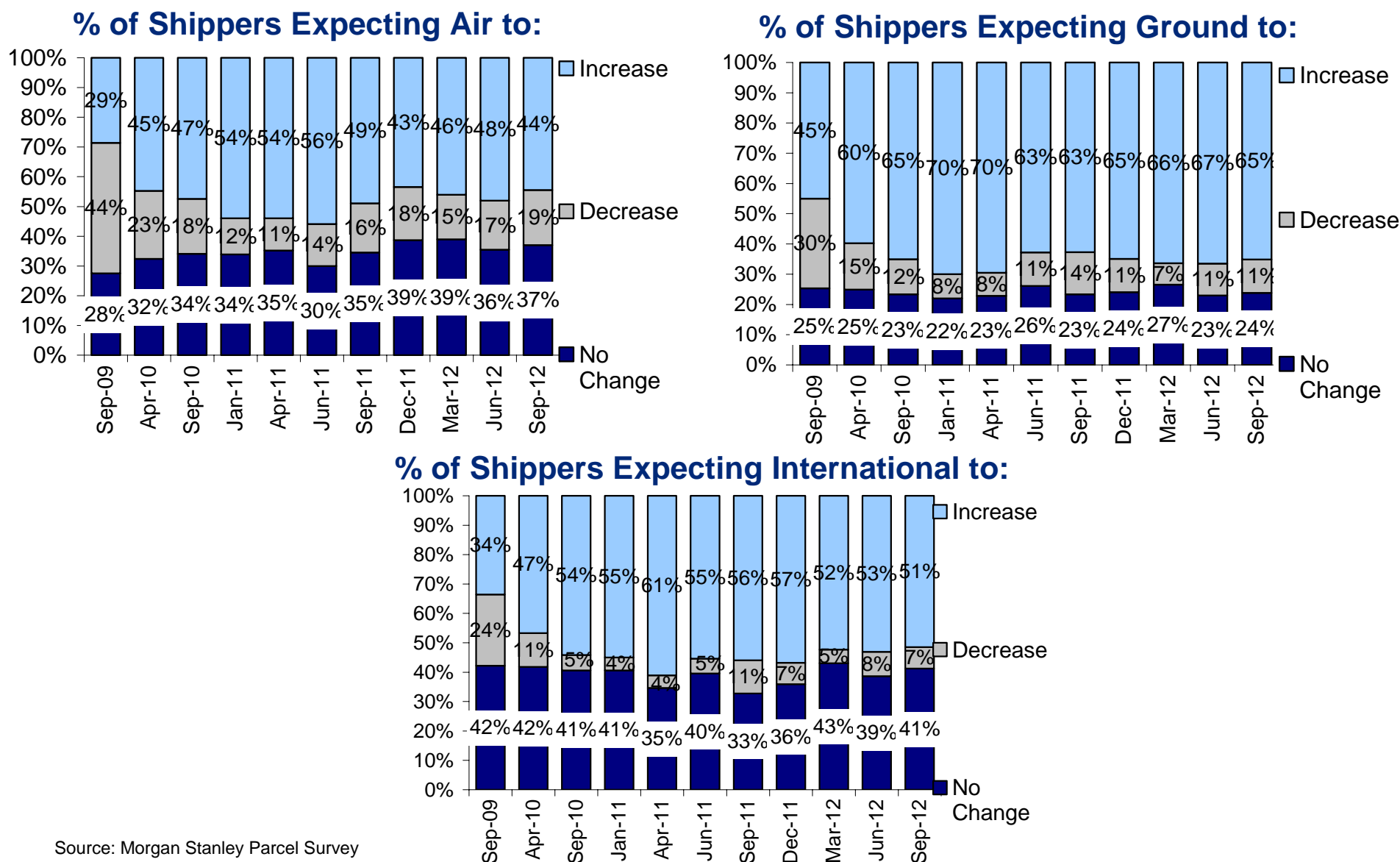
### Part 2: Pricing Trends

1. Outlook for Parcel Base Rates
2. Measures of Aggressiveness
3. Trends in List Rate Discounts
4. Accessorial Charges

### Part 3: Service & Value Trends

1. Service Reliability Rankings
2. Value of Service Rankings

## Parcel Volume Outlook Over the Next 6 Months

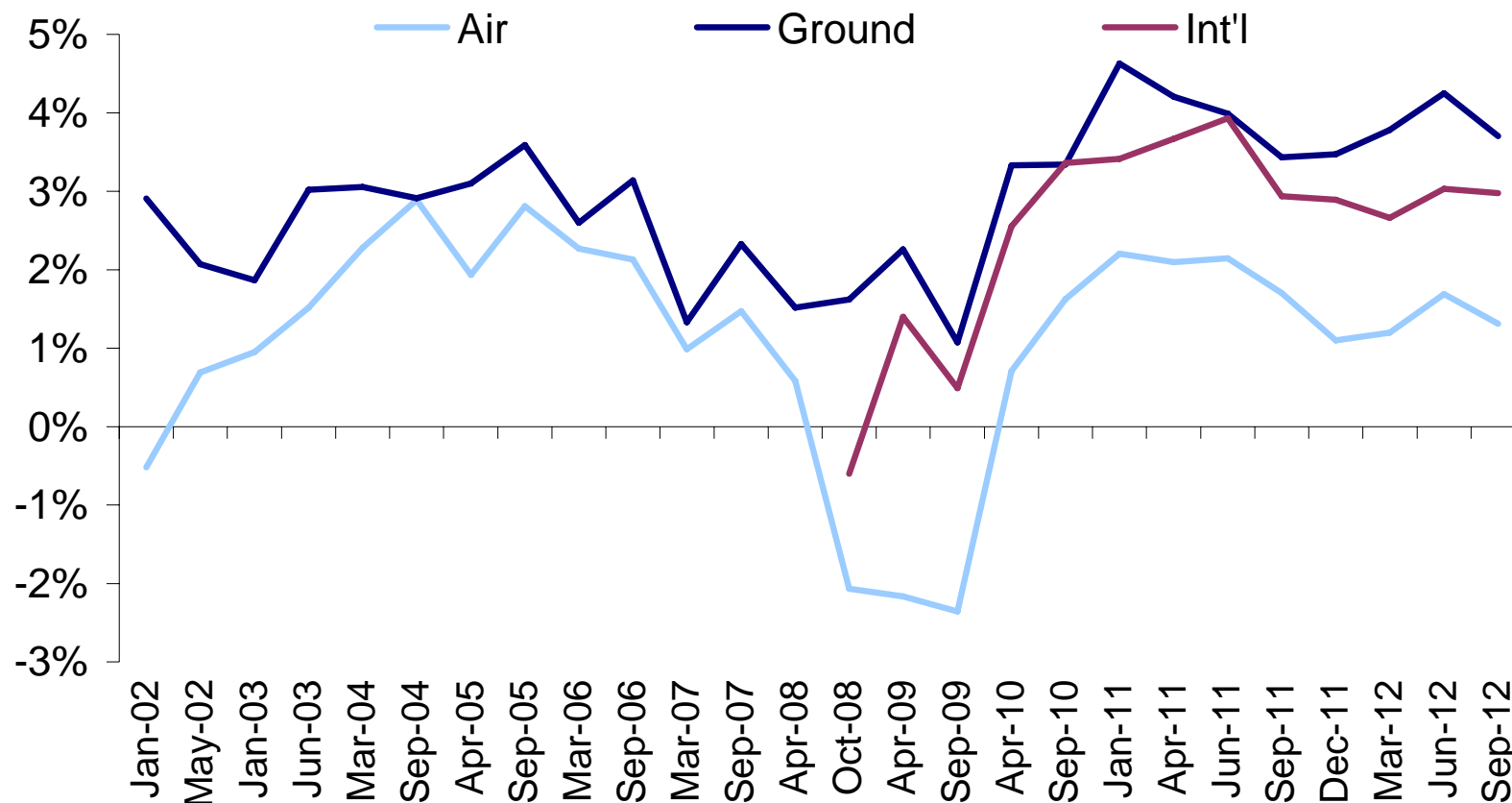


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Volume Trends by Product

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

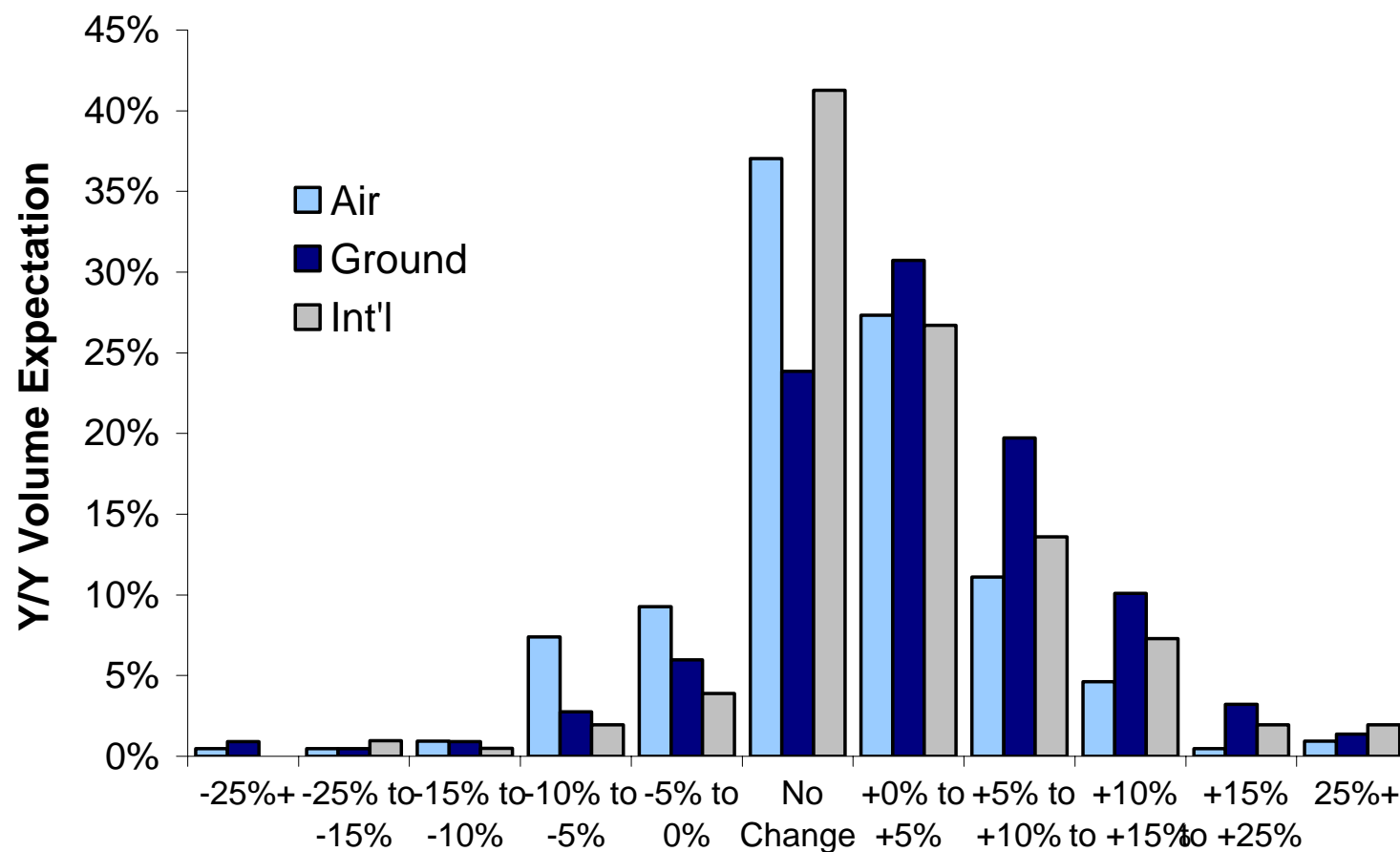


Source: Morgan Stanley Parcel Survey

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## Volume Response Skew – All Shippers

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

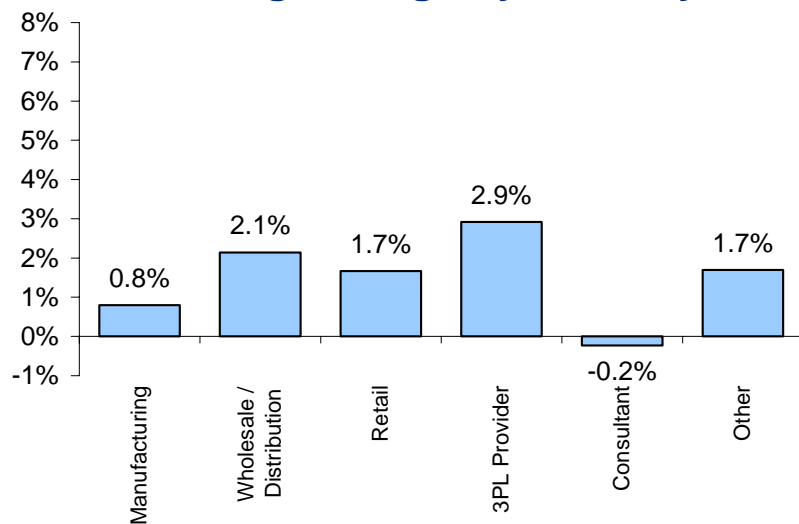


Source: Morgan Stanley Parcel Survey

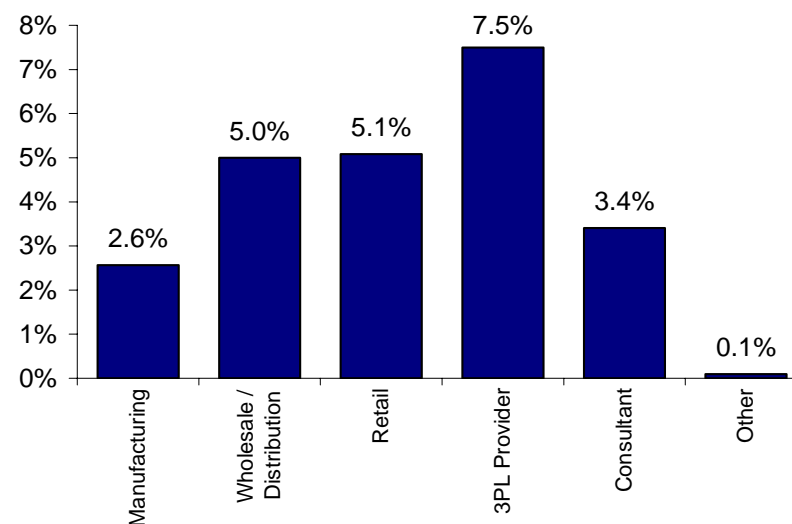
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Volume Growth Outlook by Industry

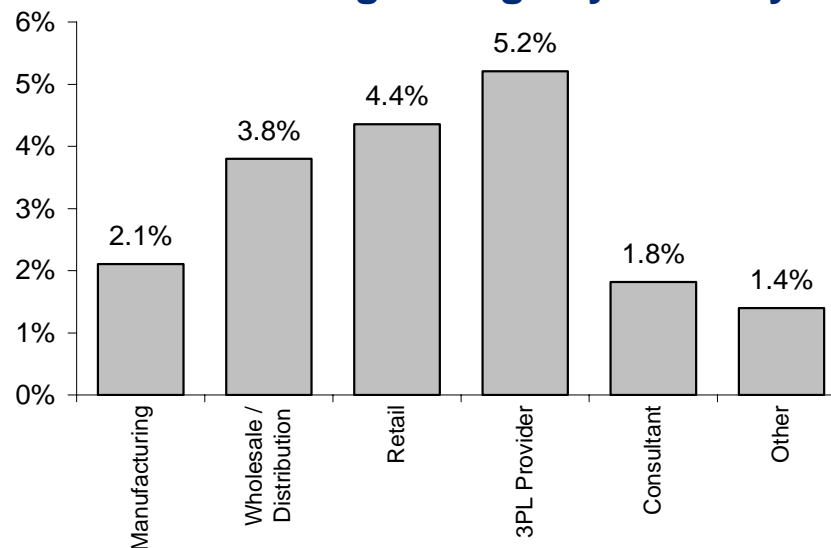
### Air - Avg Change by Industry



### Ground - Avg Change by Industry



### International - Avg Change by Industry



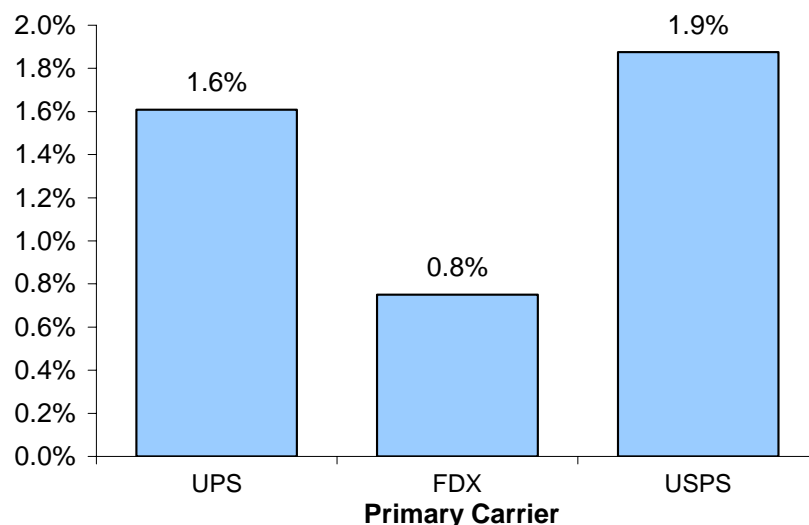
Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

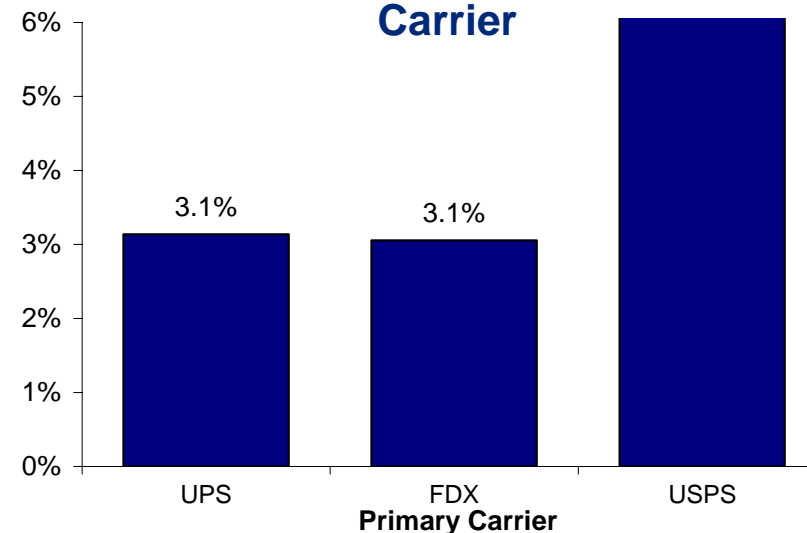


## Volume Growth Outlook by Listed Primary Carrier

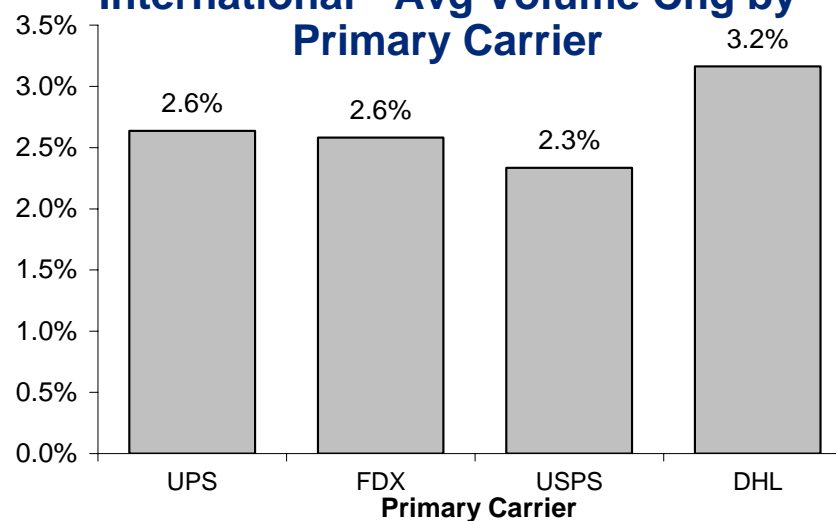
**Air - Avg Volume Change by Primary Carrier**



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



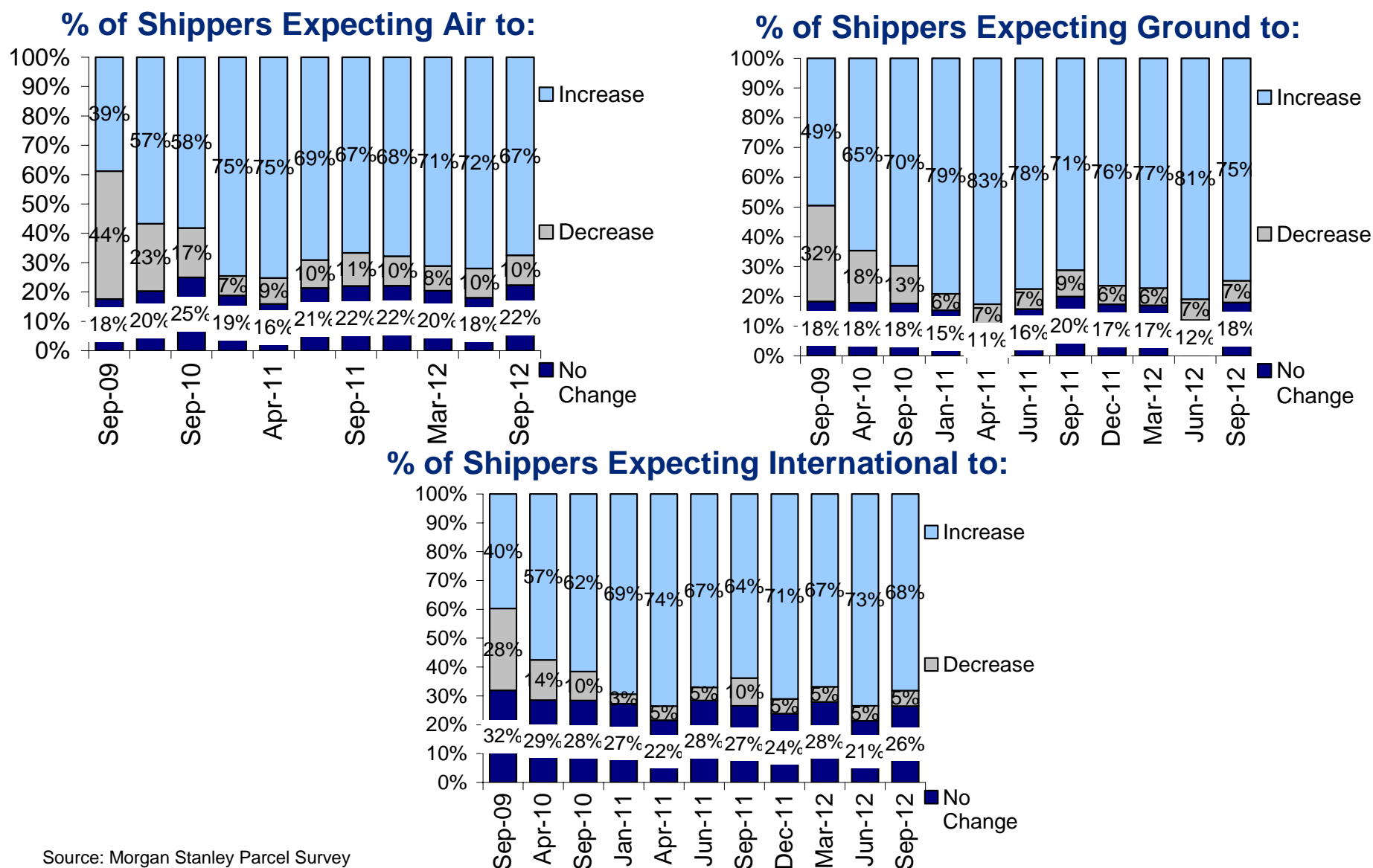
**International - Avg Volume Chg by Primary Carrier**



Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Parcel Spend Outlook Over the Next 6 Months

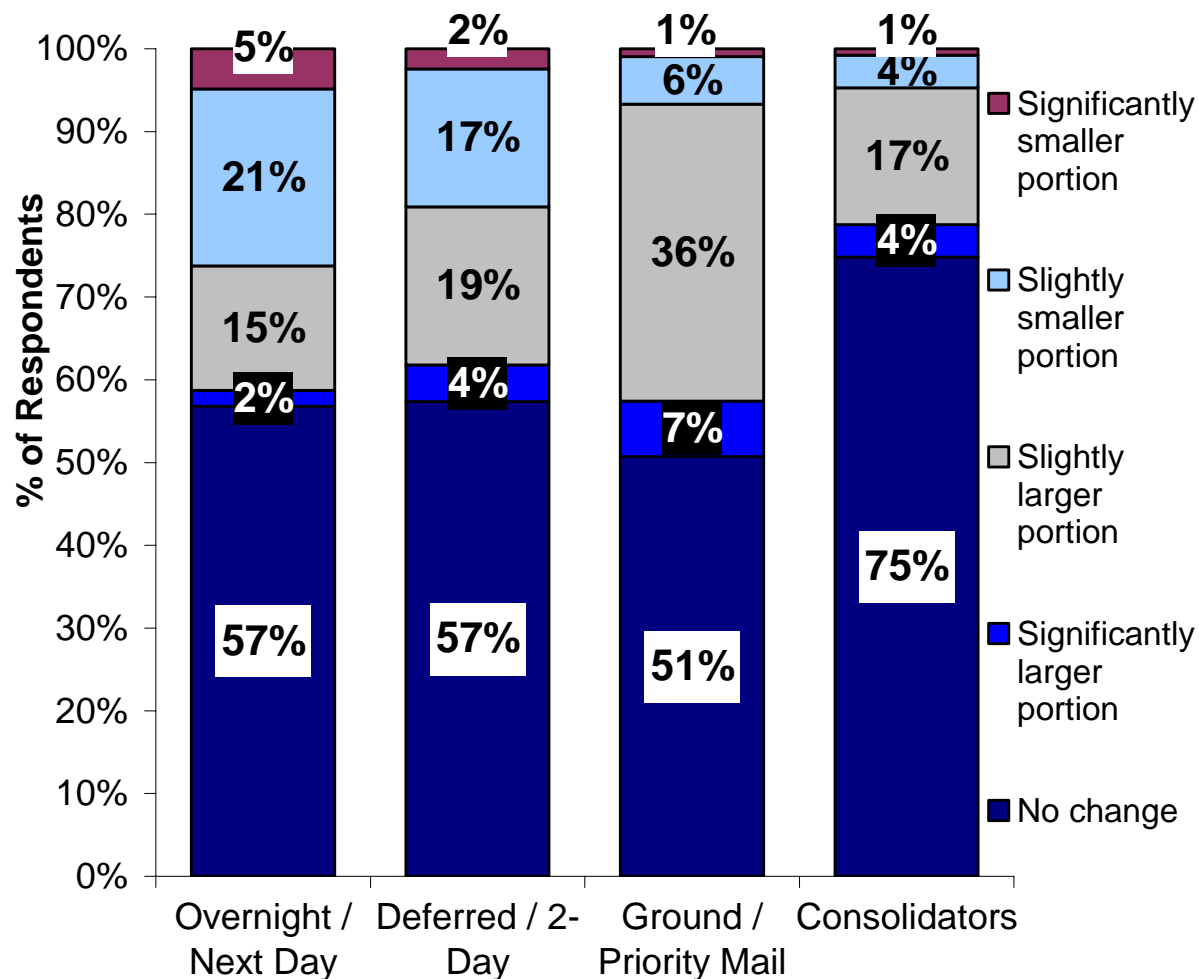


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## 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?**

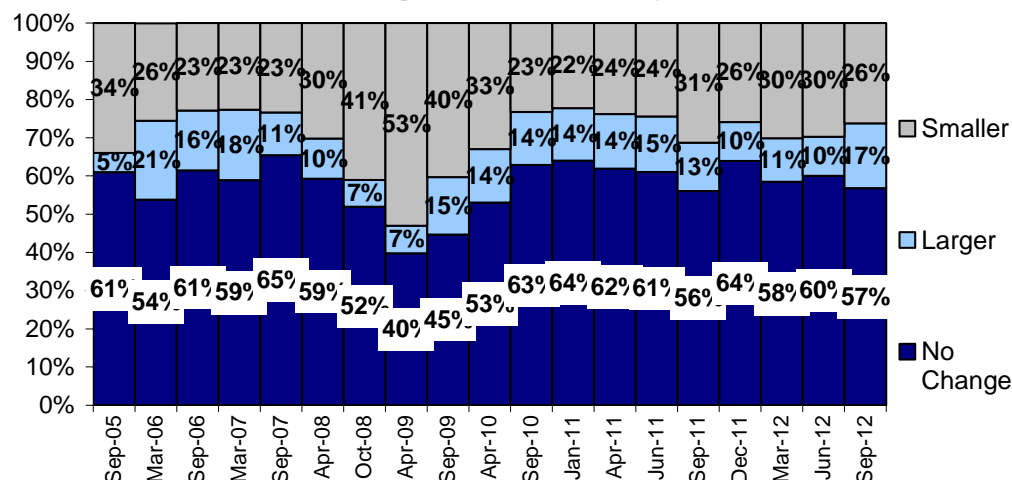


Source: Morgan Stanley Parcel Survey

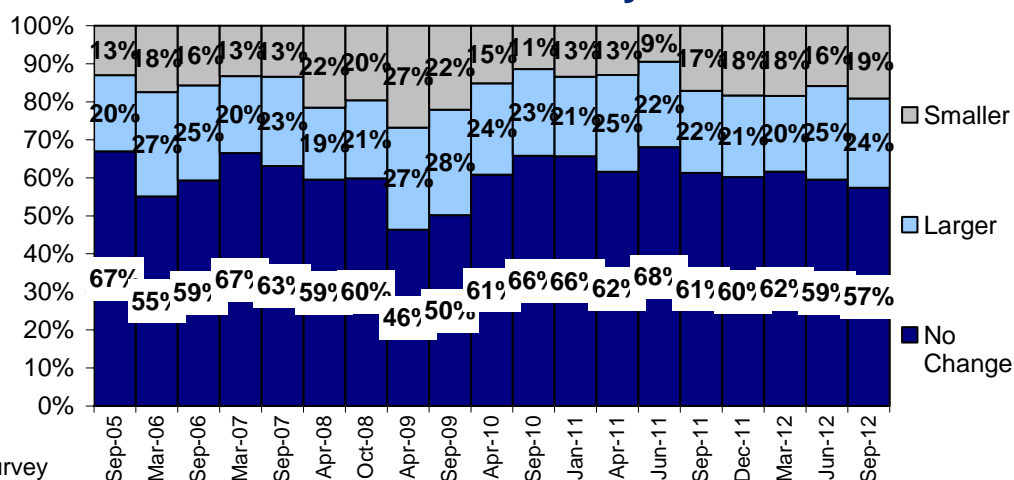
## Historical Expected Change in Use of Air Products

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



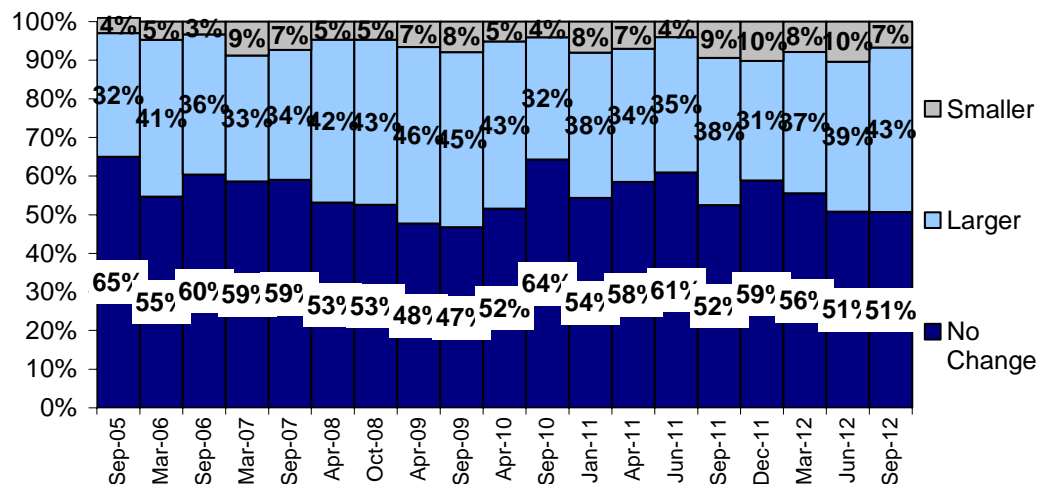
Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

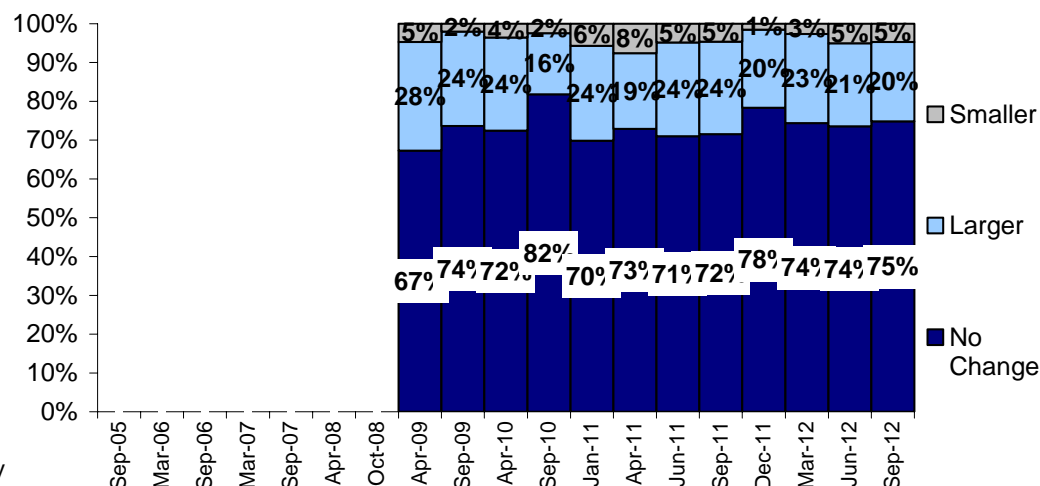
## Historical Expected Change in Use of Ground and Consolidators

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



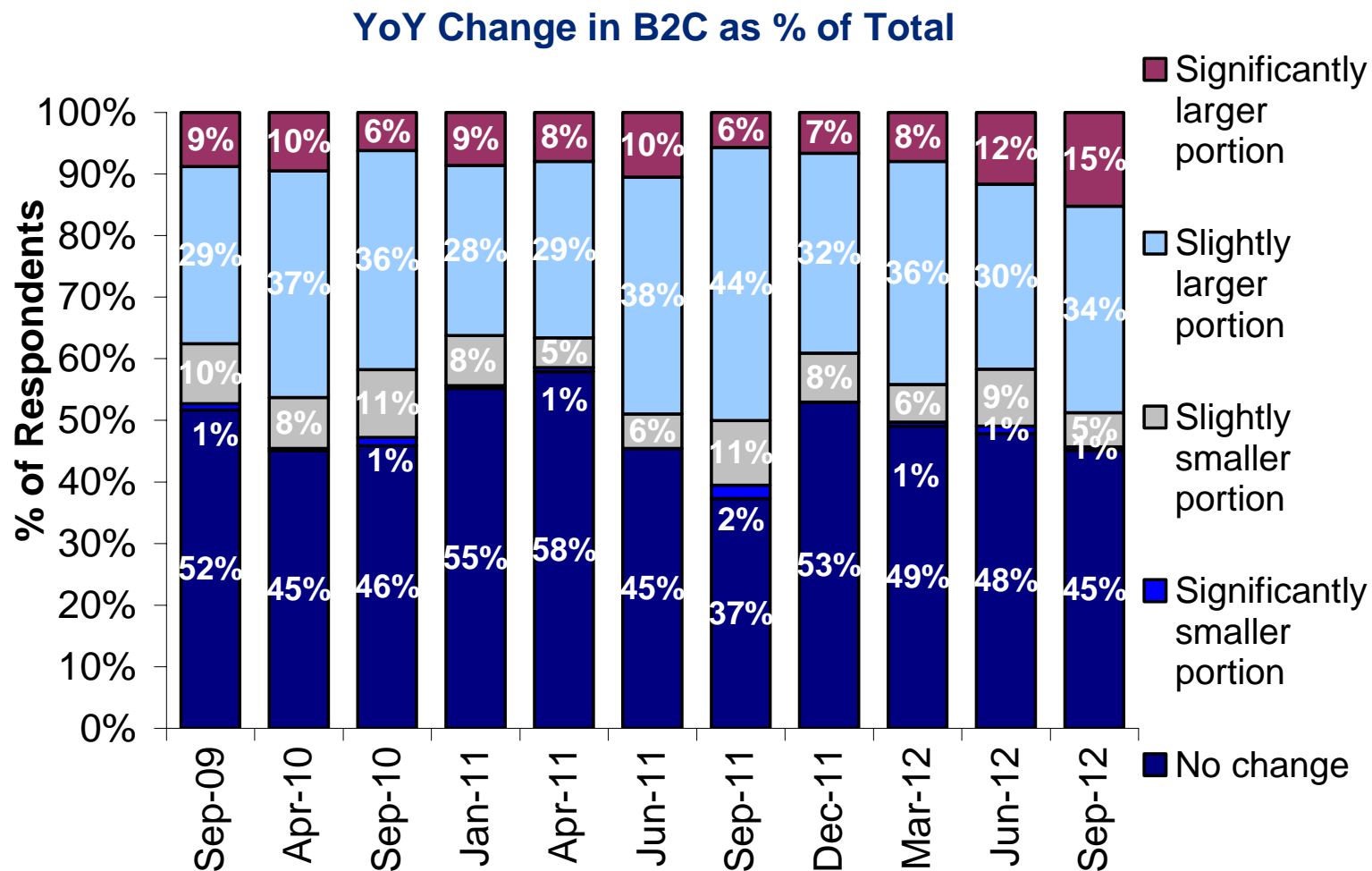
### Consolidators



Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Expected Trends in B2C

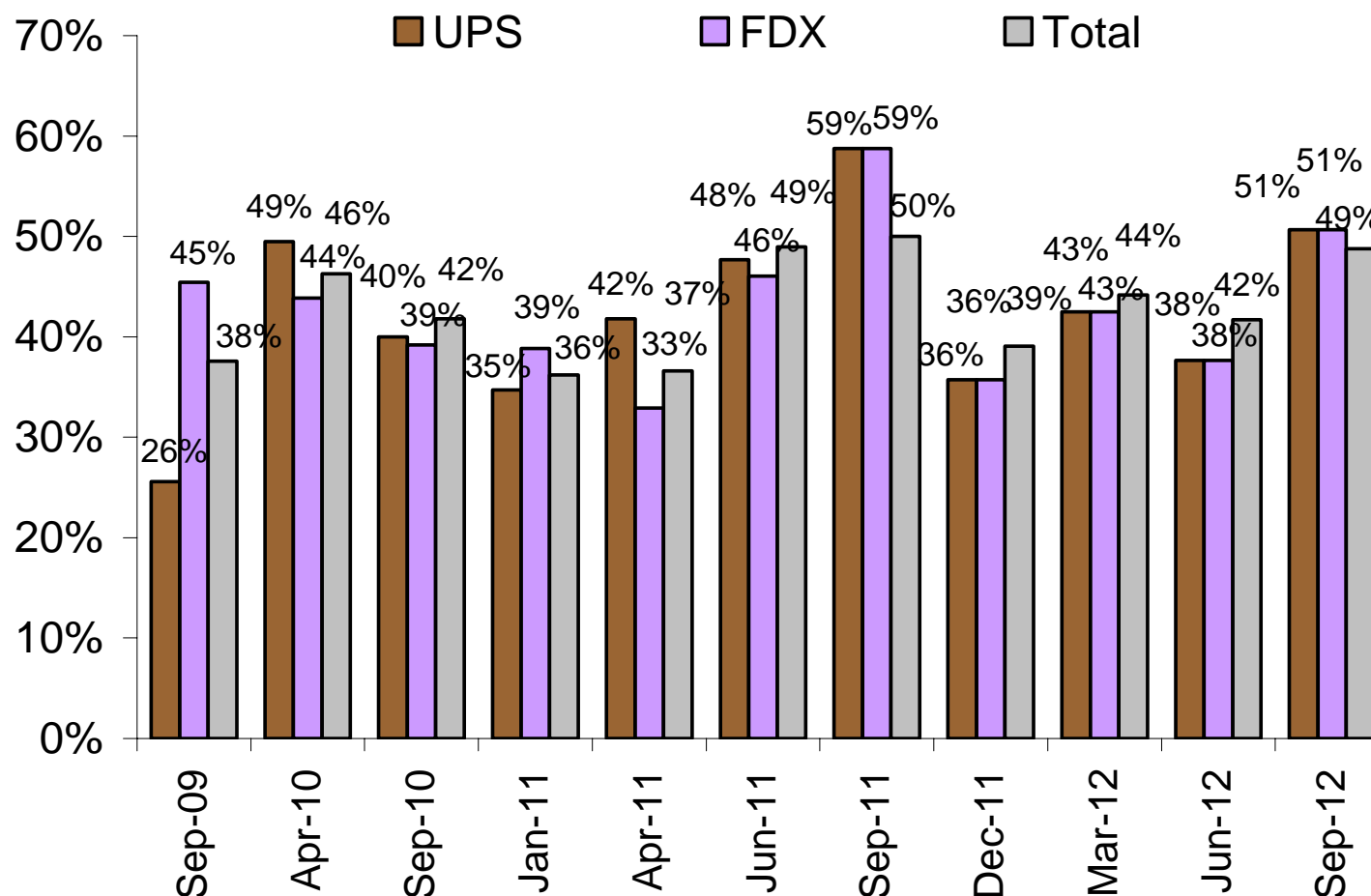


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Expected Trends in B2C

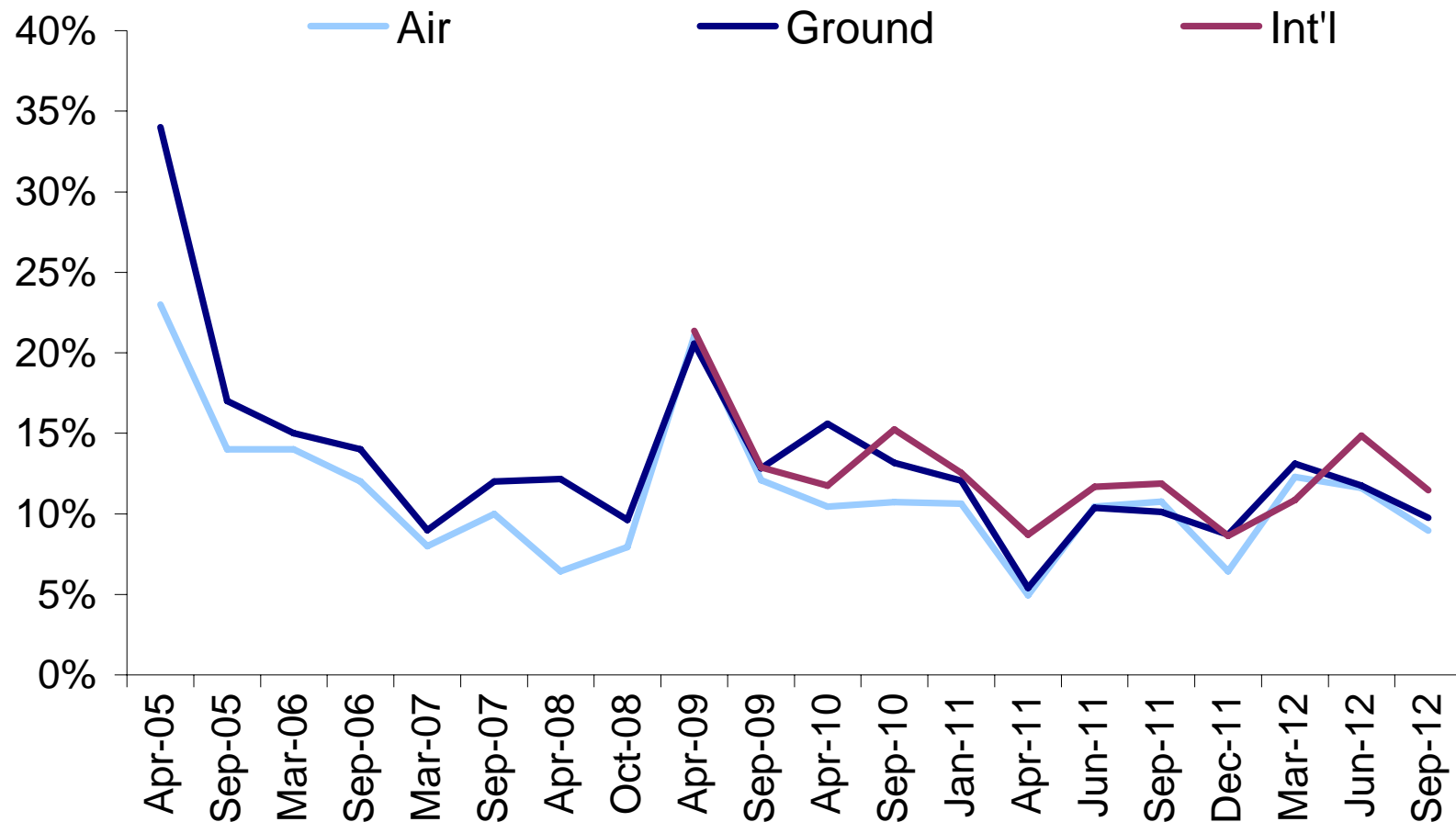
### % of Respondents Indicating Increase in B2C Shipping as % of Total



Source: Morgan Stanley  
Parcel Survey

## % of Respondents Switching Primary Carriers Over Time

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



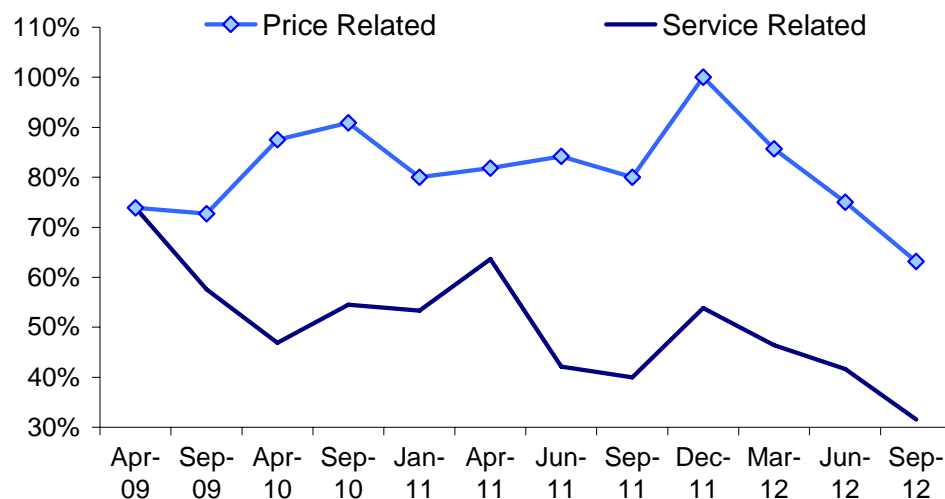
Source: Morgan Stanley Parcel Survey

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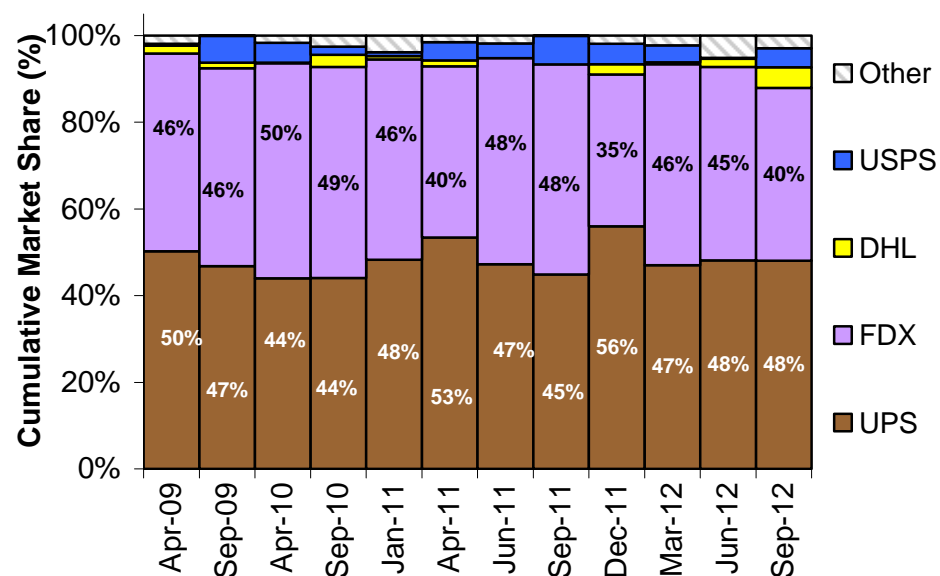


## Air Switching: Reasons for Switch and Primary Carrier

### Air: Reason for Switching Primary Carriers



### Air: Dollar-weighted Market Share

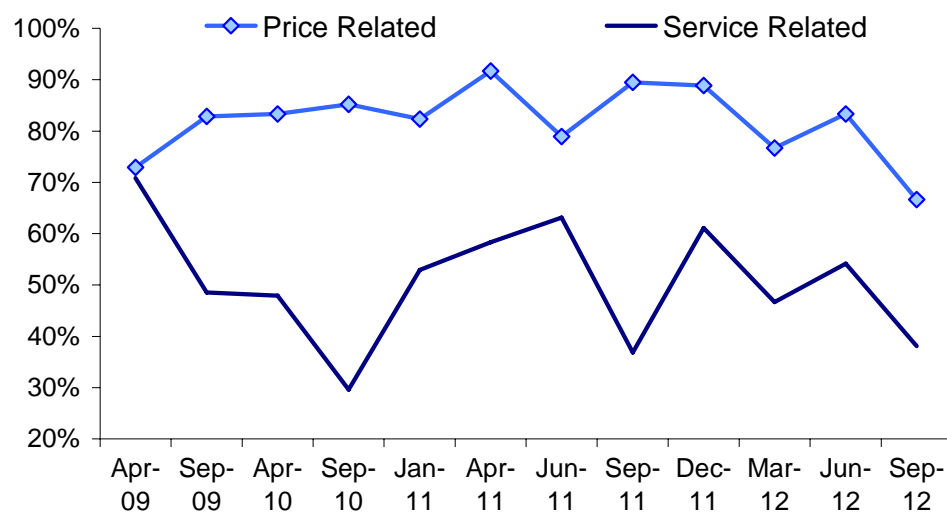


Source: Morgan Stanley Parcel Survey

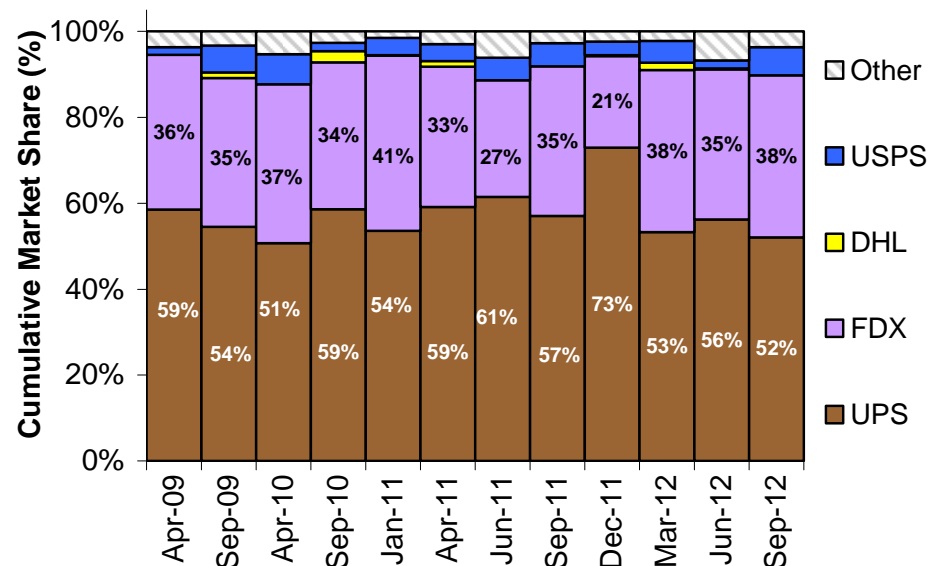
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Ground Switching: Reasons for Switch and Primary Carrier

### Ground: Reason for Switching Primary Carriers



### Ground: Dollar-weighted Market Share

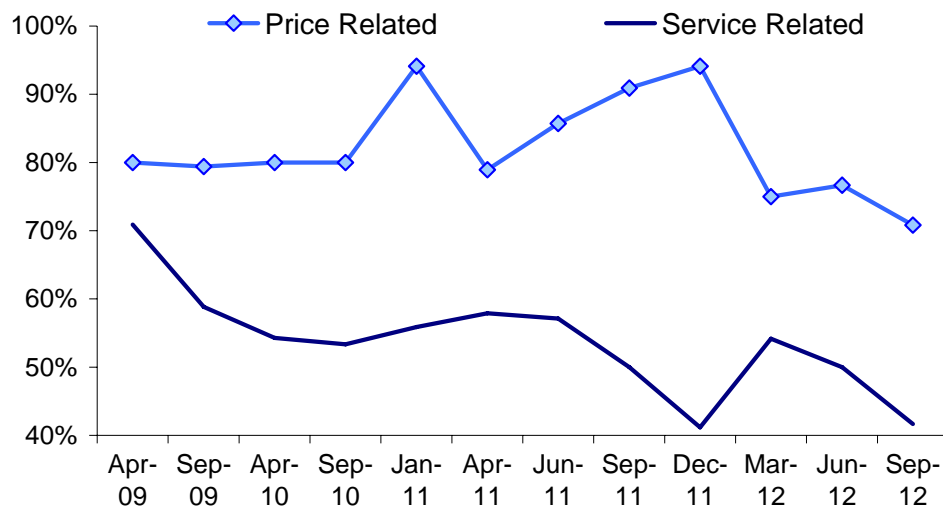


Source: Morgan Stanley Parcel Survey

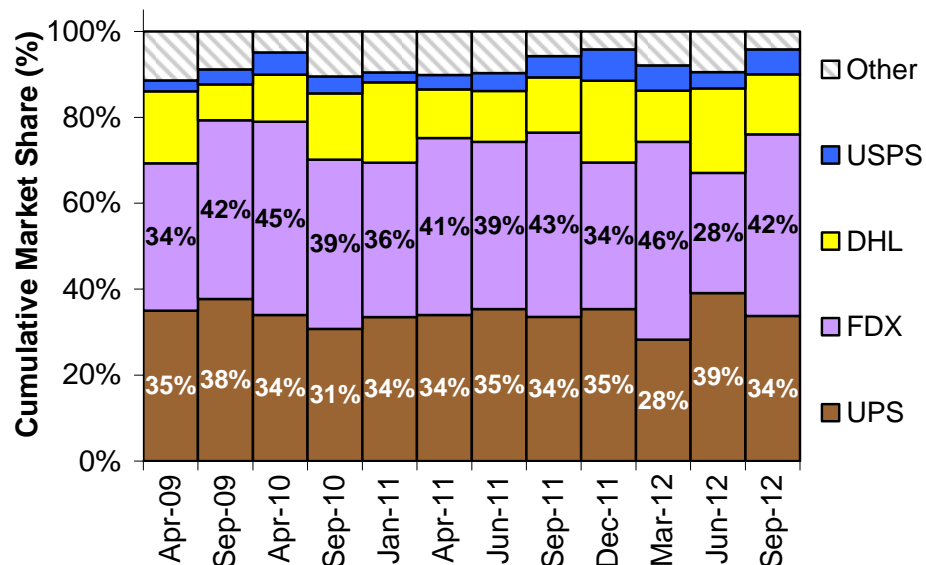
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## International Switching: Reasons for Switch and Primary Carrier

### International: Reason for Switching Primary Carriers



### International: Dollar-weighted Market Share



Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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## Part 2: Pricing Trends

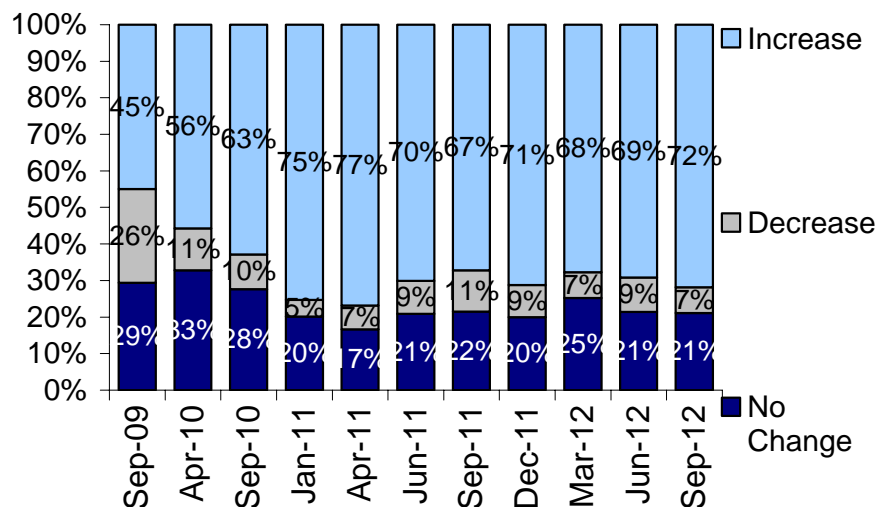
1. Outlook for Parcel Base Rates
2. Measures of Aggressiveness
3. Trends in List Rate Discounts
4. Accessorial Charges

## Part 3: Service & Value Trends

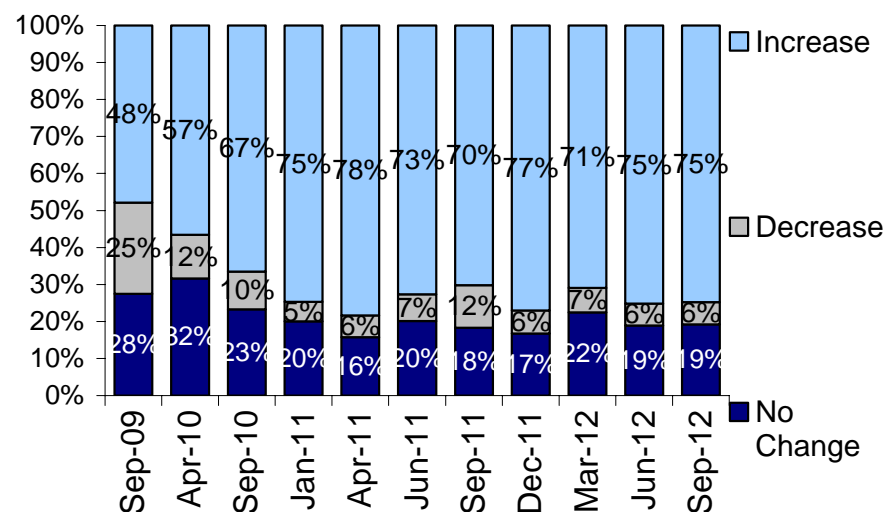
1. Service Reliability Rankings
2. Value of Service Rankings

## Parcel Pricing Outlook Over the Next 6 Months

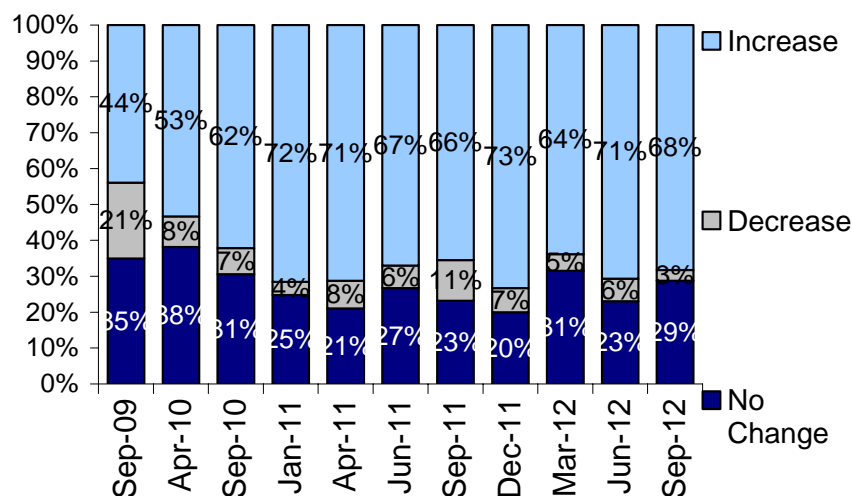
### % of Shippers Expecting Air to:



### % of Shippers Expecting Ground to:



### % of Shippers Expecting International to:

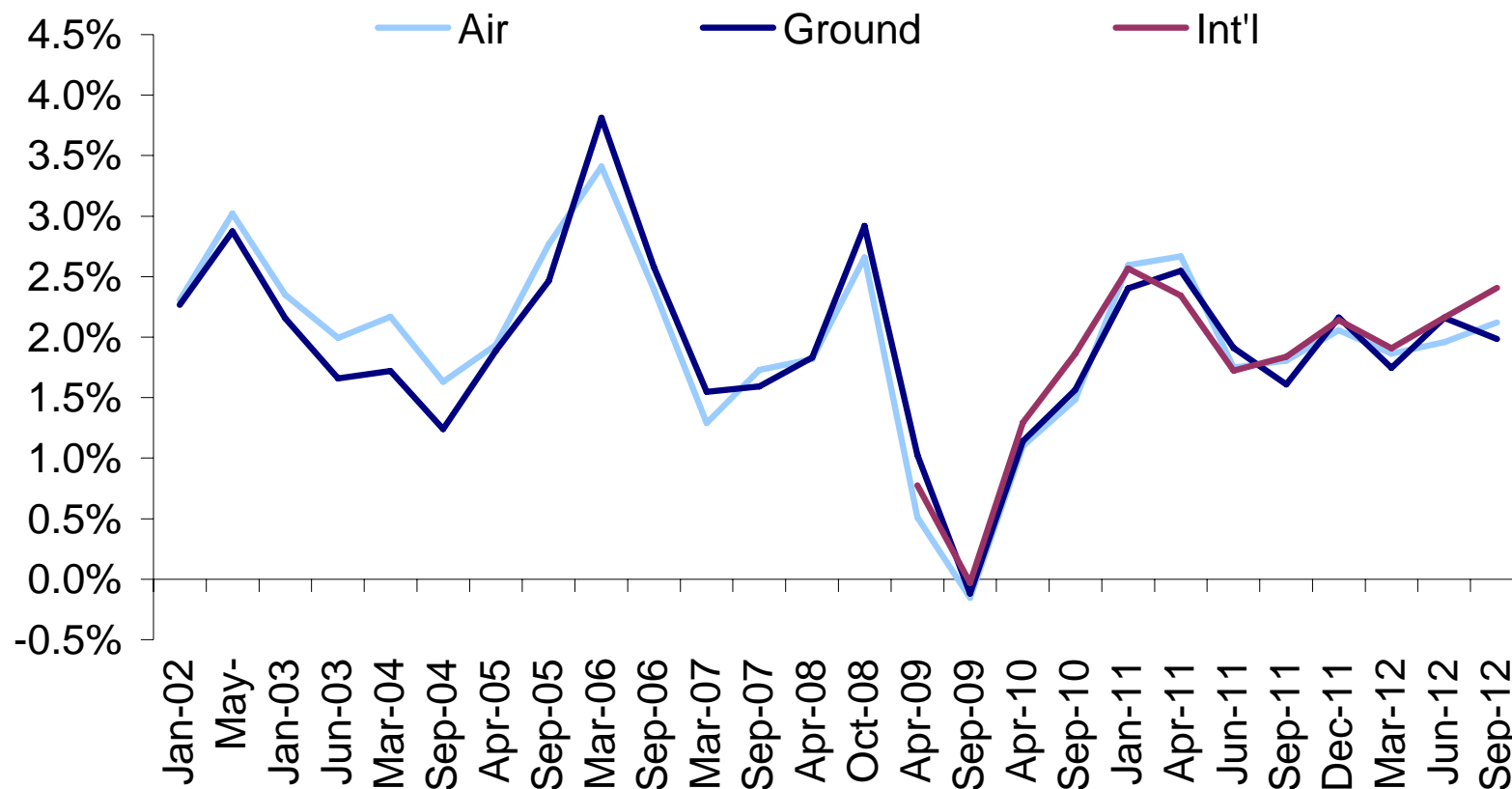


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Pricing Trends by Product: Large vs. Small Shipper

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

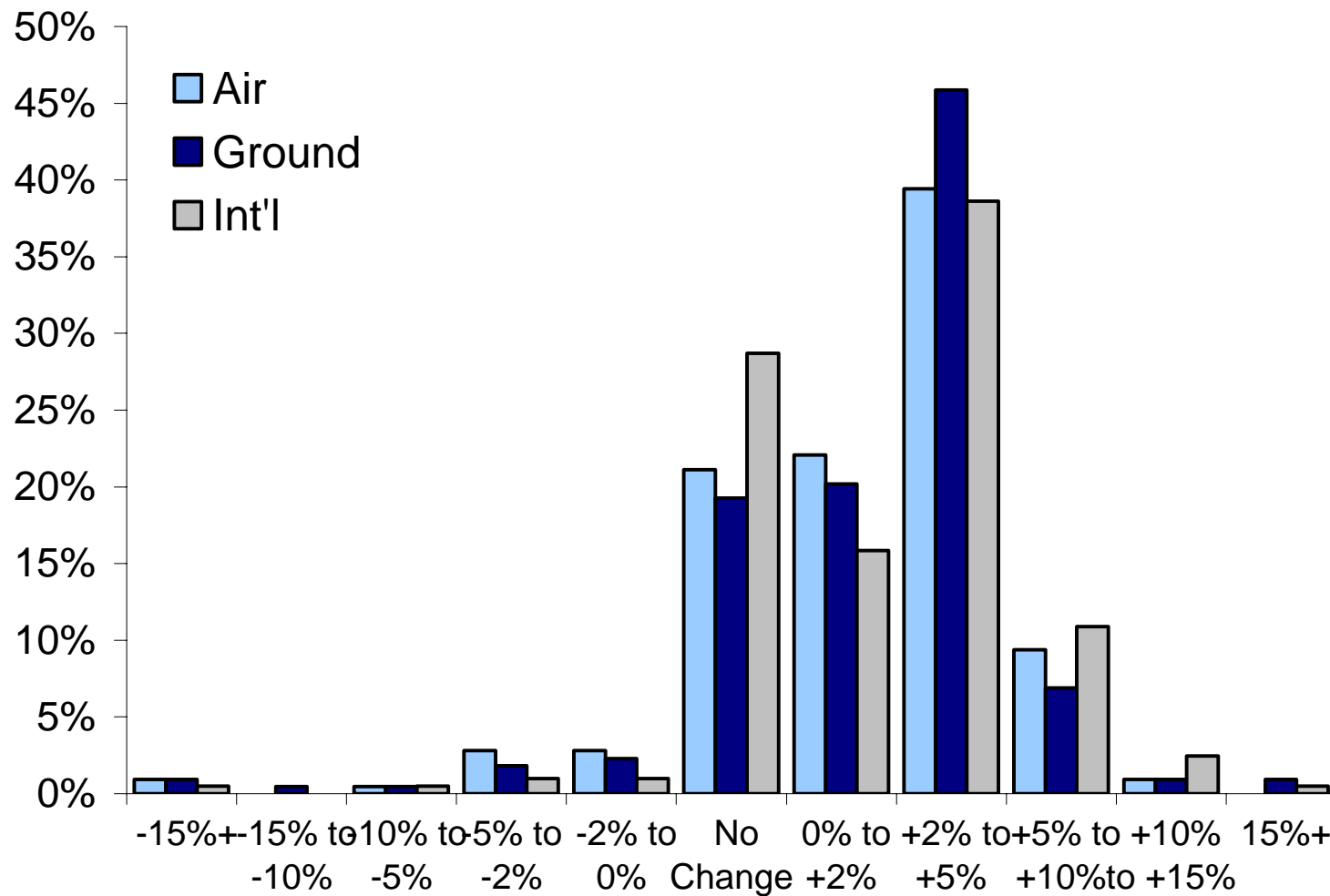


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Base Rate Response Skew – All Shippers

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

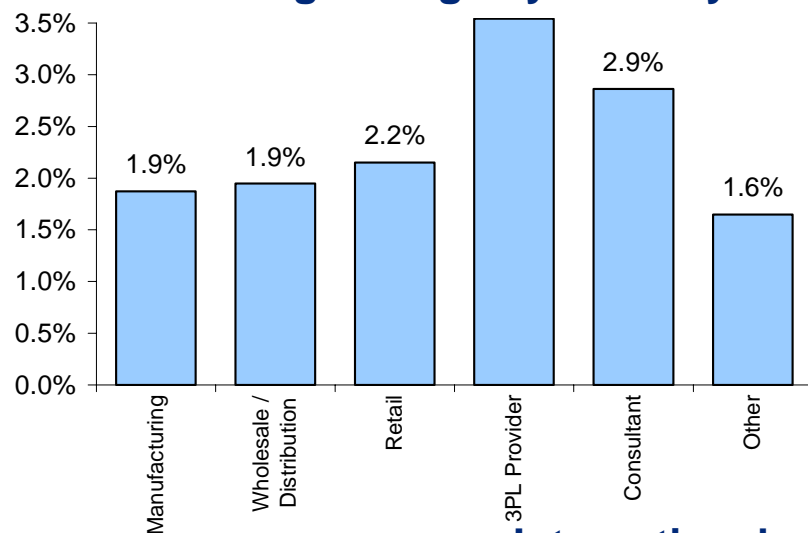


Source: Morgan Stanley Parcel Survey

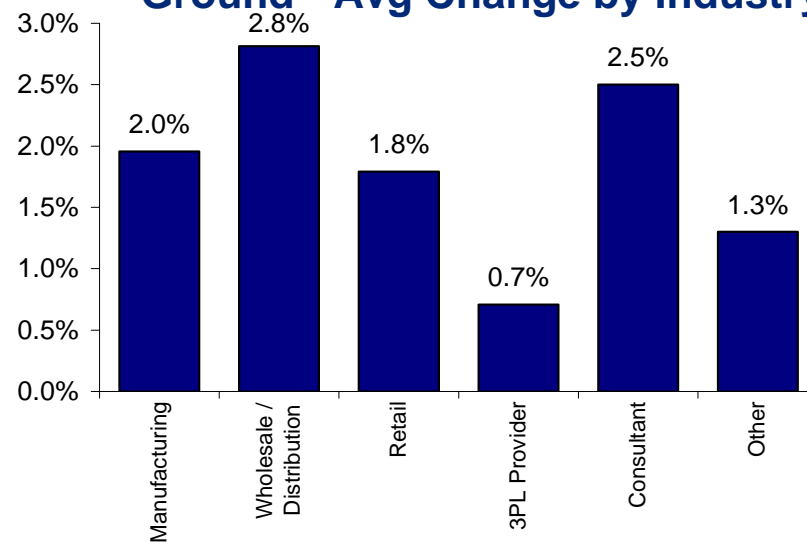
William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Pricing Outlook by Industry

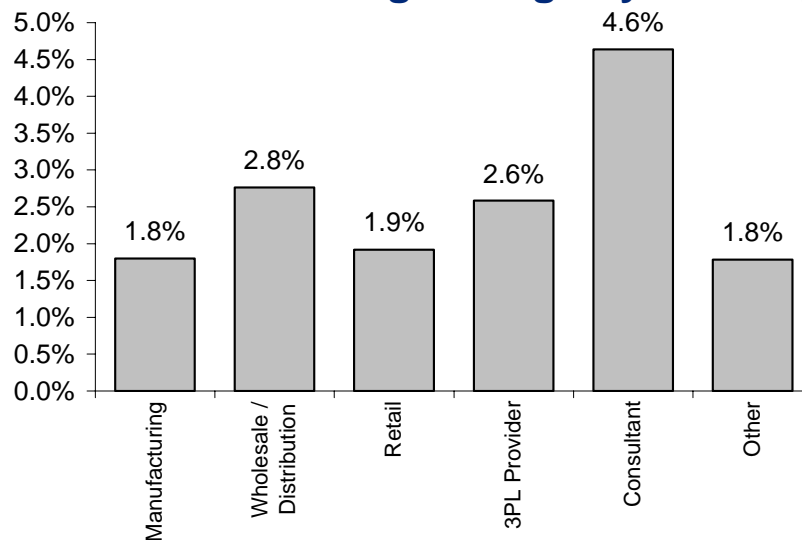
### Air - Avg Change by Industry



### Ground - Avg Change by Industry



### International - Avg Change by Industry



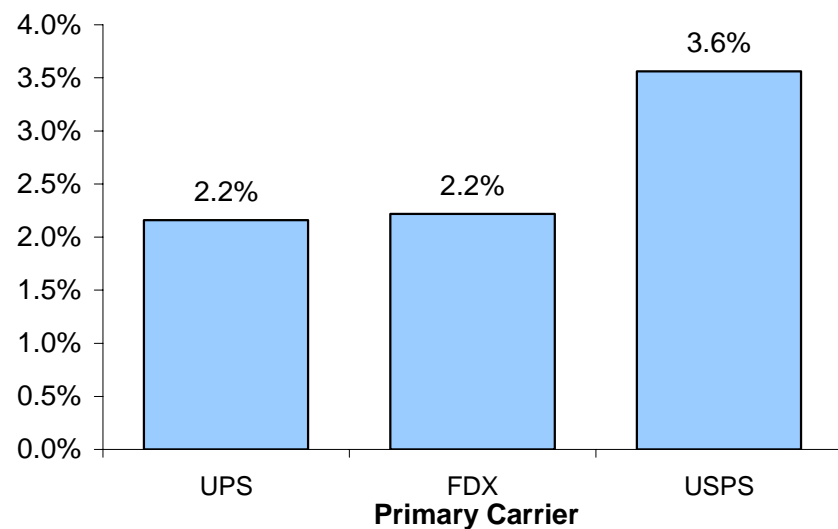
Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

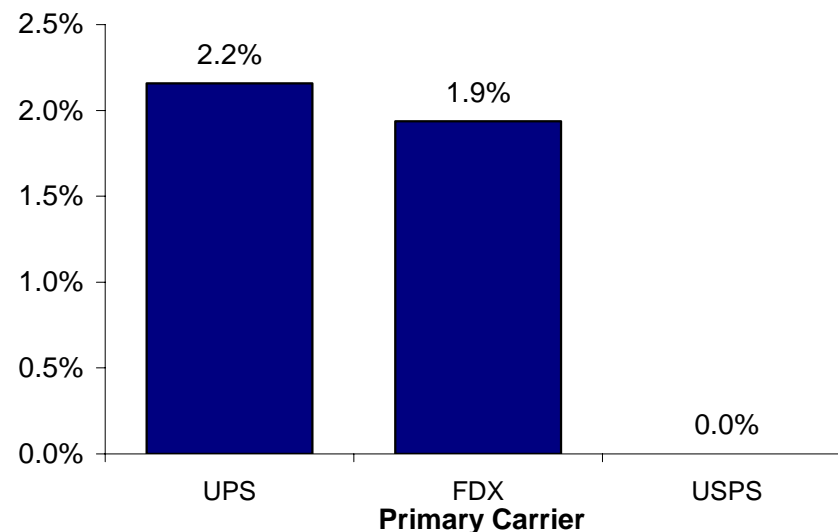


## Pricing Outlook by Listed Primary Carrier

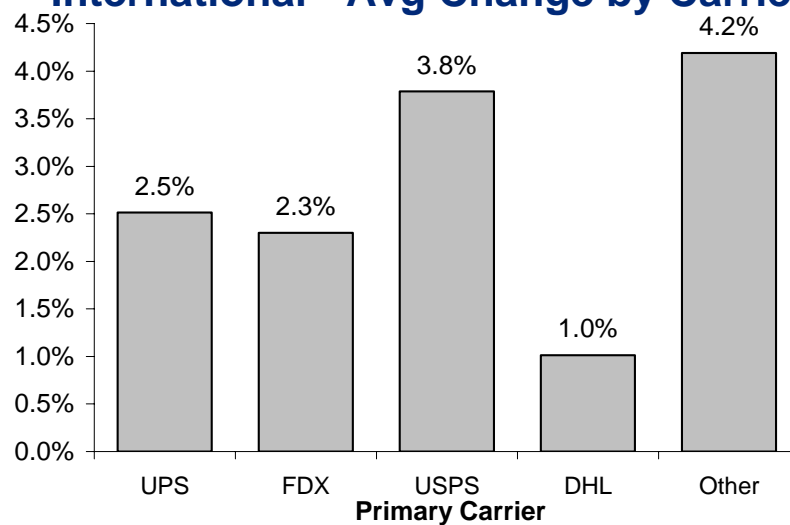
### Air - Avg Change by Carrier



### Ground - Avg Change by Carrier



### International - Avg Change by Carrier

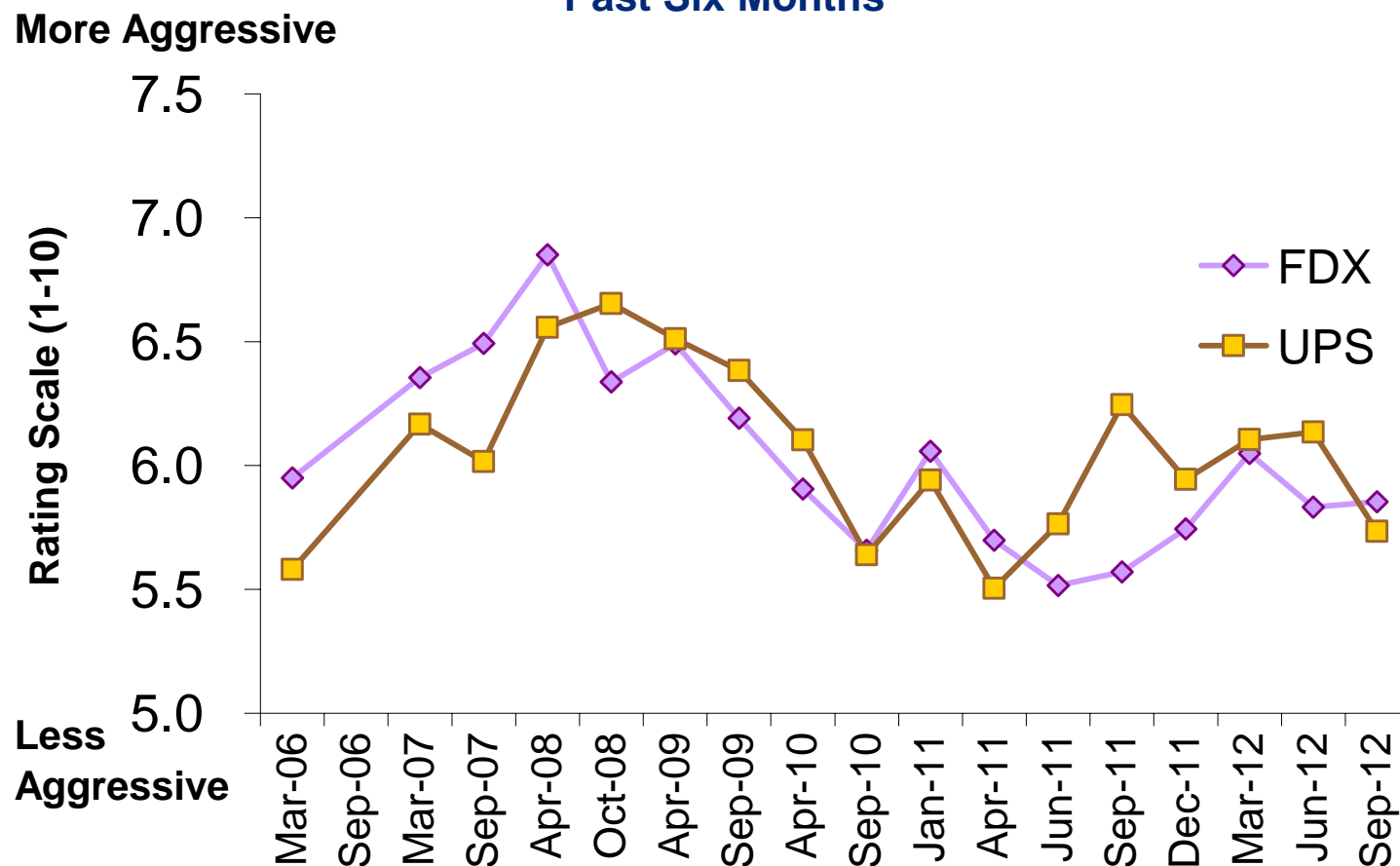


Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

## Level of Aggressiveness in Trying to Win New Business

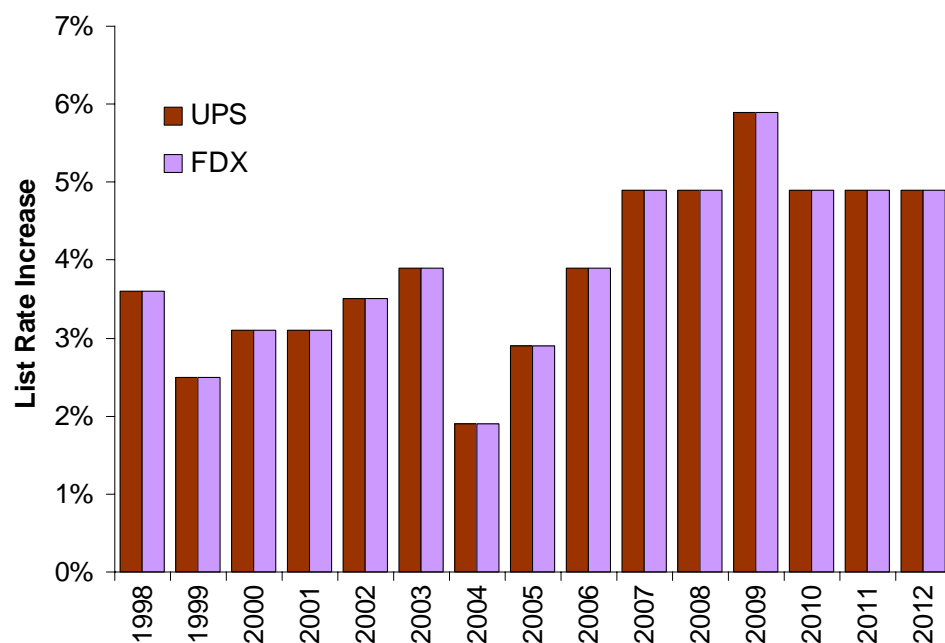
### Parcel Shippers' Rankings of Carriers' "Aggressiveness" in Trying to Win Business Over Past Six Months



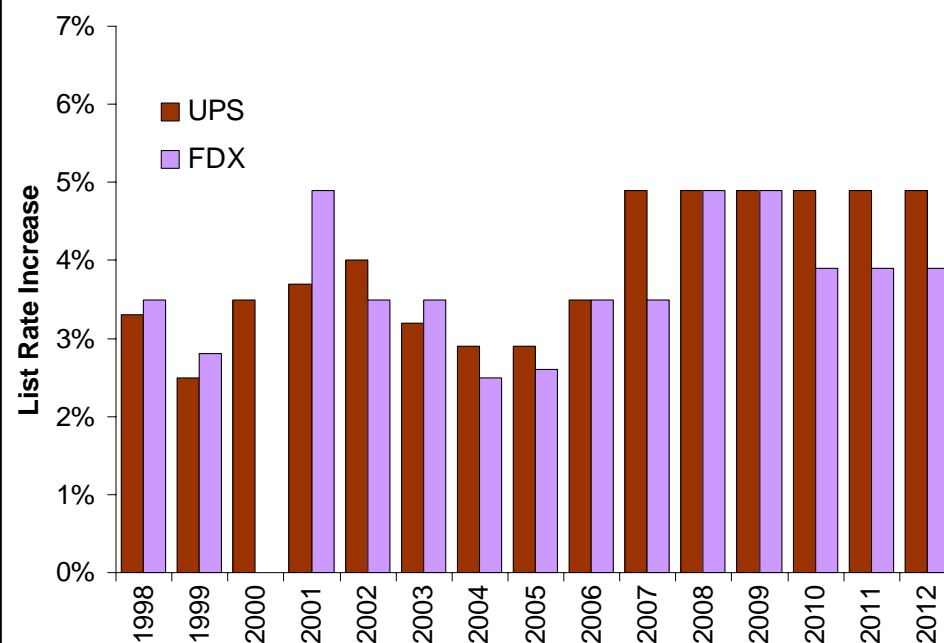
Source: Morgan Stanley Parcel Survey

## List Rate Increases: UPS Leads on Ground; FDX Leads on Air

### Ground List Rate Increase



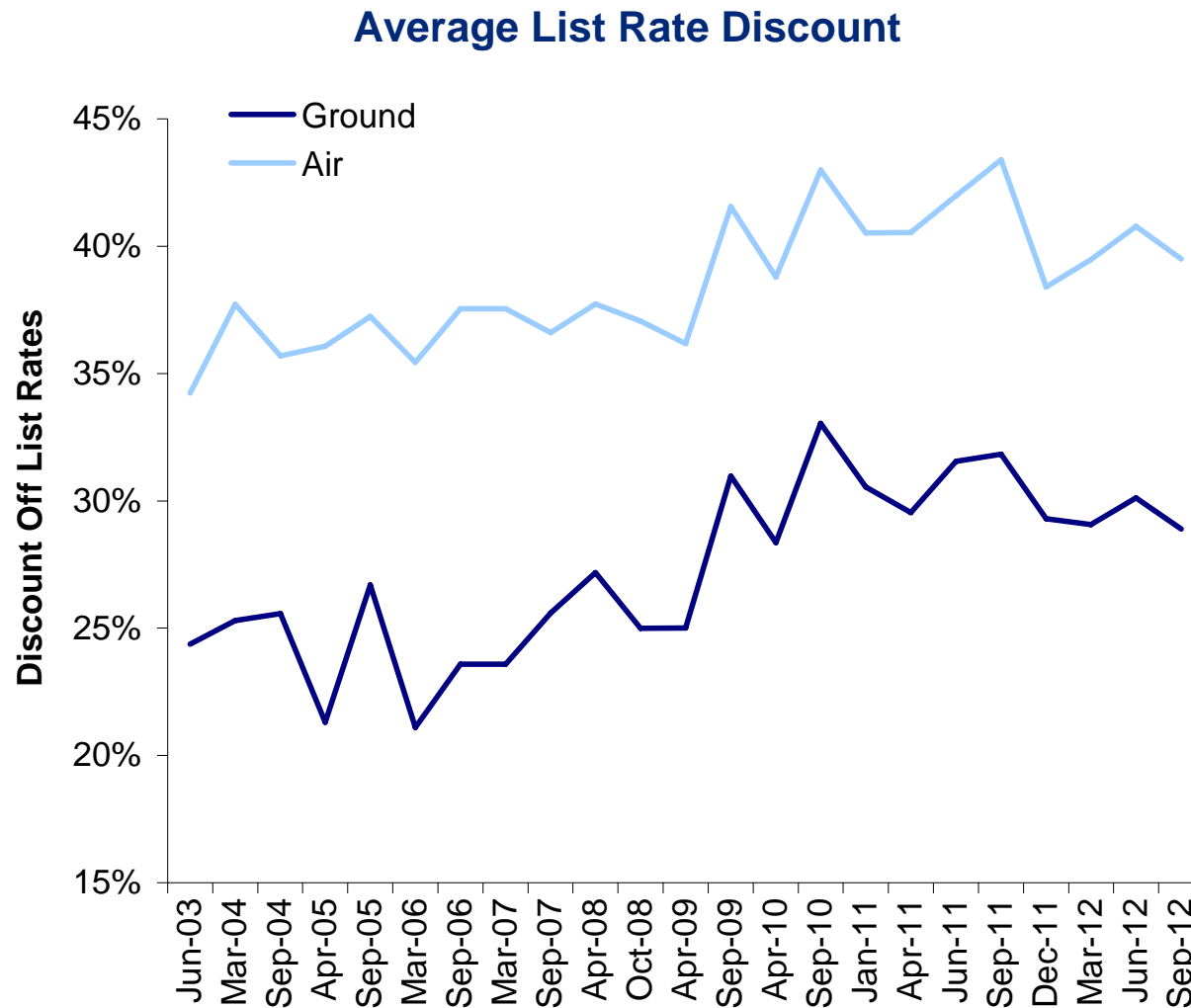
### Air List Rate Increase



Source: Company data, Morgan Stanley Research

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## Percentage Discount Off of List Rates

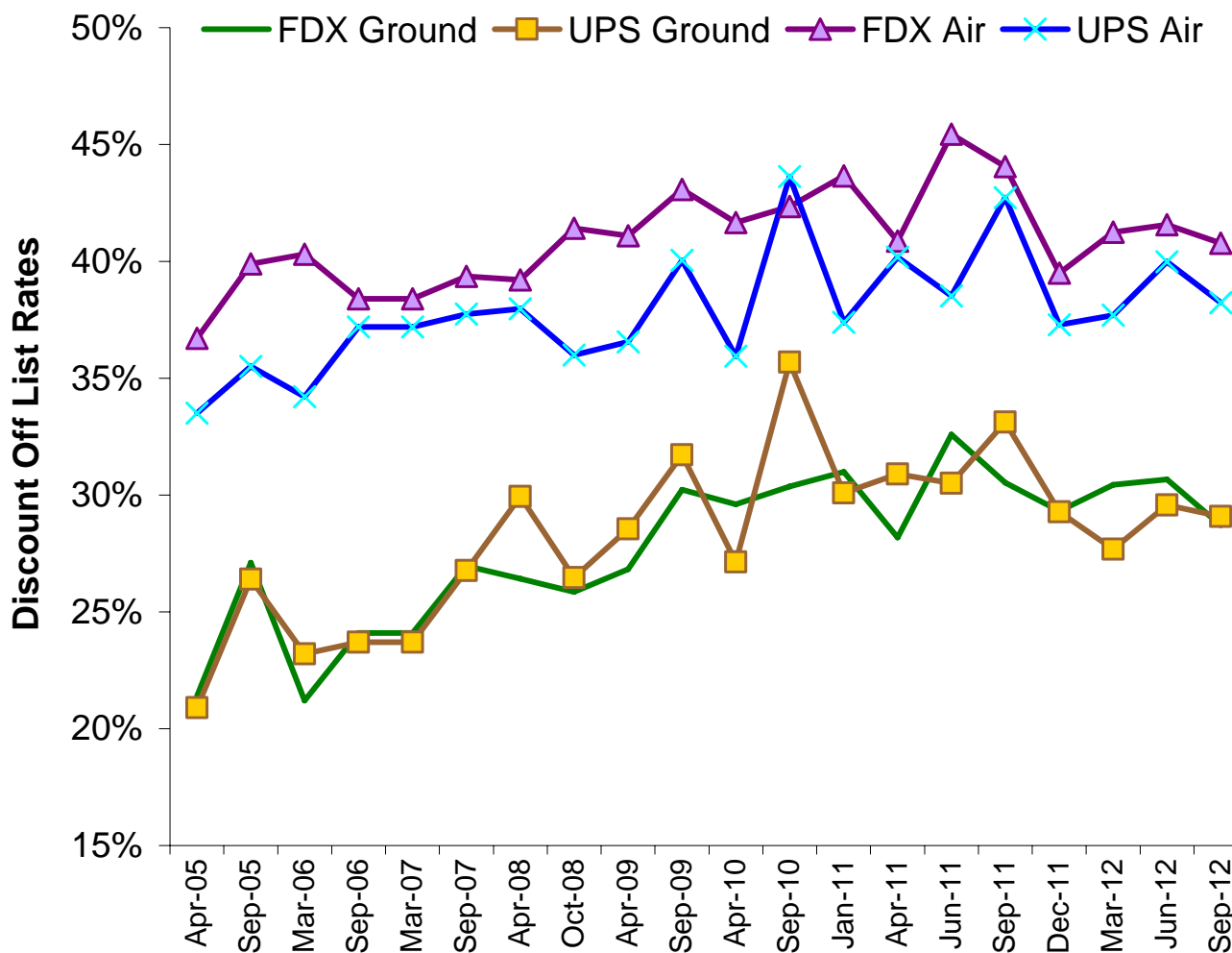


Source: Morgan Stanley Parcel Survey

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## Percentage Discount Off of List Rates

### Average Discount by Carrier and Product

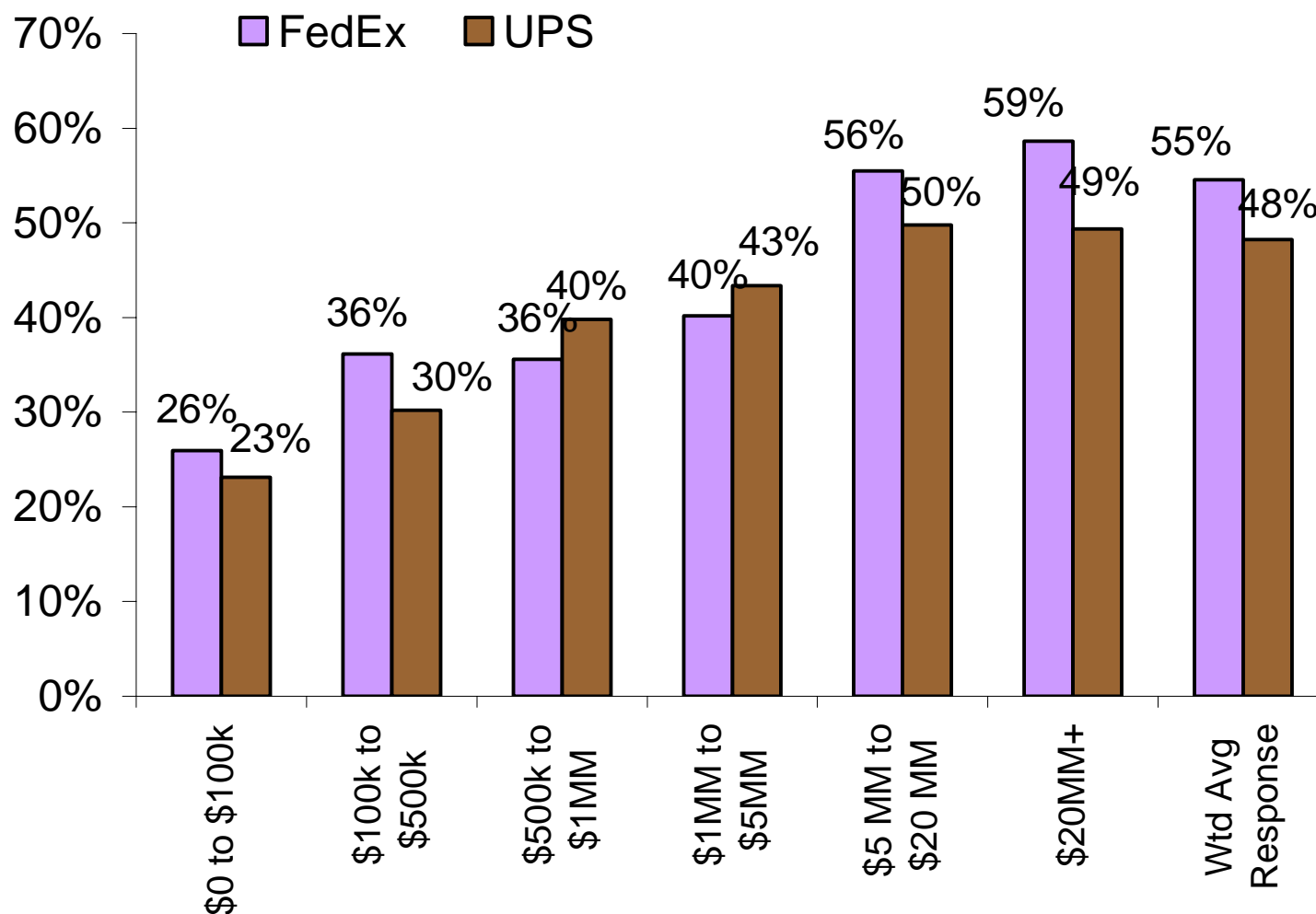


Source: Morgan Stanley Parcel Survey

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## Air List Rate Discount by Spend

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

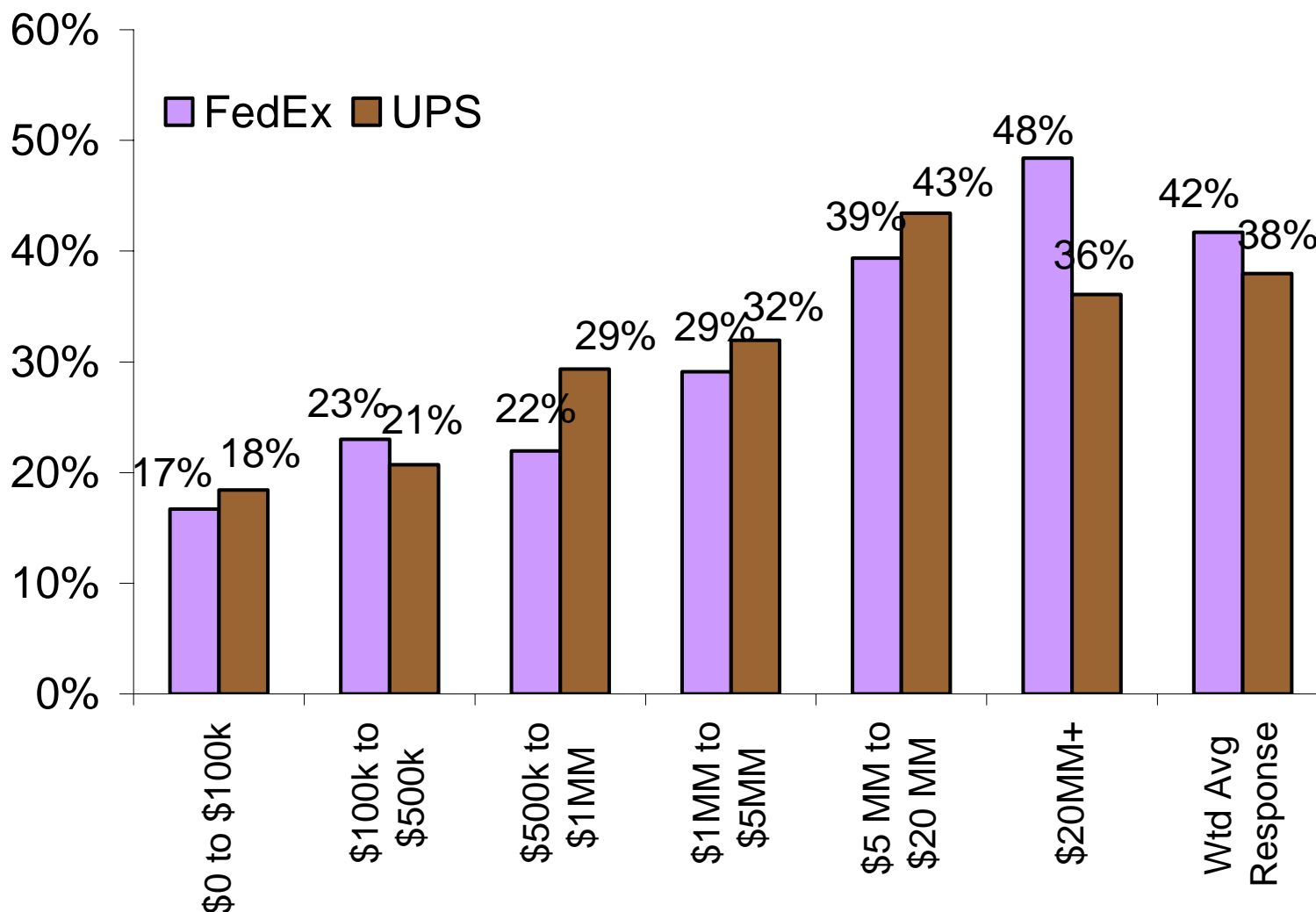


Source: Morgan Stanley Parcel Survey

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## Ground List Rate Discount by Spend

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



Source: Morgan Stanley Parcel Survey

William J. Greene, CFA, (212) 761-8017, [william.greene@morganstanley.com](mailto:william.greene@morganstanley.com)

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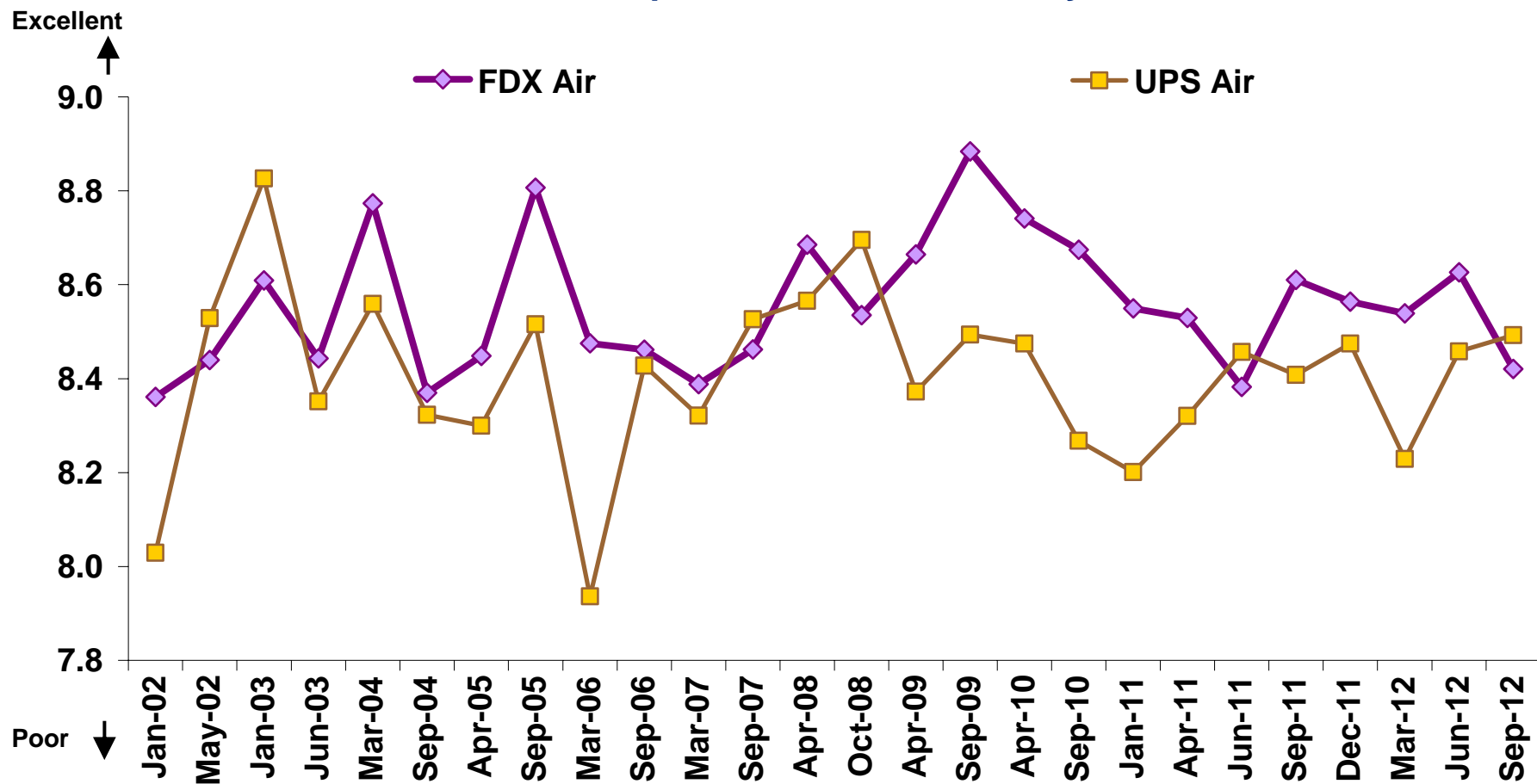
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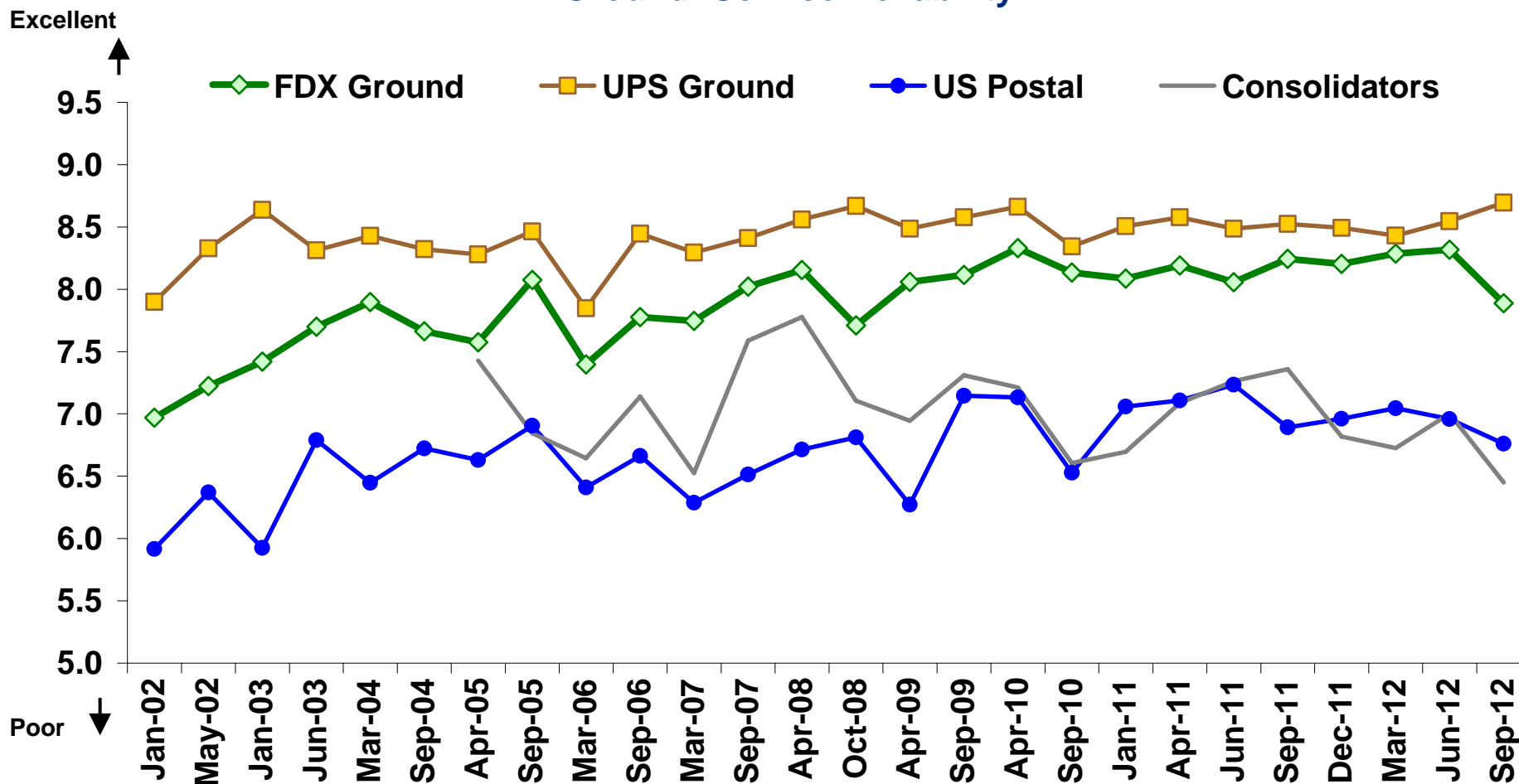


Source: Morgan Stanley Parcel Survey

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## Service Reliability Rankings: Historical Trends

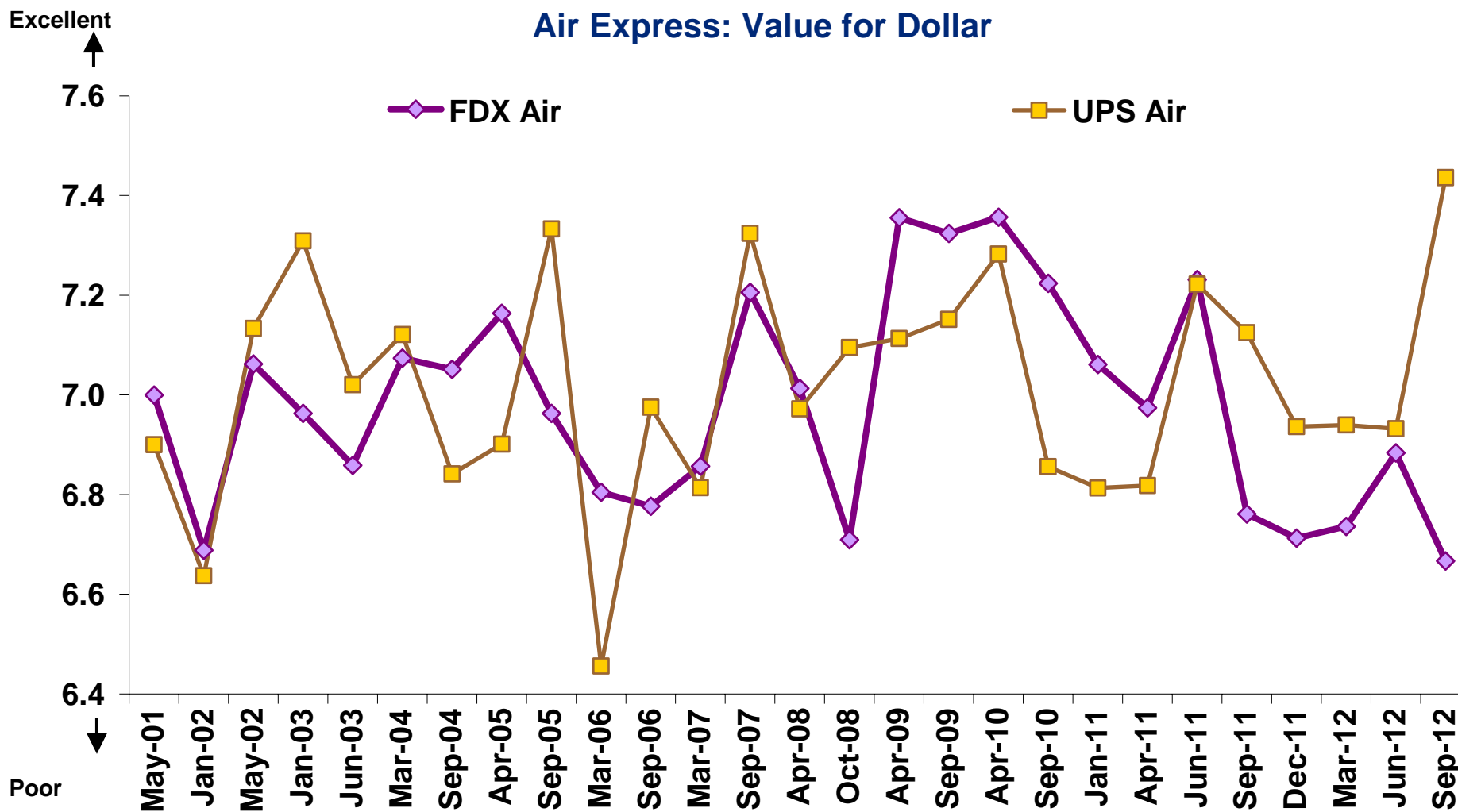
### Ground: Service Reliability



Source: Morgan Stanley Parcel Survey

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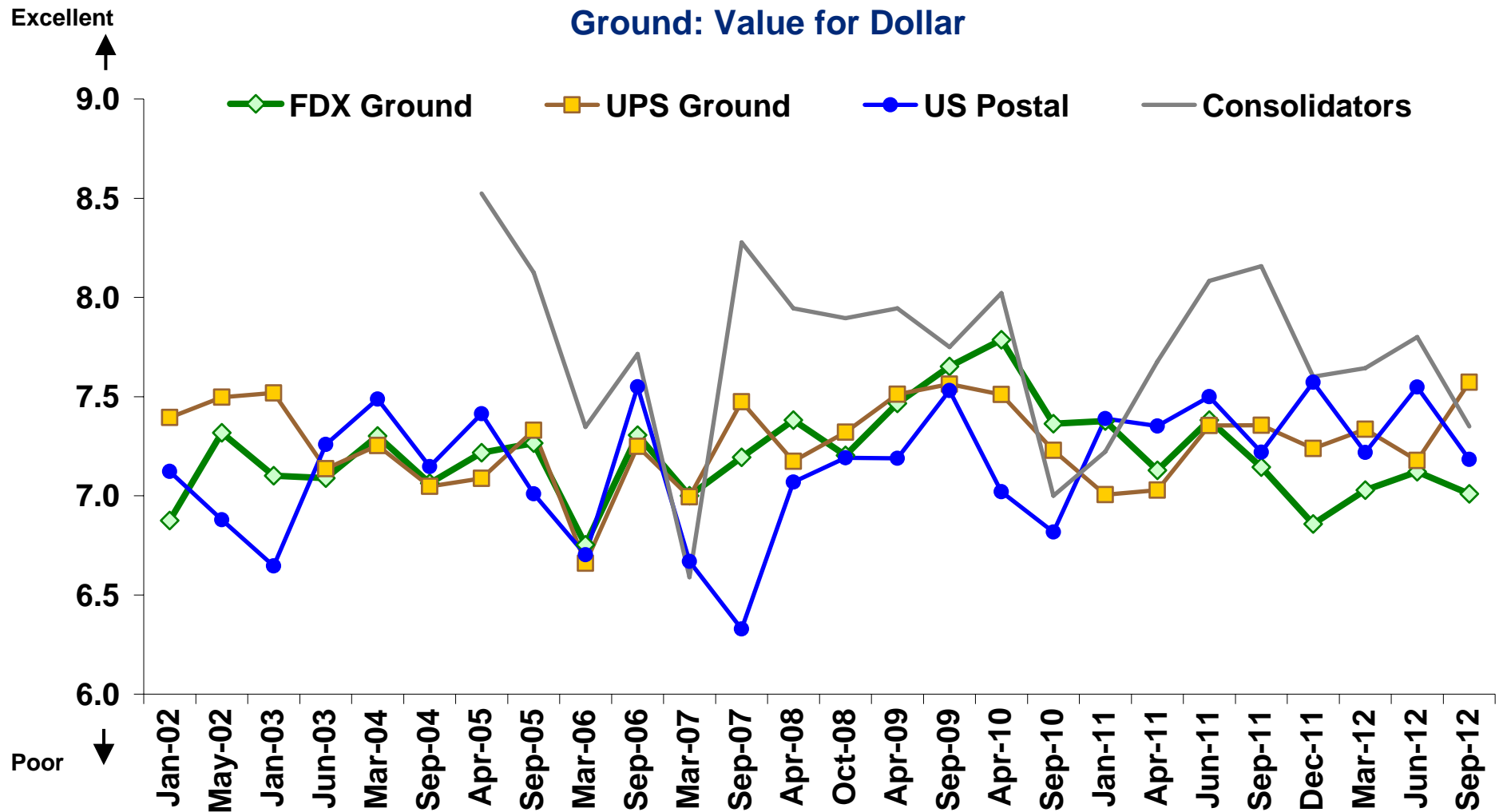
## Value for Dollar Rankings: Historical Trends



Source: Morgan Stanley Parcel Survey

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## Value for Dollar Rankings: Historical Trends



Source: Morgan Stanley Parcel Survey

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	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1108</b>	<b>37%</b>	<b>450</b>	<b>41%</b>	<b>41%</b>
<b>Equal-weight/Hold</b>	<b>1273</b>	<b>43%</b>	<b>500</b>	<b>45%</b>	<b>39%</b>
<b>Not-Rated/Hold</b>	<b>106</b>	<b>4%</b>	<b>30</b>	<b>3%</b>	<b>28%</b>
<b>Underweight/Sell</b>	<b>470</b>	<b>16%</b>	<b>122</b>	<b>11%</b>	<b>26%</b>
<b>Total</b>	<b>2,957</b>		<b>1102</b>		

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## Industry Coverage:Freight Transportation

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CSX Corporation (CSX.N)	O (06/11/2009)	\$20.75
Canadian National Railway Co. (CNI.N)	E (10/31/2008)	\$88.23
Canadian Pacific Railway Ltd. (CP.N)	O (09/24/2012)	\$82.89
Con-Way Inc. (CNW.N)	E (10/06/2011)	\$27.37
Echo Global Logistics Inc (ECHO.O)	O (07/16/2012)	\$17.15
Expeditors International of Washington I (EXPD.O)	U (03/22/2010)	\$36.35
FedEx Corporation (FDX.N)	O (04/01/2011)	\$84.62
Forward Air Corp (FWRD.O)	E (07/16/2012)	\$30.41
Genesee & Wyoming Inc. (GWR.N)	O (07/24/2012)	\$66.86
Heartland Express Inc. (HTLD.O)	U (05/06/2011)	\$13.36
Hub Group Inc (HUBG.O)	E (07/16/2012)	\$29.68
J.B. Hunt Transport Services Inc. (JBHT.O)	E (05/06/2011)	\$52.04
Kansas City Southern (KSU.N)	O (05/10/2010)	\$75.78
Knight Transportation Inc. (KNX.N)	U (05/06/2011)	\$14.3
Landstar System Inc (LSTR.O)	E (07/16/2012)	\$47.28
Norfolk Southern Corp. (NSC.N)	E (01/15/2008)	\$63.63
Old Dominion Freight Line Inc (ODFL.O)	O (10/06/2011)	\$30.14
RailAmerica, Inc. (RA.N)	U (07/24/2012)	\$27.47
Roadrunner Transportation Systems Inc (RRTS.N)	O (07/16/2012)	\$16.18
Saia, Inc. (SAIA.O)	E (07/09/2012)	\$20.14
Swift Transportation (SWFT.N)	E (01/26/2011)	\$8.62
UTi Worldwide (UTIW.O)	E (03/22/2010)	\$13.47
Union Pacific Corp. (UNP.N)	O (05/07/2007)	\$118.7
United Parcel Service (UPS.N)	++	\$71.57
Werner Enterprises (WERN.O)	U (06/11/2009)	\$21.36
XPO Logistics, Inc. (XPO.N)	O (07/16/2012)	\$12.24

Stock Ratings are subject to change. Please see latest research for each company.  
\* Historical prices are not split adjusted.