Uber Freight

2022 Q4 Market Update & Outlook

November 2022

Market update & outlook

Executive summary – 2022 Q4

Macro economy

- Consumer spending stagnating
- Early signs of weakening in manufacturing
- Trucking employment strong

U.S. – less-than-truckload

- Demand beginning to soften
- Pricing discipline remains
- Service levels stabilize, but can be improved

Europe

- Capacity loosening as volumes decline in Q3 2022
- Rates starting to plateau
- High inflation and looming economic contraction

U.S. – truckload

- Continued contraction in contract rates
- Carriers actively looking for freight via all contact methods
- Heavy RFP activity in Q4 with favorable shipper results

U.S. – bulk

- Lower spot rate premiums
- Improved first tender acceptance
- Extended lead-times for equipment purchases continue

Mexico

- Laredo spot rates softening
- Double trailer-trucks banned in Mexico
- Nearshoring efforts expected to counter softening capacity environment

U.S. – intermodal

- Dray and equipment capacity availability continues to improve
- Rail agreements tentative, negotiations continue
- Improved rail velocity is nearing the 5-year average

International

- US import volumes recorded decline in September
- Asia ocean import rates have declined drastically in Q3
- US port congestion is rapidly easing

Canada

- Economic factors suppressing domestic demand
- Market and pricing stabilizing
- Stricter ELD enforcement

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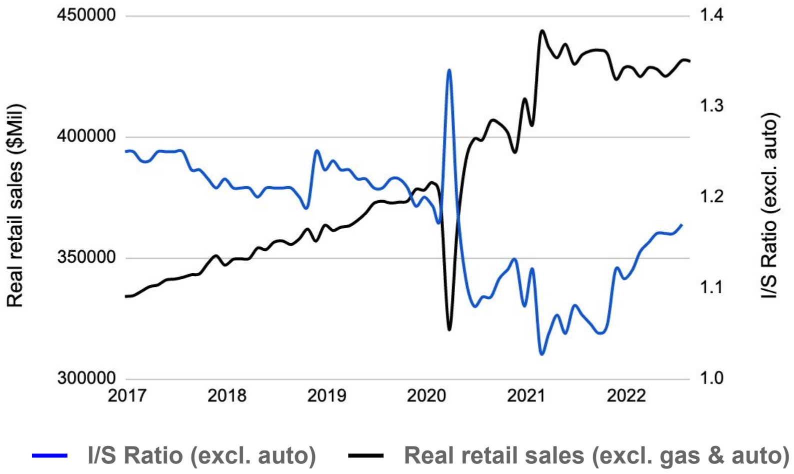
Macro Economic Update

Inventories continue to increase as consumer demand stagnates.

Real retail sales (excl. Gasoline and auto)* *(1)

MIllions of 2017 Dollars



- Consumers are spending approximately 8% more on retail than last year, however, this is still lower than the rate of inflation. Real retail sales (adjusted for inflation) are1% lower YoY.
- Inventories and I/S ratios continue to increase as demand stagnates.
- The personal saving rate is hovering around 3.5%, a level last seen just before the Great Recession. [(2)]
- The outlook for consumer spending looks uncertain, especially as they have been tapping into their COVID-era savings to maintain elevated levels of consumption.

[(1)] US Census Bureau, [(2)] US Bureau of Economic Analysis

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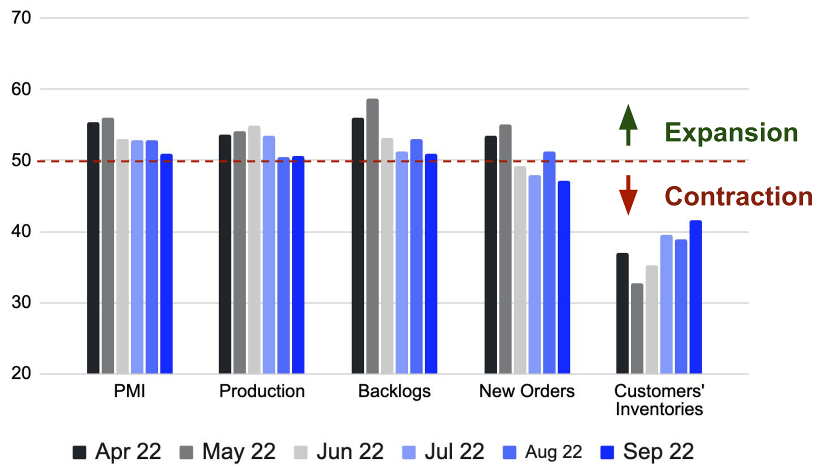
Manufacturing new orders slipped into contraction territory

ISM Manufacturing PMI [(1)]

Values above 50 imply expansion and below 50 imply contraction



- The ISM Manufacturing index decreased to 50.9 in September, about 10 points lower than a year ago.
- The indices of new orders and backlogs decreased, while customers' inventories increased, indicating weaker future demand.
- The index of prices decreased from 81.2 last September to 51.7, indicating a substantial slowdown in inflation of raw material prices.
- Despite the recent slowdown, manufacturing output was still about 3-5% higher than a year ago. *(2)*

[(1)] Institute for Supply Management; [(2)] Federal Reserve

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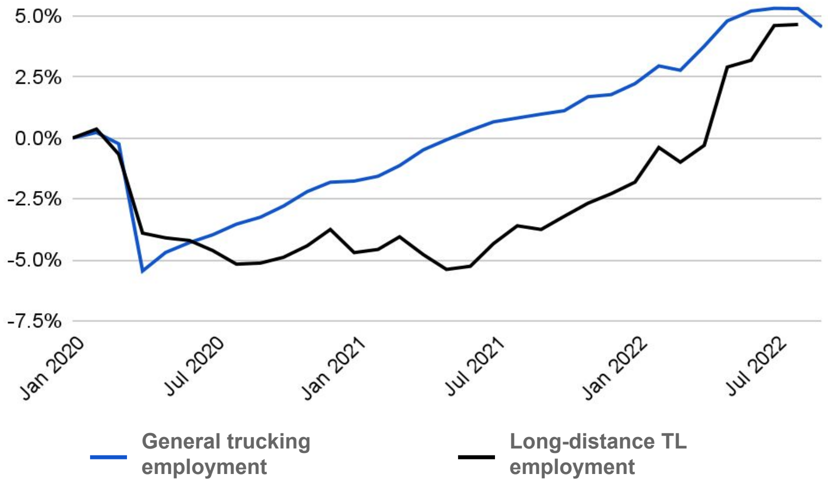
Supply continues to expand as the market adds more trucks and drivers

Trucking employment : Change from Jan 2020 [(1)]

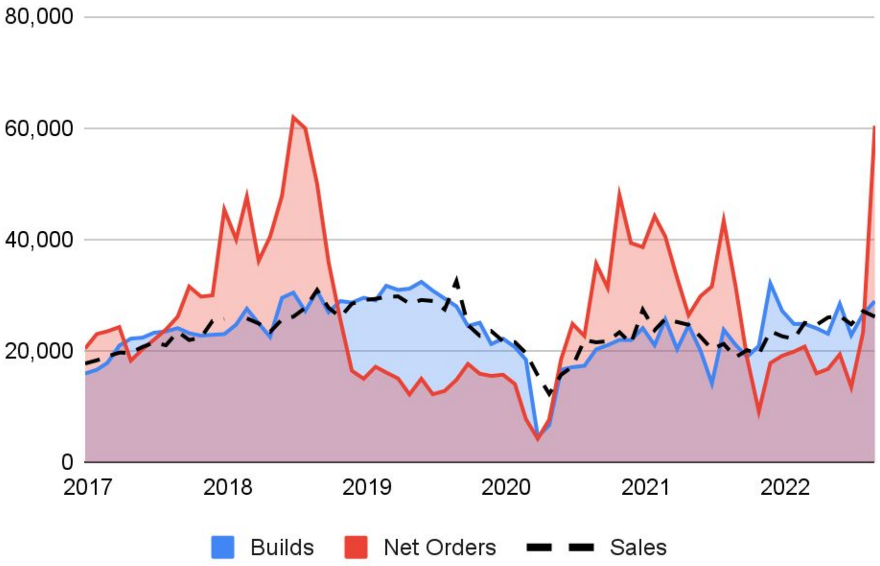


- Fleets over-hired in the past year. The fastest growth was seen long-distance truckload employment, which saw a record year-over-year increase of 9.3% in July.
- Many of these were owner-operators enrolling with larger fleets as the spot market softened.
- As demand normalized, carriers cut 11,400 jobs in September. This was the largest drop since April 2020, and the second decrease since then.
- Trucking employment is currently about 5% above its pre-pandemic levels.

(1) Bureau of Labor Statistics

Supply chain constraints starting to ease, and trucks are hitting the market

Truck builds, orders and sales [(1)]



- Supply chain constraints continue to ease: Class 8 truck production and sales were 33% and 29% higher YoY respectively.
- The order backlog decreased by 25% YoY, as inventories rose by 39%.
- The order lead time (time between ordering a truck and receiving it) dropped below 8 months, after averaging 11.4 months last year.
- Truck orders surged to a record level in September. However, this was likely driven by easing supply chain constraints, as OEMs felt more comfortable opening their order books.

(1) ACT Research

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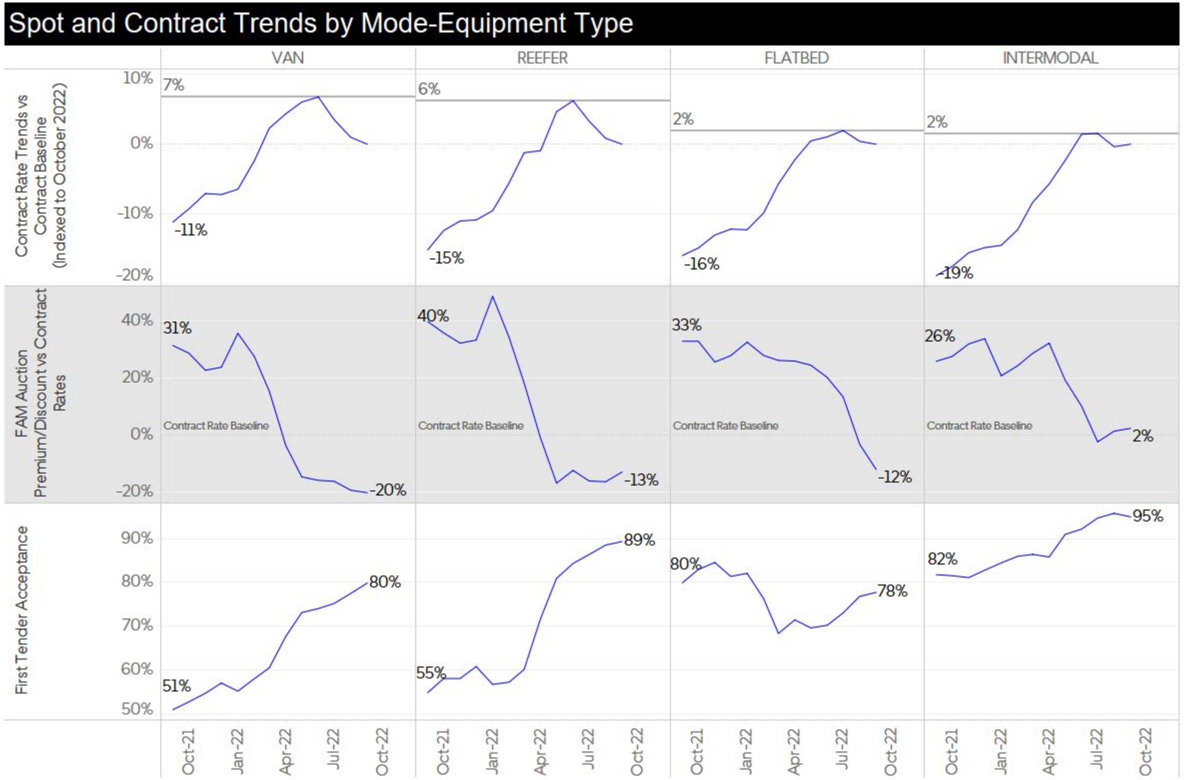
U.S. Full Truckload

Network trends

September 2021 To September 2022



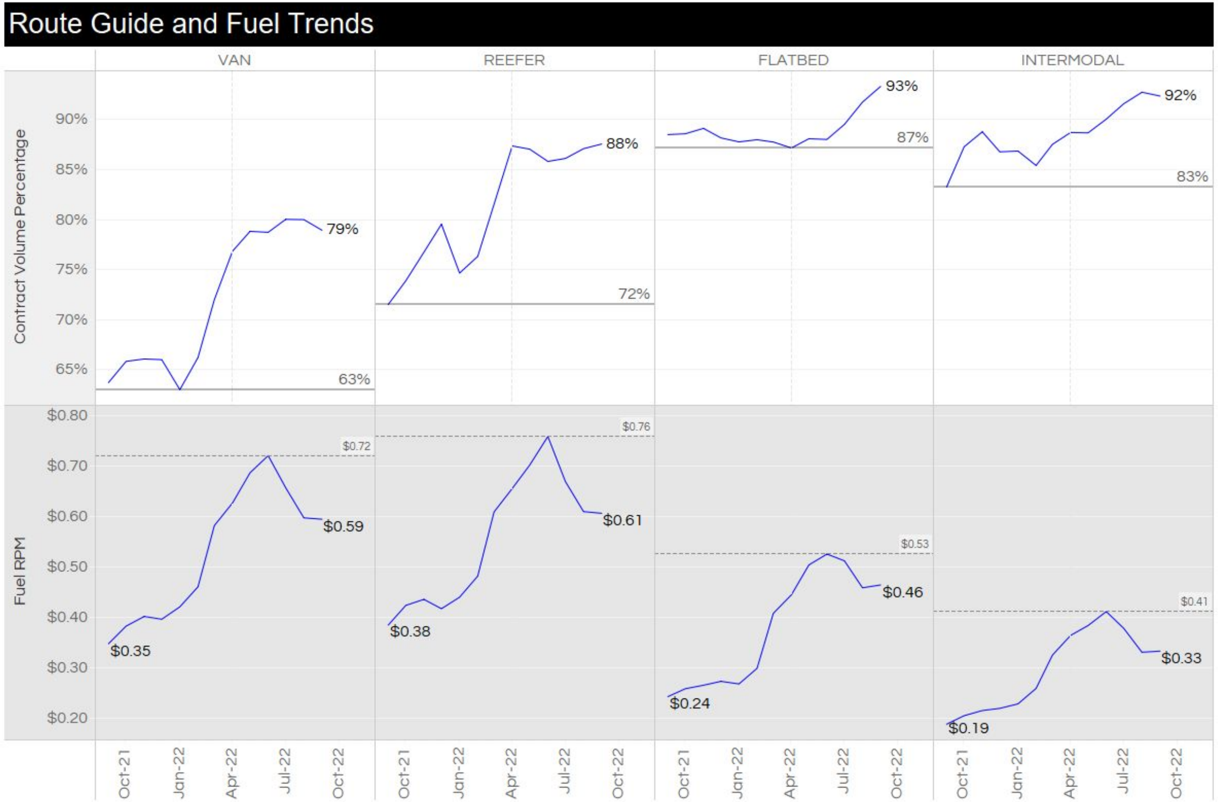
Source: Uber Freight 4PL TM – 222 Shippers, $7.2B Total Freight Spend

Rate trends

- Contract Trends and Spot FAM Auctions showing falling rates into 2022Q4.
- Contract Rates down 2-7% from Q2.
- Van/Temp FAM Spot Auction Rates at discounts (excl IM)
- First Tender Acceptance show significant improvement YoY (excl. Flatbed).

Network trends

September 2021 To September 2022



Source: Uber Freight 4PL TM – 222 Shippers, $7.2B Total Freight Spend

Route guides

- Contract enabled volumes showing significant improvement YoY for Van/Temp/IM/Flatbed.

Fuel

- Fuel costs trending down off May-2022 peaks.

Carrier sentiment

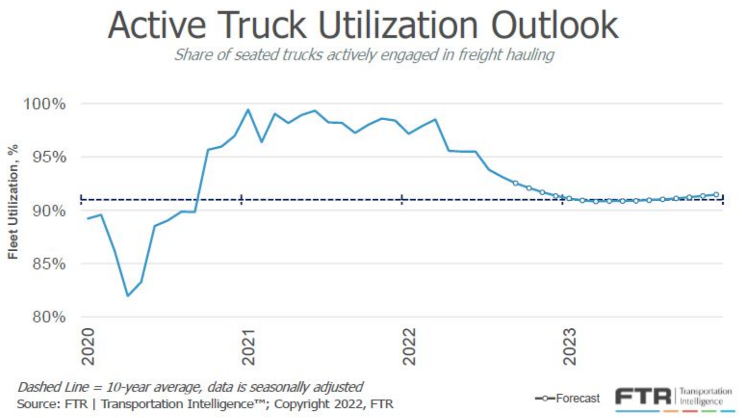
FTR forecasted active truck utilization (seated trucks, engaged in hauling freight) is weaker than in the prior outlook and bottoms out under 91% early in 2023 before starting to firm modestly in mid to late 2023.

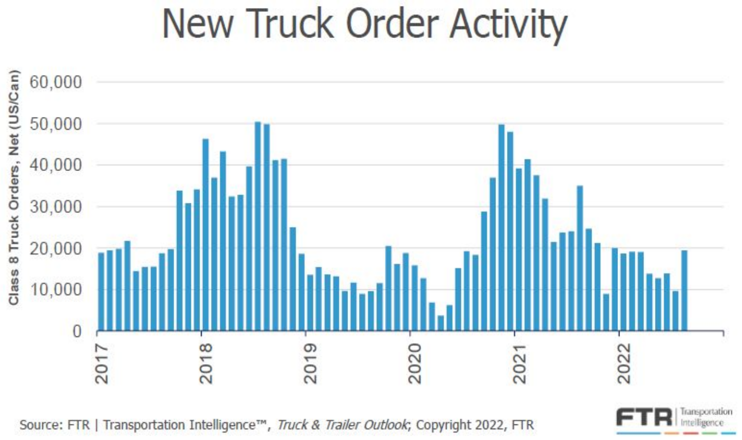
Class 8 production has increased by 6% per day as manufacturers begin filling 2023 orders.

- US Retail sales increased month over month, but caution remains ahead of holiday and potential recession.
- Trailer orders leveled off (-1%) from previous month of 20+% growth. Spike expected with 2023 builds next month.
- Average wait time for new truck fell to just under 7 months compared to 8-9 months in July.

Carriers are now bidding on more volume than in the previous 18 months while searching for opportunities and ways to get and retain drivers and improve operating ratio.

- Home time for drivers continues to be a priority while balancing productivity.
- For-hire trucking added just 800 jobs in August.





Cost and capacity pressures easing

Executive summary: supply loosening while demand levels off leading to easing of cost pressures

Rates

- Contracts continue to drop through RFP process
- Spot rates have mostly stabilized
- Continued pressure in incumbent carrier pricing as shippers look for cost savings
- Diesel prices continue to rise as distillate inventories are still very low.
- First tender accept has significantly improved as demand retreats
- Fuel costs continue to top list of trucking industry concerns when coupled with failing contract rates

Supply

- OEM's have begun accepting orders from 2023, trend to continue throughout Q4
- Class 8 build improving but production rates remain restrained
- Used Class 8 declined for sixth consecutive month
- Trailer production was up modestly when compared to July

Demand

- Peak (October – mid-December) expected to be weak
- Retailers discounting inventory in select categories to clear excess inventory
- Industrial production, manufacturing output rise
- Housing stats fall but remain above 2019 levels. Existing home sales decline for eighth month
- West coast spot volume lowest since May 2020
- RFP's continue to be pulled forward in effort to capture savings and introduce new carriers

Labor

- Trucking job growth has slowed
- Driver shortage continues to ease in 2022 but expectation is that relief is temporary in the long term
- Employment gains were broad based despite rising interest rates and inflation
- Independent contractors with 1-5 trucks closing doors appears to have leveled, temporarily, as large fleets are hiring less new payroll
- Shift continues in long-haul drive base to short haul more desirable work for the drivers

Policy ?

- AB5 enforcements has been light thus far but potential for large fleets to exposed first. Potential for other states to follow suit
- Policy change at FMCSA for first time positive hair follicle testing
- Cullum Owings Large Truck Safe Operating Speed Act which would introduce speed limiters (65 mph) continues to linger in Senate
- Rulemaking by National Highway Traffic Safety Admin concerning automatic emergency braking and the mandate for all new trucks

Contingencies for uncertainty

Planning <u>and</u> reacting to your network is **key**

Performance measurements

- Conduct frequent, detailed route guide performance assessments
- Work collaboratively with carriers to create trip wires to drive agility into the routing guide
- Continuously monitor critical KPI's
  - Primary Tender Accept by carrier, lane, endpoints and business units
  - Spot inflation by carrier and lane
  - On-time metrics for pickup or delivery
- Take advantage of current spot market on lanes with poor primary service

Increased carrier compliance, accountability and remediation

- Continuously set KPI expectations with core providers
- Identify root cause of service failures and Primary Tender Acceptance tracking
- Embark on creating smoother, more predictable flows through better collaboration with vendors or customers where possible

Reduce tactical procurement cycle time

- Develop efficient market rate collection/implementation processes to correct failures
- Cultivate partnerships and reward key partners
- New bid strategies – gap bids to capture potential savings and new carriers, performance
- Challenge out-of-market rates
- Start process as soon as possible to source seasonal/peak capacity planning and set realistic expectations with partners

Focus on relationships with strategic carriers

- Support the driver base by minimizing time at the dock, trailer turns,
- Provide amenities such as parking and restrooms, communicate to employees the importance to the drive base
- Tender with as much notification as possible
- Support productivity and reduction of empty miles
- Honor key partner commitments

U.S. Intermodal

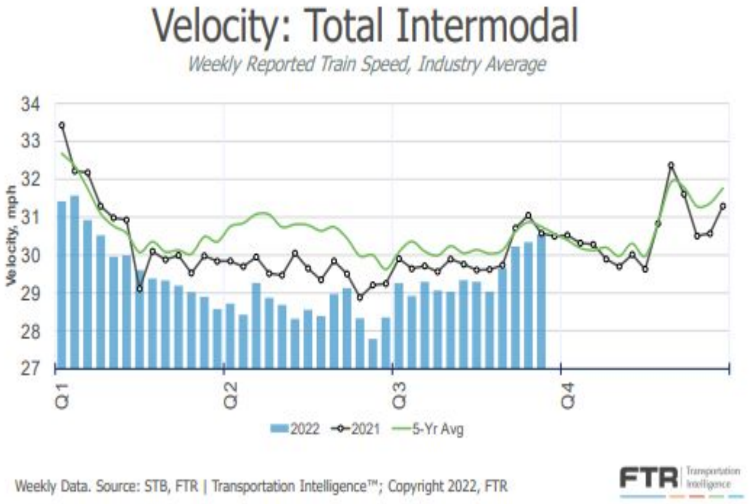
Key factors impacting supply

Dray Capacity

- Dray capacity is no longer a constraint in most metro areas. There is still difficulty with coverage on weekend and overnight appointment freight.
- AB5: There still has not been a significant impact from the implementation of the AB5 legislation.

Railroads/Equipment

- The railroads continue to focus on hiring train crews and other staff in order to respond to the current demand. They have added train starts in a number of high-volume lanes.
- Intermodal providers continue to receive new containers. The added capacity is expected to exceed 40K units.
- The average equipment street dwell time is still elevated and it is causing periodic congestion at railroad terminals as well as a shortage of chassis, which can impact the availability of empty containers.
- There may be some level of volume allocations implemented by intermodal providers during the fourth quarter in a few metro areas, but overall there is not expected to be a peak season with larger scale allocations and peak surcharges.
- In previous updates we referenced a shortage of equipment in the following metro areas: Charlotte, Memphis, south Texas, Mexico. While those are still deficit markets, they have even had pockets of available capacity recently.
- Railroad Labor Update: As of October 26, 6 of the 12 unions had ratified the agreement, 4 were pending final votes, and 2 had not ratified but they had agreed to maintain the status quo. In the event of a failed ratification, the parties have agreed to maintain the status quo for a period of time pending any further discussions and assessment of next steps. As such, a failed ratification does not present risk of an immediate service disruption. The voting will wrap up on November 17.



Rail Service

- There is some optimism regarding the recent service trends. For the first time since the first quarter, train velocity is approaching the 5-year average.

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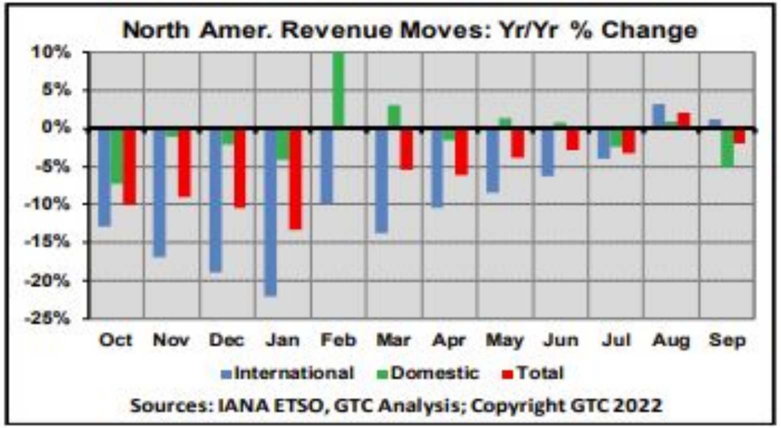
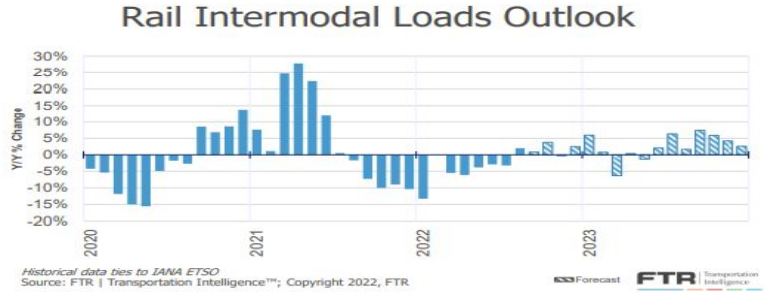
Key factors impacting demand

- After a slight year over year increase in volume in August, volume dropped off again in September. Intermodal volume has been down year over year in 10 of the last 12 months.
- Over-the-road capacity continues to be plentiful overall. Over-the-road spot rates and tender rejection rates continue to be extremely low. Shippers locked up contract capacity during the last bid season. Volume has shifted back to over-the-road, especially where shippers need the faster transit time.
- Import volume has dropped off, especially off the West Coast. The East Coast and Gulf Coast import volume remains stronger.
- The movement of international boxes inland to customers has increased again, which has resulted in a drop off in transloading volume, which further impacts the domestic intermodal volume. This has increased the supply of international boxes for westbound moves, and as the congestion has eased up at the ports, the demand for this equipment has increased.
- Diesel fuel prices are on the rise again, with the DOE average in October reaching a level that we had not experienced since July. Other costs are elevated as well, and that along with lower spot rates will put a lot of pressure on trucking companies, and capacity is expected to exit the industry.
- Longer-term supply issues for over-the-road capacity will drive volume to intermodal.

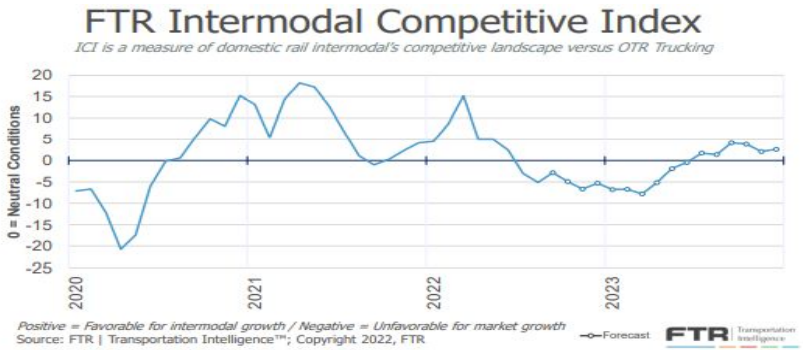




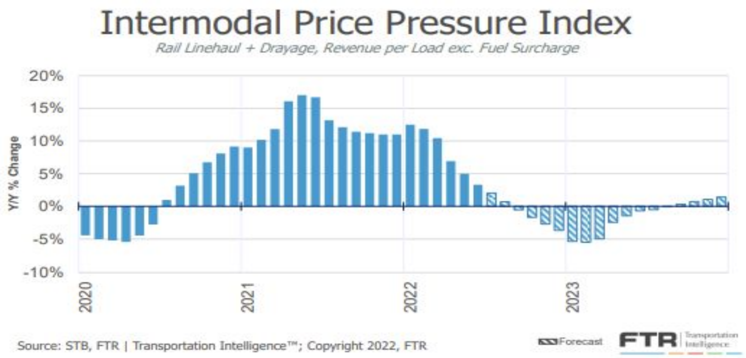
Intermodal volumes are expected to return to more normal growth rates in 2023 after a challenging last three years.

An economic slowdown or a prolonged shift from rail to truck could cause the outlook to be overly optimistic.

Current pricing impact, outlook and recommendations



Intermodal's competitiveness with domestic truckload carriers is expected to be sharply negative for the first part of 2023 before becoming more positive as peak season emerges. Changes to the outlook for rail service or diesel prices could alter this outlook dramatically in either direction.



Intermodal pricing pressure exclusive of fuel surcharge is expected to come in rather dramatically over the next several months before stabilizing early next year in the negative 5% range.

That comes after two years of mid-double digit gains.

- **Spot Rates:** They have fallen to levels that in some cases we have not seen since 2019.
- **Contract Rates:** The results are currently mixed, as they vary by specific customer opportunities as well as by lane. Here are factors that are taken into consideration:
    - Lane based pricing tied to surplus and deficit markets for equipment.
    - Dray utilization: Long regional drays and long live loads/unloads are still not as attractive to providers as driver utilization remains a focus.
    - Equipment costs. Dwell is still an issue and equipment costs are being taken into consideration.
    - Fuel. The DOE is rising again and the higher costs and the differential between what providers pay their vendors versus what they receive from shippers is being taken into consideration in the final linehaul rates.
- **Overall:** Contract rate changes are ranging from 5% decreases to 5% increases.

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Industry observations

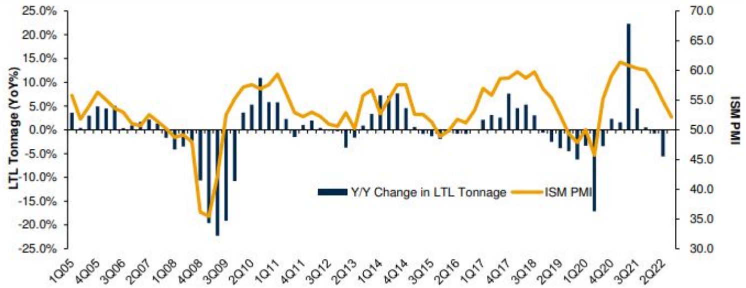
- Freight Indicators & Outlook: Intermodal outlook remains little changed with a weak position for full year 2022 before improving. Risk factors abound that could cause the absolute result to be materially different include a softening economy or a modal shift from rail to truck.
- Intermodal volumes are expected to decline this year by just over 2% compared with 2021, and most of the risks are to the downside. Domestic is still expected to outperform international, both over the balance of 2022 and through the coming years.
- Port volumes remained strong in August, but the location of the freight changed with East and Gulf Coast ports seeing much more traffic. The San Pedro Bay ports of Los Angeles and Long Beach are heard to be nearly completely clear of congestion while ports in Savannah, Charleston, and New York/New Jersey struggle with the amount of volume seeking to flow through them.
- Canadian and Mexican intermodal loadings have been fairly stable over the same period, with Canada even showing a bit of growth over the last few weeks. This lends credence to the idea that shippers are moving freight around and that these movements are having downstream effects on the amount of rail intermodal freight that is available for U.S. carriers to move than those on the West Coast.
- AAR Weekly Data: Halfway through October and no sign whatsoever of Fall peak.
- Service: Good news – progress is evident in a number of areas.
- Drayage Demand Index: The Supply/Demand balance is loosening and that trend is expected to continue.
- Forecast: We are now including a mild recession in the forecast for 2023.

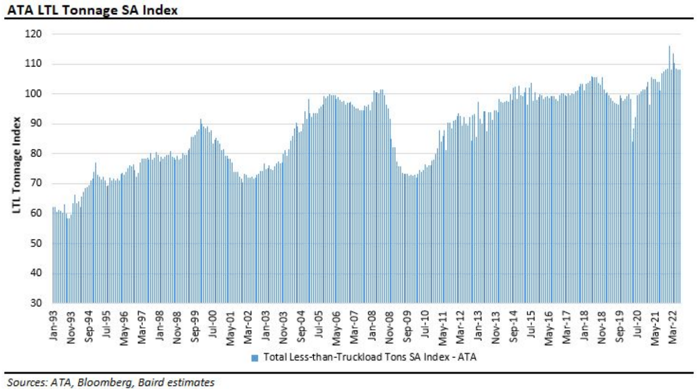
**Source: Intermodal in Depth October 2022 Issue; FTR October 2022 Intermodal Report*

U.S. Less-Than-Truckload

Key factors impacting demand

Tonnage and shipment count continue to slow





Source: Baird & Stephen

- Institute for Supply Chain Management (ISM) and Purchasing Managers' Index (PMI) are good indicators of LTL freight volumes
  - A reading above 50 indicates manufacturing economy is expanding
  - October PMI reported at 49.9 which is a 28-month low
  - The historical correlation between U.S. manufacturing PMI and LTL tonnage suggests industry volume declination

- Tonnage and Shipment Count
  - Most carriers are experiencing available capacity within their networks due reduced tonnage & shipment count and outcome of adding additional capacity over past 18 months
  - Recent shipment count is down 5% - 6% and tonnage is down 4% - 6% YoY
  - Industry LTL tonnage, as measured by the ATA's industry proxy, peaked in January ~10% above the prior 2018 cycle high before moderating in recent months

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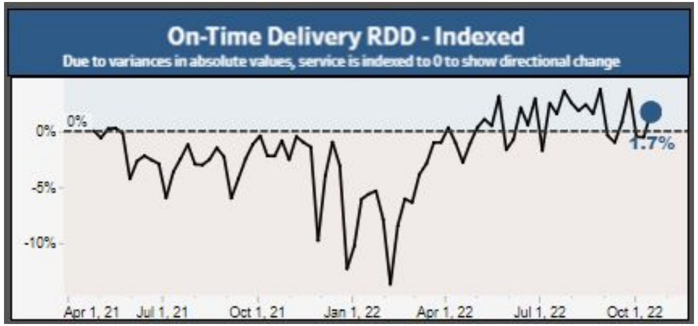
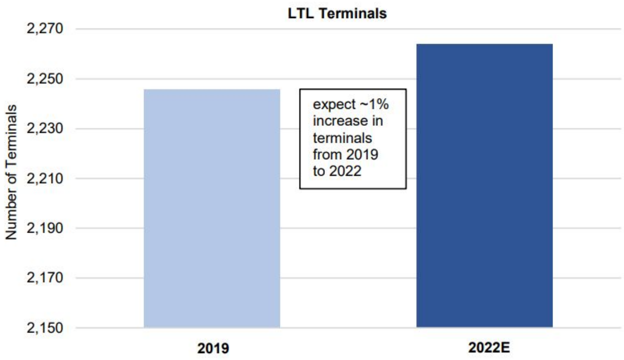
Key factors impacting supply

Available capacity and service levels stabilizing





Source: Stephens & Stifel

Easing carrier challenges

- Significant improvement to on time service beginning in March and continuing throughout the year.
- On-time service is still below historic, pre-Covid, levels, but leveling off at a "new normal."
- Efforts to increase capacity over past ~18 months have now come to fruition.

Persistent carrier challenges

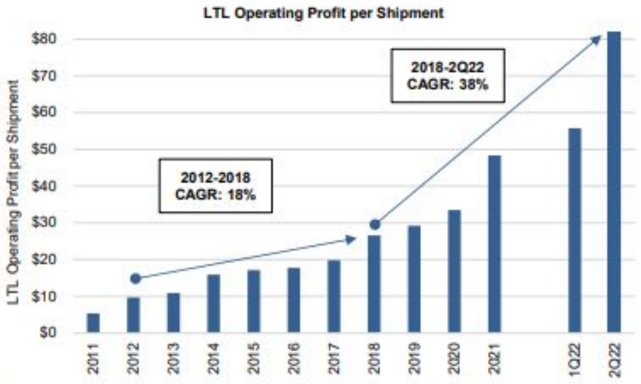
- Costs continue to rise at a high rate.
- Hiring qualified drivers continues to be a challenge.
- Significant investment in new tractors, trailers and real estate.
- Changing behavior from servicing customers within an over capacity network to servicing customers at an under capacity market with goal of improving on time service and improving/maintaining similar operating ratio.

Carrier actions in transitioning market conditions

- Focus on KPI's and not reducing service due to cost cutting measures.
- Offsetting increasing costs with automation improvements and reducing controlled costs coupled with historic price increases.
- Investment back into their network to build additional capacity and provide a better product.
- Fleet sizes are growing as tractor and trailer orders are delivered.
- Continued focus to hire qualified drivers.

Current pricing impact

Despite slowing tonnage Operating Ratios remain strong



Note: Includes ARCB, FDX, ODFL, SAIA, YELL and XPO
Source: KeyBanc Capital Markets Inc., Company filings

Operating Ratios (OR)

- Carrier's OR is dependent upon several key factors including:
  - Utilization (trailer, dock, driver, P&D and linehaul operations).
  - Accurate costing (freight profile, density–PCF, lanes, locations, etc.).
  - Pricing discipline (review regularly, price accurately).
  - Operational execution (efficiently operate network).
- Carrier's focus areas:
  - Strict pricing discipline.
  - Improve pricing on poorly operating business.
  - Focus on maximizing increase while maintaining / growing market share.
  - Improve operational efficiencies based off data and operations feedback.
  - Focus on achieving the "perfect shipment."
- Observations:
  - All carriers reported record low OR's in Q2.
  - Operational efficiencies remain a primary objective.
  - Pricing discipline across the industry remains strong despite slowing tonnage.
- Yields (rev / cwt excluding fsc) improved 14.6% y/y in the 2Q22.
- Per shipment profitability significantly improved from historical levels in 2020 with meaningful improvement beginning in Q1 2021 and continuing.

*YRCW/YELL reports one number beginning in 2020. For purposes of reporting kept separate and applied same number for each YRCW operating company
* Historically UPS Freight (T Force) LTL OR was reported within Supply Chain numbers. 2020 OR was isolated to just LTL division resulting in an increase in OR from historical numbers.
*Knight-Swift is defined as AAA Cooper beginning 7/6/2021 and Midwest Motor Express beginning 12/6/2021.

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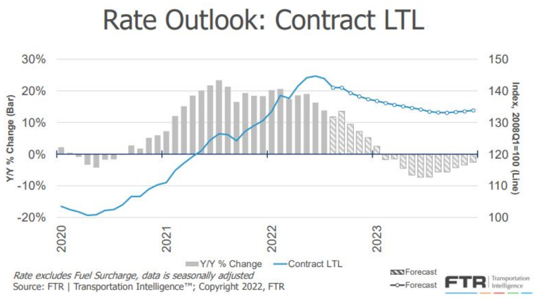
2022-23 rate outlook and contingencies



Contractual renewals

- Despite softening demand LTL carriers continue to pride themselves on being price disciplined.
- Expect lower contractual increases than in the past 24 months.
- Signs of pricing relief began in August and are expect to continue through at least beginning of 2023.
- Expect 2H22/23 contractual renewals to be in 4% - 8% range.
  - Majority of “price corrections” were made in 2021 and 1H2022 so expect minimal double-digit increases.
  - Focus on removing poorly operating business from networks or re-pricing at a significant increase (hard to handle freight, driver / trailer turnover delays, etc.).
  - Focus on higher increases on certain segments of business in order to reduce the overall impact to the majority of business and retain business levels.
- Focus on improving accessorial margin by removing historic waived fees (notify & appointment, reweigh & inspection), and continuing to strategically increase other impactful accessorials.

Shipper contingencies

- Ability to capture savings through introduction of new carriers and route guide adjustments.
- Introduce flexibility within operations and introduce 1 – 3 impactful initiatives to streamline LTL shipping.
- Improve carrier automation and driver & equipment utilization.
- Improve Bill of Lading quality and digitization of information sent to carrier.
- Focus on improving key factors that contribute to carrier’s OR.
- Adjust route guide to minimize impact of increases to align with carriers changing networks (give carriers freight that works well in their network to improve pricing and service).

Industry observations

What we are observing from the market

Service and capacity

- Carrier service levels have stabilized and show signs of incremental improvement over next 3 – 6 months.
- Heightened focus on technology to more efficiently operate terminals and automate with customers to reduce errors and labor expenditures.
- Focus from carriers to receive accurate Bill of Lading data electronically from customers in order to streamline their processes.

Carrier updates

- Carriers continue to open new terminals primarily to build density within existing service territory, and continue to add dock doors within existing terminals.
- Saia plans to open 13 terminals in 2022 and Arc Best plans to open 12 terminals.
- Yellow rolled out first operational phase to combine west coast Reddaway & YRC operations and expect to roll out similar program in midwest & northeast in near future.
    - Although Yellow expects service and cost improvements due to this transformation, they plan to reduce network by 17 terminals.
- Knight Swift unites LTL Carriers AAA Cooper & Midwest Motor Express to operate under one operating system while maintaining brand integrity.
- White House Speaker Praises LTL Freight Trade Association (NMFTA) for Cybersecurity Leadership.
- NMFTA Agrees to Assume Administration of Digital LTL Council and rolled out Digital LTL BOL.

U.S. Bulk

Bulk highlights

Diesel prices fell during Q3, but OPEC's recent decision to cut production has caused rates to surge as Q4 begins – jumping by $0.50 per gallon since Oct 3.

Delays in tractor and trailer production continue, with 12-18 month lead-times for new equipment.

Capacity is slowly improving in both liquid and dry bulk. However, bulk rate reductions lag behind the market in general due to specialized equipment needs.

Operational expenses remain high due to continued inflationary pressures in multiple areas, including wages, fuel, and equipment.

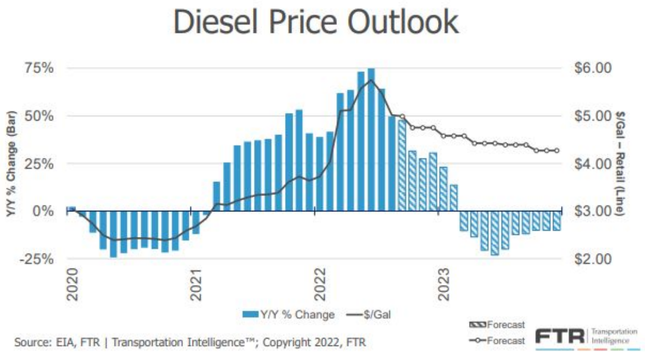
Current conditions

Overall market conditions:

- Primary Tender Acceptance improved in Q3, rising above the target of 90%, with September topping 92%.
- Spot volume has improved over the past 6 months, dropping from 20.2% in April to 15.7% for September.
- Contracted linehaul rates increased slightly in Q3, up 2% from Q2, while spot rates have decreased each month since June, falling 6% during that period.
- Carriers anticipate continued market softening for Q4, while noting potential volatility in the fuel and natural gas segments which can be impacted by climate/weather conditions.

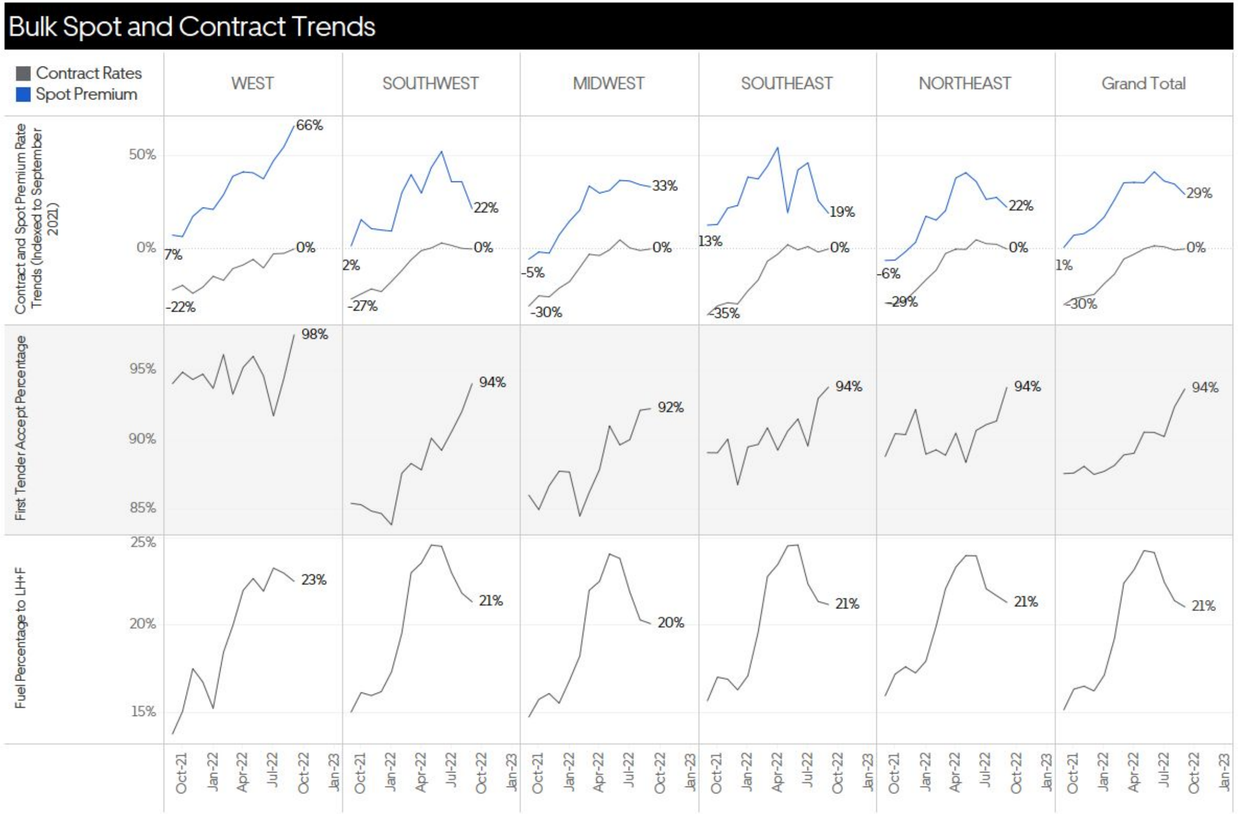
Specific call-outs:

- Fuel prices continue to be an issue. Rates dropped throughout Q3, but September ended with prices up $1.55 YoY. As mentioned, OPEC's production cuts have caused rates to rise significantly in October.
- Carriers reporting more stability in driver hiring/turnover (although still a challenge).
  - Pay increases are slowing, and turnover rates are dropping.
  - Change of approach – Hire more / risk more turnover…yielding net gains.
- Mixed input from carriers on utilization - Some reported improvements in their networks, while others are repositioning drivers and equipment to better match capacity with available loads.
  - Some shippers are struggling to keep their private fleets fully utilized, and are beginning to look outside of their own networks for loads.
- No improvement seen on equipment purchases.
  - Bigger factor than driver shortage.
  - Tractors and trailers still 12-18 month lead time.
  - Considering acquiring other carriers just for the equipment.



- **Published prior to OPEC production cuts**
- **US average rate has risen from $4.84 to $5.34 in 3 weeks**
  - Record high was $5.81 in June

Bulk truck rate trends



Source: Uber Freight 4PL TM

- Inflationary pressures easing
- Spot rates 29% above contract rates with very limited use as First Tender Accepts are trending at 94%
- West (CA-OR-WA) region showing highest spot premiums at 66% for Sept 2022
- Fuel pressures easing from 2022Q2 peaks

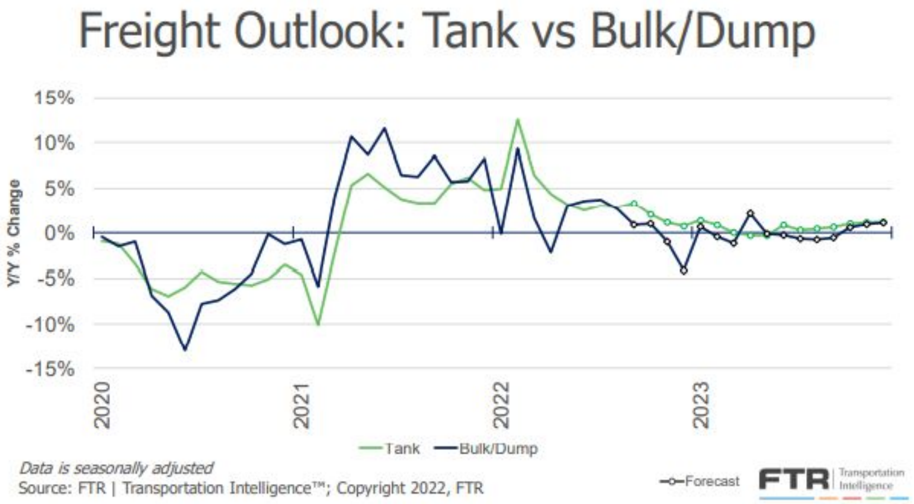
Bulk truck forecast

Tank:

- 2022 Growth now forecast at 3.8%, down from previous 4.0%.
    - Stronger outlook for fuels.
        - Impact of Oil Market on consumer demand.
    - Weaker growth in other segments.
- Growth slowing each month in Q4.
- 2023 Forecast at 0.6%.

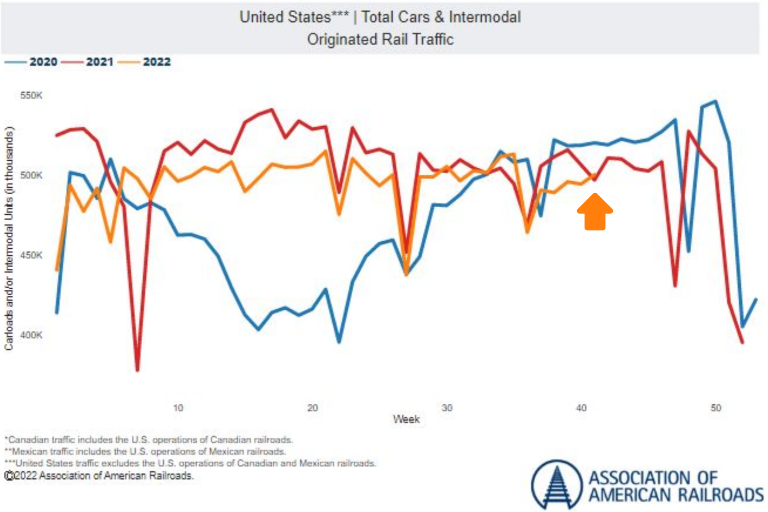
Dry bulk/dump:

- 2022 Growth now forecast at 1.4%, down from previous 2.0%.
    - Driven by weaker growth outlook for building materials.
- Q4 forecast at negative YoY change.
- 2023 Forecast basically flat at 0.1%.



Uber Freight

Rail volumes



U.S. Rail Traffic[1]

Week 41, 2022 – Ended October 15, 2022

	This Week		Year-To-Date		
	Cars	vs 2021	Cumulative	Avg/wk[2]	vs 2021
Total Carloads	**237,263**	**3.2%**	**9,489,495**	**231,451**	**0.1%**
Chemicals	31,288	-4.4%	1,362,506	33,232	2.7%
Coal	66,914	15.5%	2,707,962	66,048	3.6%
Farm Products excl. Grain, and Food	17,029	-0.6%	667,023	16,269	3.7%
Forest Products	8,786	-11.2%	400,102	9,759	-2.9%
Grain	25,843	3.0%	900,769	21,970	-4.3%
Metallic Ores and Metals	21,017	-4.4%	861,695	21,017	-7.4%
Motor Vehicles and Parts	14,839	10.9%	541,289	13,202	2.0%
Nonmetallic Minerals	33,404	3.9%	1,291,405	31,498	4.0%
Petroleum and Petroleum Products	9,982	0.8%	390,805	9,532	-9.8%
Other	8,161	-14.8%	365,939	8,925	-9.8%
Total Intermodal Units	**263,041**	**-1.6%**	**10,784,078**	**263,026**	**-5.0%**
Total Traffic	**500,304**	**0.7%**	**20,273,573**	**494,477**	**-2.6%**

[1] Excludes U.S. operations of Canadian Pacific, CN and GMXT.
[2] Average per week figures may not sum to totals as a result of independent rounding.

- Carload volumes remain steady in 2022, (up 0.1% YoY), while Intermodal volume is down 5.0% YoY. **Total combined US traffic is down 2.6% vs. 2021**.
- Chemical YoY loadings have softened recently, but remain strong YTD, up 2.7% vs 2021.
- Petroleum-related product volume is down significantly YoY (-9.8%).

Market summary and outlook

- Bulk tank truck market conditions expected to remain elevated for rest of 2022-23 with easing expected in early 2023.
    - Food grade noted as particularly tight.
    - Weather & climate will impact certain segments.
    - Carriers watching to see long term impact of election results.
    - While advanced booking always improves the likelihood of load coverage, carriers are reporting that they are able to cover more short lead-time windows than earlier in the year.
- After 3 months of steadily declining prices, fuel rates have surged in October.
    - How will the US counter OPEC production cuts?
- Equipment ordering still backlogged, with carriers reporting 12-18 month lead times, with specialized or custom orders taking longer to receive.
    - Carriers have varied outlooks, from “crazy” to “no relief in sight” to “slight improvement on the horizon.”
    - Some carriers cite equipment limitations as a bigger constraint on growth than the ability to find drivers.
- Carrier operational expenses continue to be elevated with rising costs and inflationary measures.
    - Some carriers noted that the pace of driver wage increases is slowing.
- Favorable rate trends heading into 2023.
    - Both contract and spot rates are dropping as we enter Q4, with spot rates falling faster than contract rates.
    - Brokers will still play a key role throughout Q4, although overall brokerage usage has fallen the past few months.
    - Rates are falling faster on more desirable lanes.

Europe

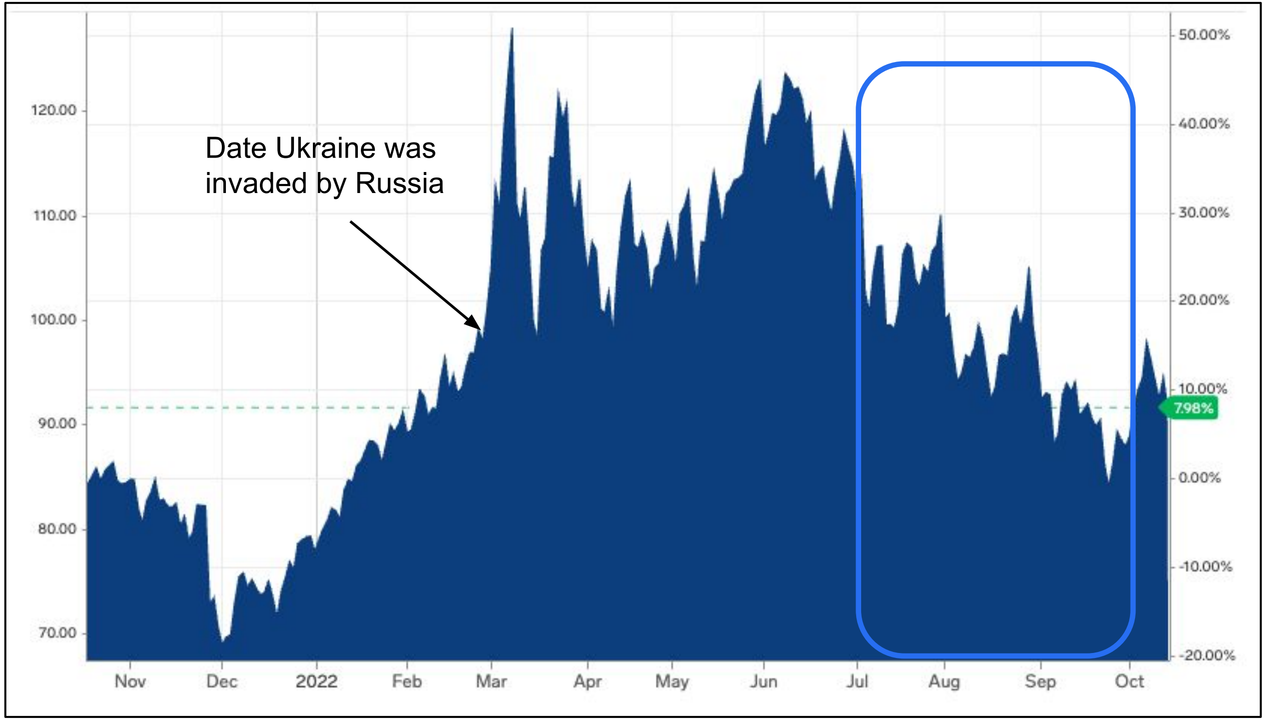
Factors affecting supply

Key points on capacity, pricing and driver shortages

- Q3 started to show an easing of transport capacity with many manufacturers reducing outputs and softening demand, but France remains capacity constrained. High energy industries are being even more heavily affected.
- Companies have higher inventories due to a rapid softening of demand, so warehouse space is limited – the lack of warehouse capacity and increasing labour and energy costs are increasing warehousing rates.
- Fuel prices have been volatile during the quarter, with oil prices decreasing by 21% in the quarter.
- France has been affected by strikes in many of the major oil refineries and depots affecting fuel supplies.
- The driver market remains challenging, with the EU Mobility pack having an ongoing additional impact. Eastern European transport companies continue to increase driver rates to retain drivers, and they continue to look further east for drivers.
- Ocean carriers are being forced to drastically adjust weekly capacity from Asia to Europe against a background of exceptionally weak demand.
- Pricing: There is a plateau in transport prices as demand weakens and fuel costs decrease. (See European Rate Trends Graphs).
- However, there are potential pent up rate increases pending for contract renewals due to the inflationary pressures on trucks, drivers, tyres, maintenance and driver costs.

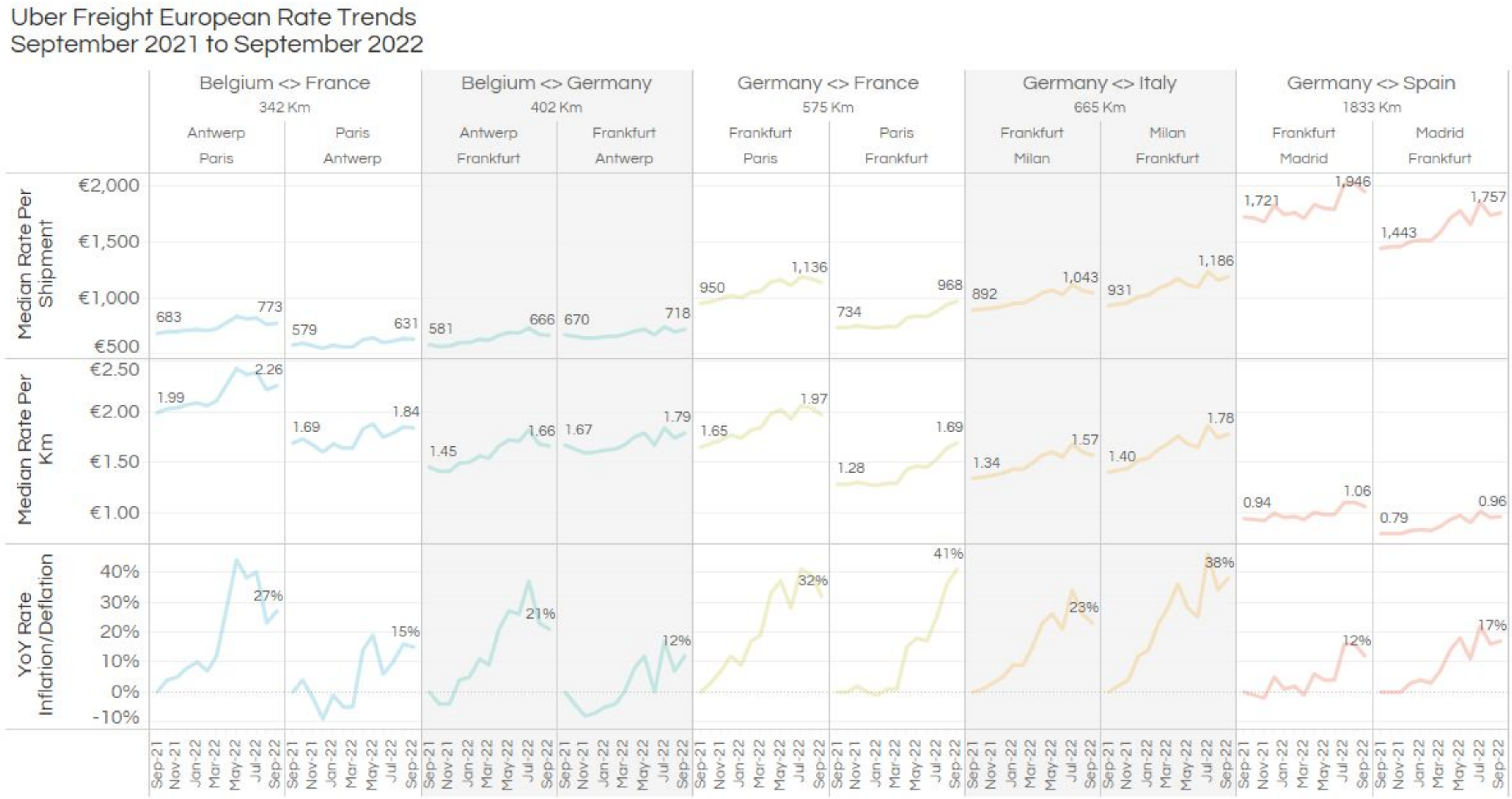
Factors affecting supply – oil price

Brent Crude (ICE) by Bloomberg



- The oil price has been volatile during the quarter varying from $111 to $88 per barrel.
- The price was it's highest at the start of the quarter.
- Quarterly decrease: Between July '22 - Sept '22 the oil price decreased by $23/barrel (-21%).
- YoY : Nov 2021 to Oct 2022, the oil price has risen 8%.
- Diesel prices across Europe have risen by 35% per litre over the past 12 months.

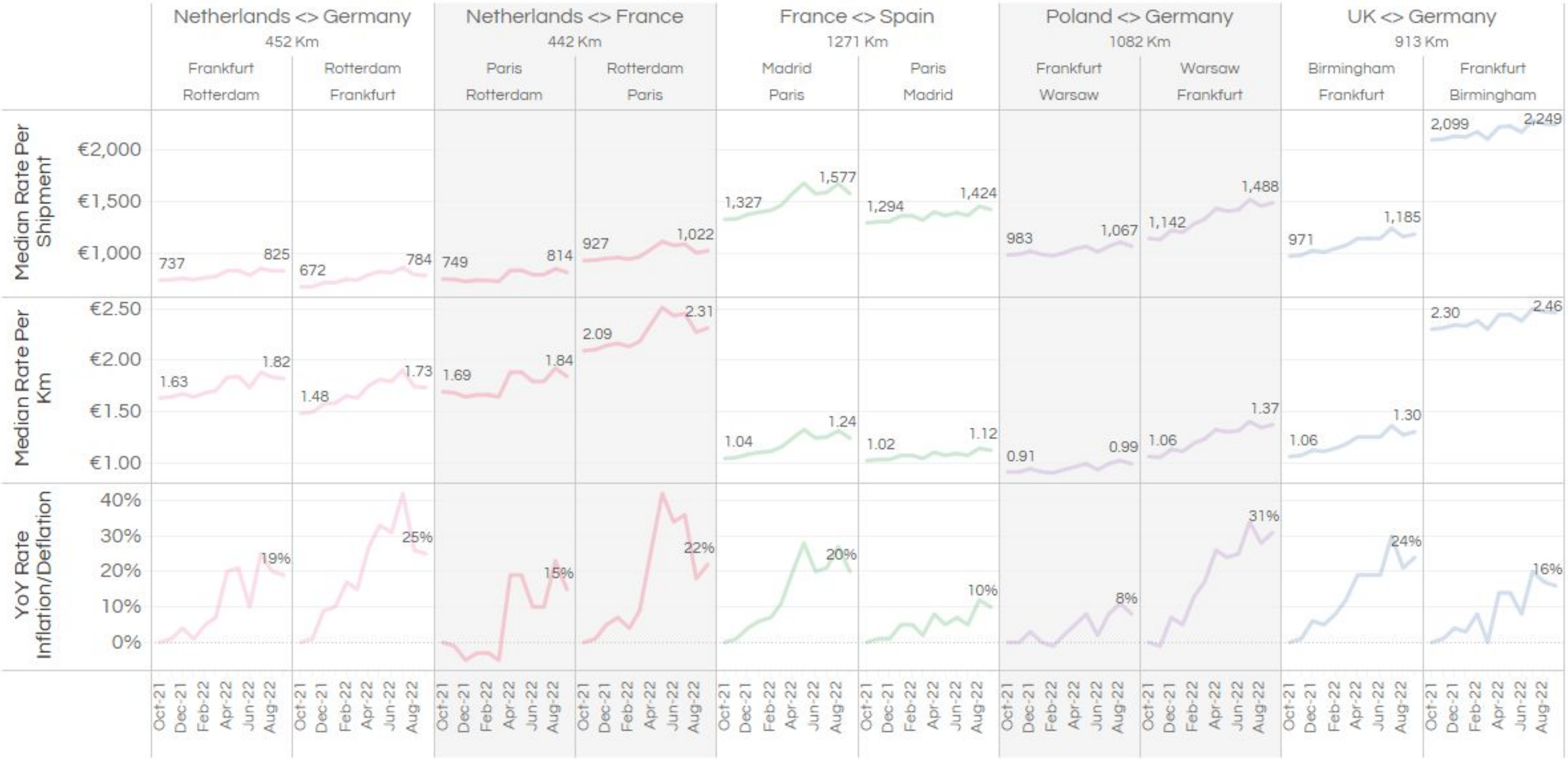
Uber Freight



Source: UPPLY.com

Uber Freight

Uber Freight European Rate Trends
September 2021 to September 2022

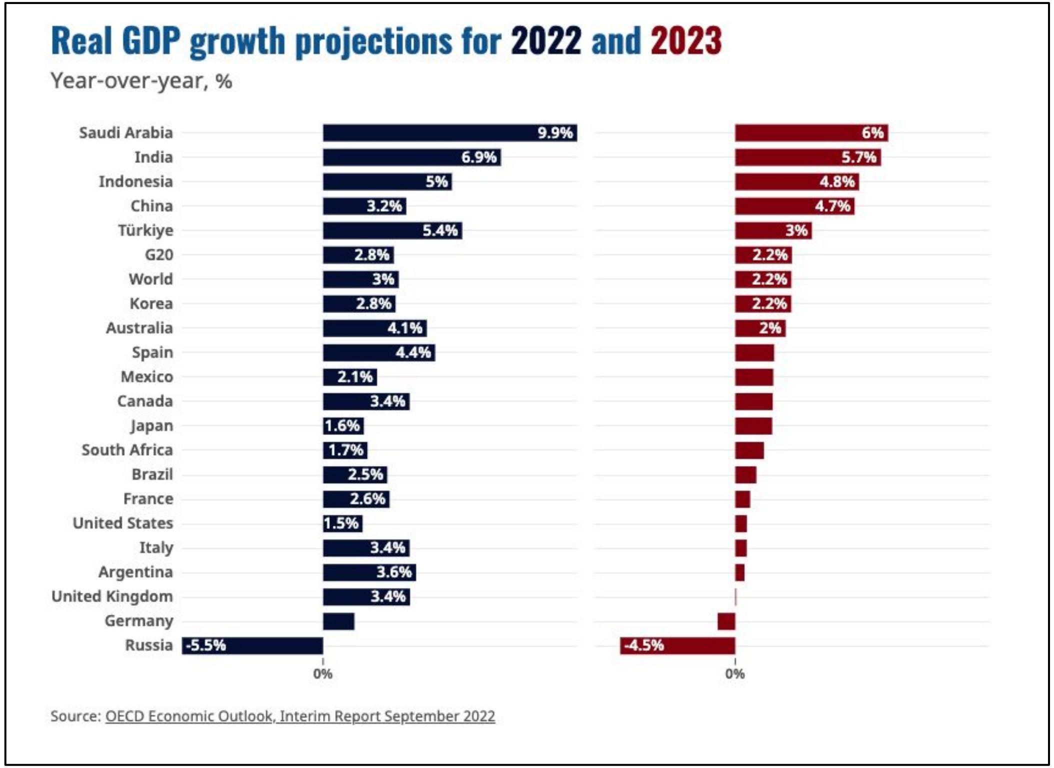


Source: UPPLY.com

Uber Freight

Factors affecting demand

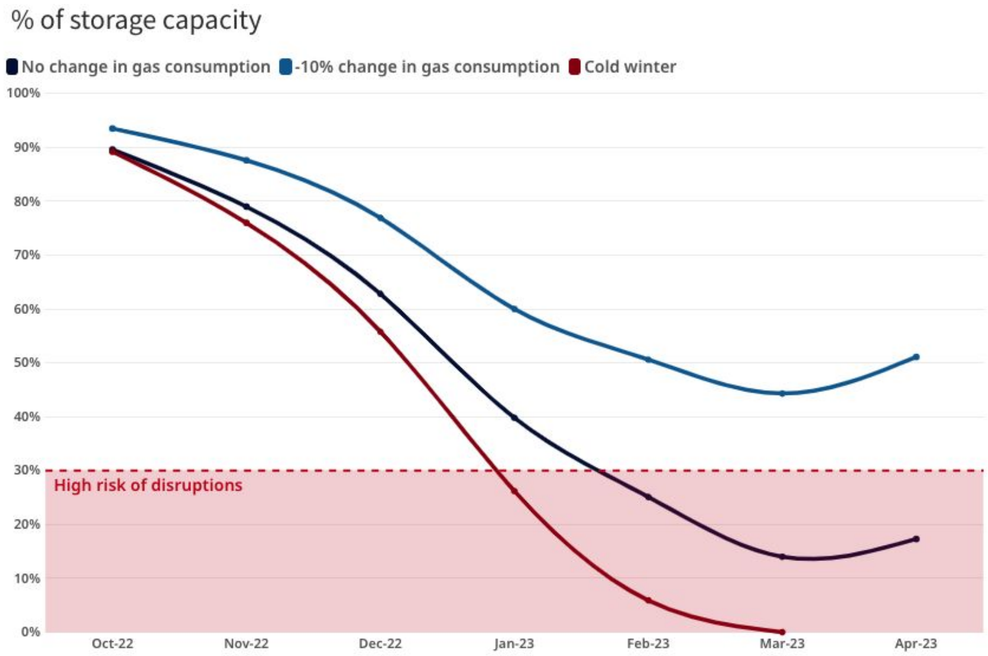
The World Economy is slowing more than anticipated



- Global GDP is expected to be at least $2.8 trillion lower in 2023.
- A key factor is tightening monetary policy driven by higher inflation than expected.
- Inflationary pressures are broadening out beyond food and energy almost everywhere, with businesses throughout the economy passing through higher energy, transportation and labour costs.
- Wage growth has strengthened in many countries, particularly the United States, Canada and the United Kingdom, but not yet in the Euro area.
- Inflation is projected to peak in Q3/Q4 2022 but will remain above central back targets during 2023.

Factors affecting demand

Projected European gas stock scenarios



Projections for EU and United Kingdom, based on 2017-2021 gas consumption: "No change" average consumption; "Cold winter" maximum consumption; "-10% change" 90% of average consumption.
Source: OECD Economic Outlook, Interim Report September 2022

- Reductions in energy supplies from Russia to the European Union could prove disruptive.
- Without sufficient supply diversification and orderly demand reductions, shortages could push up global energy prices, hit confidence and financial conditions and require a temporary rationing of gas use by businesses.
- Taken together, these shocks could reduce growth in the European economies by over 1¼ percentage points in 2023, relative to baseline, and raise inflation by over 1.5%. This would push many European countries into a recession in 2023.

Key factors impacting demand

- The unemployment rate in the Euro Area remained at a record low of 6.6% in August 2022, down from 7.4% in August 2021.
- The Purchasing Managers Index (PMI) for the Euro Area in Q3 2022 decreased from 52.1 in early July to 48.5 at the end of September. The level is is now below 50, the point at which contraction starts in the manufacturing sector.
- The European Central bank is likely to increase interest rates again in late October and may put forward plans to unwind the central bank's balance sheet, which has ballooned to €8.8 trillion from €2 trillion in 2010 as the ECB fought successive crises.
- Brexit has caused UK-EU trade flows to fall by 16%, while EU-UK trade has dropped 20%, according to a report by the Economic and Social Research Institute (ESRI).

Purchasing Managers Index: past 12 months

Outlook

- Inflation is rampant at 10.9% in the European Union, up from 3.6% a year ago, so the ECB is likely to act with another interest rate increase and a tightening of monetary policy.
- Carrier capacity is returning with evidence of carriers approaching shippers for volumes.
- Rates are hitting a plateau with evidence of rates falling on lanes ex major ports as volumes decline.
- Uncertainty around oil prices will cause ongoing fuel surcharge volatility.
- The driver shortage will continue to affect driver rates – the estimated shortage is 500,000 by the end of 2022. The World Transport Organisation are attempting to attract younger drivers due to the 14.5% EU youth unemployment rate.
- As the economy slows, the transport market faces a very difficult period of declining volumes with increasing costs.
- Some countries are sounding the alarm on the solvency of transport companies – the German press has reported that solvency has dropped by 30% in September 2022.
- As the cost-of-living crisis continues to bite in Europe, there is ongoing union activity and industrial action – French oil terminals, UK dock workers, Dutch railway workers, German and Spanish pilots, French ATC.
- Norway will adopt the EU Mobility package from November 1, 2022.
- The European Commission is funding a driverless HGV pilot in Europe for 3.5 years from October 2022 – autonomous 40T trucks will cross 4 national borders on the corridor from the Netherlands to Norway.

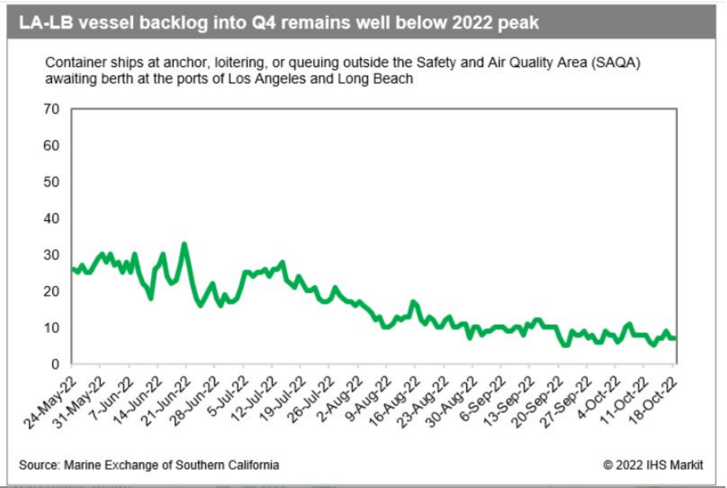
Recommendations

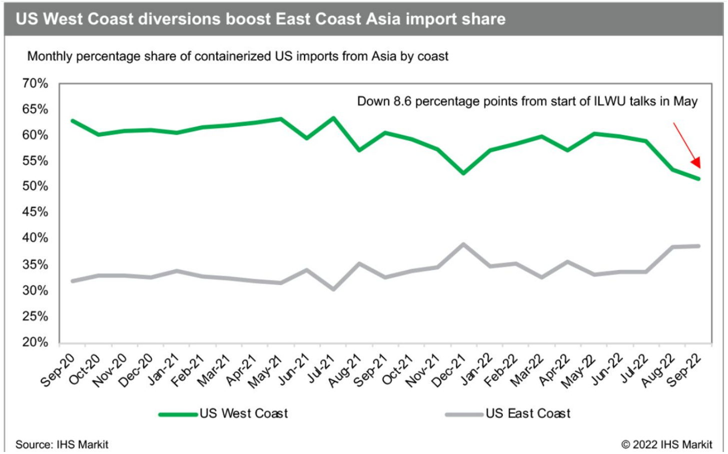
- **Understand carrier solvency** – the economic slowdown alongside inflation will make the next 6 – 12 months challenging for transport providers.
- **Carefully track the spot vs contract market** – as carriers look for volumes, spot prices may adjust rapidly, whilst contract rates will look for inflationary protection.
- **Work with carriers to provide forecasts** – uncertain economic times make it difficult for carriers to predict capacity requirements – shipper forecasts can assist .
- **Create transport network visibility** to enable rapid action in a volatile economy.
- **Monitor industrial action** closely and create contingency plans.
- **Monitor the inbound supply chain** for supply risks resulting from energy shortages during the winter.
- **Look for mode shift opportunities** as oil prices remain high and decarbonisation strategies become increasingly important.

International

Global supply chain impacts

- U.S. import cargo is continuing to be diverted to U.S. gulf and east coast ports due to uncertainty with ILWU labor contract negotiations.
- LA/LB vessel queue at lowest level since January 2022 and is not expected to increase based on incoming container and vessel volumes.
- Savannah continues to have the largest vessel queue however the port is estimating to have the queue cleared by end of November.
- Effective ocean carrier capacity will be decreased by ~15% between 2023 and 2024 due to new global fuel efficiency rules, slow steaming and vessel scrapping.
- Air freight demand in Europe and North America is declining. Rates have dropped sharply in Q3. The Baltic Air Index shows air cargo rates down 46% Shanghai to North America compared to October 2021.





U.S. import volumes

Based on U.S. Customs data, inbound volumes to all U.S. ports totaled 2,215,731 twenty-foot equivalent units in September, down 11% from September 2021 and 12.4% from August.

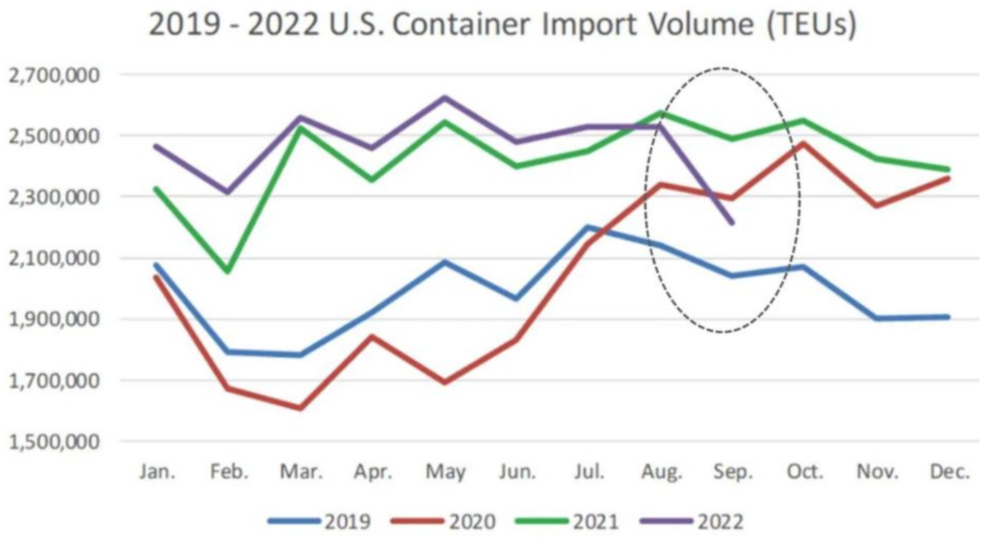


Chart: Descartes. Data: Descartes Datamyne)

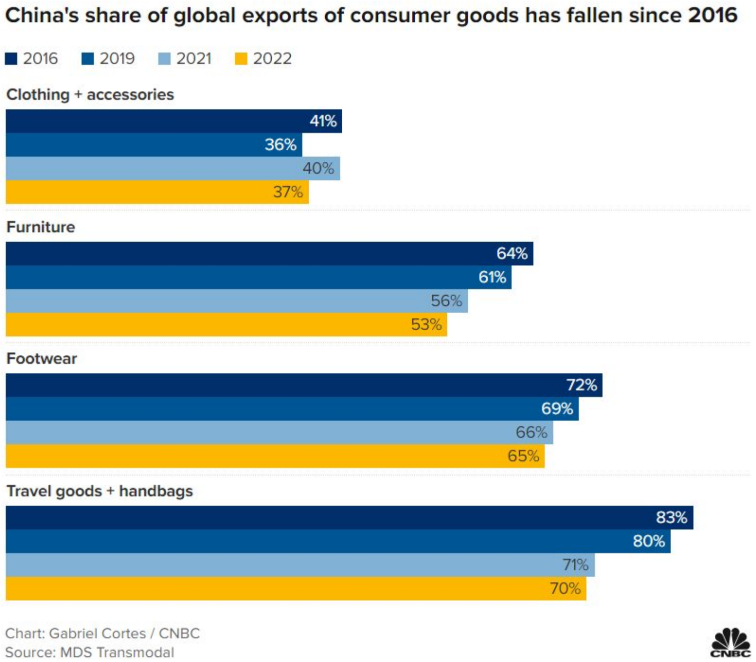
Port	TEU Loss	% Loss
LOS ANGELES,CA	-70,758	-17.3%
LONG BEACH,CA	-66,798	-17.6%
NEW YORK/NEW JERSEY	-9,951	-2.3%
SAVANNAH,GA	-61,375	-21.5%
CHARLESTON,SC	-7,655	-6.5%
NORFOLK,VA	-15,615	-10.3%
HOUSTON,TX	-8,934	-5.0%
OAKLAND,CA	-14,307	-16.8%
TACOMA,WA	-16,477	-25.9%
SEATTLE,WA	-1,058	-2.1%

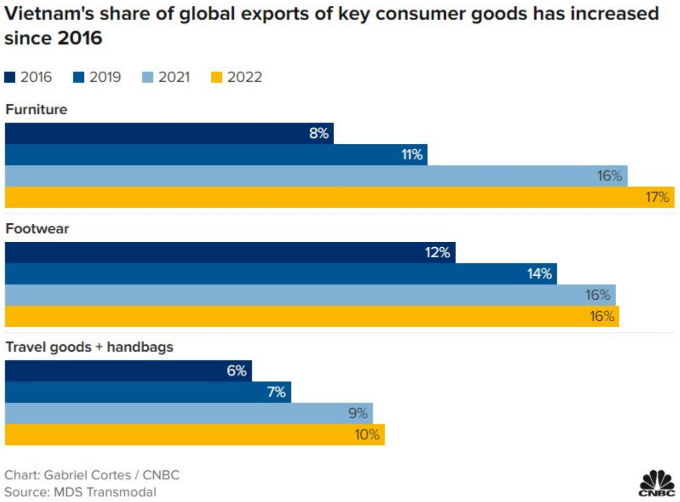
Decline in September vs. August (Chart: Descartes. Data source: Descartes Datamyne)

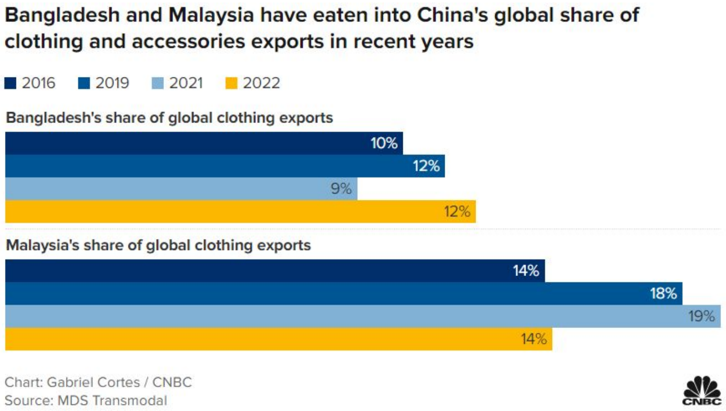
Shifting global manufacturing

China is losing ground in key consumer manufacturing areas:

- Implementation of US Section 301 trade tariffs in 2018.
- China's zero covid policy continues to drive manufacturing to alternative countries.







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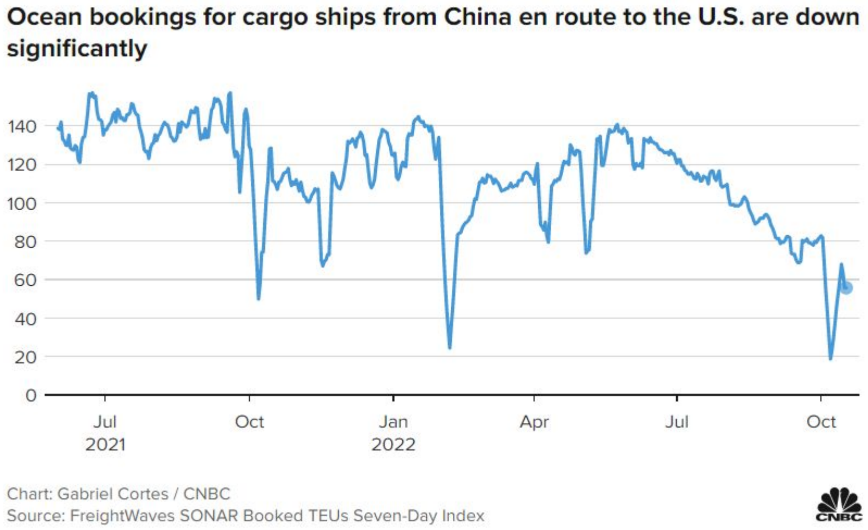
Transpacific trade

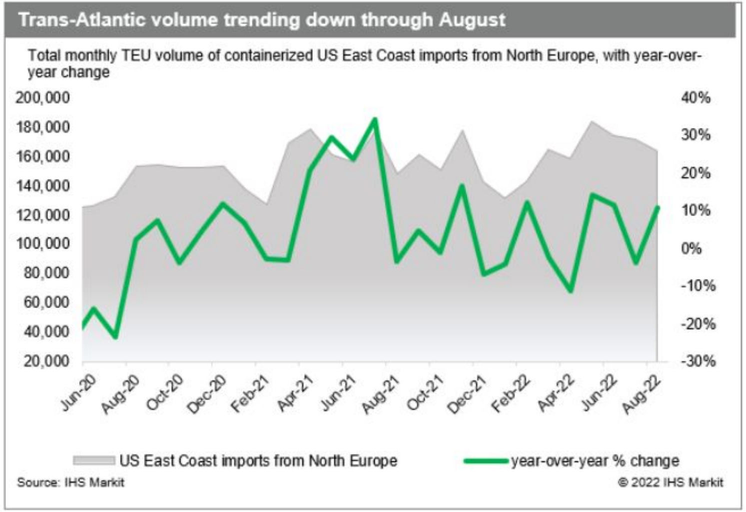
- Drewry World Container Index rates to the USWC are down 77% YoY; rates to the USEC decreased 55% from prior year.
- Spot rate reductions have been accelerating in frequency due to aggressive action by carriers reacting to a decline in bookings.
- Ocean carriers have blanked 25.3% of available vessel capacity in October.

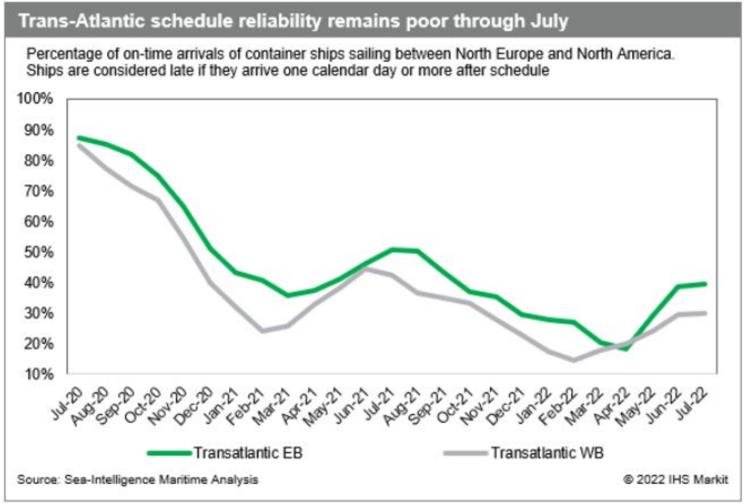
Source: World Container Index, Drewry Supply Chain Advisors



Transatlantic trade

- Carriers have deployed additional vessel capacity on the trans-Atlantic trade which is outpacing demand however ongoing congestion in both North Europe ports and U.S. east coast and gulf ports is mitigating a dramatic decline in rates similar to the transpacific trade.
- North Europe imports to US via east coast ports were up 10.6% in August 2022 compared to 2021.
- Due to the short sailing distance from North Europe to the USEC, carriers have a much higher level of profitability compared to China base ports to USEC and North Europe.
- Rates are forecasted to start declining on this trade.





Trade updates

- **Uyghur Forced labor Prevention Act:** U.S. Customs and Border Protection (CBP) has been strongly enforcing the Uyghur Forced Labor Protection Act (UFLPA) since the law went into effect on June 21st. The Department of Homeland Security (DHS) noted they have already targeted 1,452 cargo entries valued at $429 million under the new law.
- **New controls related to semiconductor manufacturing:** The purpose of these new regulations is to strengthen our national security and hobble China's ability to access critical technologies that enable their military and economic ambitions. The Bureau of Industry and Security (BIS) has implemented broad prohibitions which might impact companies that don't do anything even remotely associated with semiconductor manufacturing.
  - Companies must ask two basic questions to determine if they might be impacted by these new rules:
    1. Do you do any business, either directly or indirectly, with companies in the People's Republic of China (PRC)?
    2. Do those companies in the PRC use your product, software, or technology to develop or produce integrated circuits?
       - The new BIS semiconductor regulations prohibit activities associated with advanced node semiconductor capabilities at factories in the PRC.

New 2023 regulations for the International Maritime Organization (IMO): New IMO energy and design efficiency rules take effect January 1st. The new rules will remove ~10% of functional global container capacity by forcing carriers to sail slower. Scrapping older vessels which will account for removal of an additional 5% of capacity between 2023 & 2024. Although new vessels are coming into the market in the new year, the regulatory changes will mitigate the overall expansion.

Ocean Shipping Reform Act (OSRA) 22 – demurrage and detention regulations

- Key changes to D&D Regulations – effective Immediately
  1. 46 USC §41104 - Common carriers are required by OSRA22 to comply with the Interpretive Rule (incentive principal) and must issue invoices charges (D&D) that contain the 13 particular provisions. This is applicable for both ocean carriers and NVOCCs.
  2. Informal Procedures - FMC must investigate Charge Complaints (interim procedures announced by FMC).

- Elimination of Charge Obligation - Failure to include the information (the 13 data elements below) required on an invoice with any demurrage or detention charge shall eliminate any obligation of the charged party to pay the applicable charge.

The 13 Invoice Provisions *(must appear on all D&D invoices)*

1. Date container is made available
2. Port of discharge
3. Container number or numbers
4. For export shipments, the earliest return date
5. Allowed free time in days for mitigation of fees
6.Start date of free time
7. End date of free time
8. Applicable detention or demurrage rule on which the daily rate is based
9. Applicable rate or rates per the applicable rule
10. Total amount due
11. Email, telephone number, or other appropriate contact information for questions or requests
12. Statement that charges are consistent with all FMC rules with respect to D&D
13. Statement that common carrier's performance did not cause or contribute to the underlying invoiced charges

Mexico Truckload

Mexico economic outlook

Inflation index

- Mexico inflation reached at 8.7% in September, no changes compared to the previous month.
- Inflation in transportation sector increased 7.6% in September compared to the same month last year.
- It's expected inflation will start declining gradually during Q4.

Exchange rate

- The average exchange rate in September was $20.09 MXN/USD.
- The expected exchange rate for 2023 is $20.60 MXN/USD.

Diesel impact

- National avg. price per liter of diesel in Mexico reached $23.57 MXN in September. This is an 8.9% increase compared to Sep 2021.

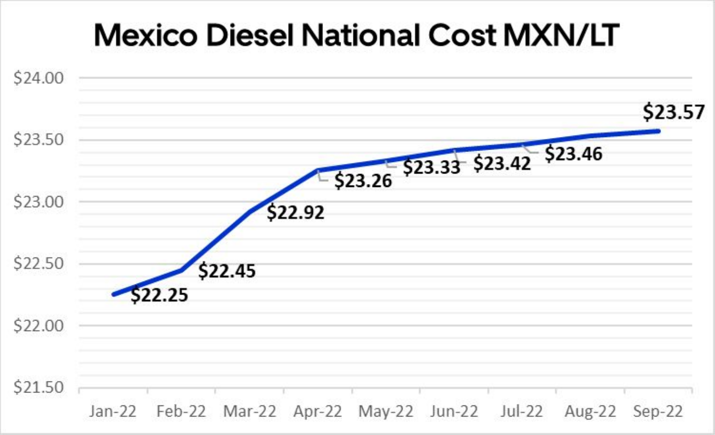
Market conditions

- Freight rates in Laredo's market continued softening during September for spot shipments.
- Rates in Mexico are still high compared to pre-pandemic levels; however, the market is starting to notice an increase in equipment availability, and most carriers are approaching shippers asking for volume.

IPC - Transport 2022

	Interanual	Acum. Jan
Septiembre 2022	7,6%	5,9%
Agosto 2022	7,7%	5,9%
Julio 2022	7,4%	5,7%
Junio 2022	6,9%	5,0%
Mayo 2022	6,6%	4,2%
Abril 2022	6,7%	3,8%
Marzo 2022	6,3%	2,9%
Febrero 2022	6,3%	1,3%
Enero 2022	7,6%	0,4%

https://datosmacro.expansion.com



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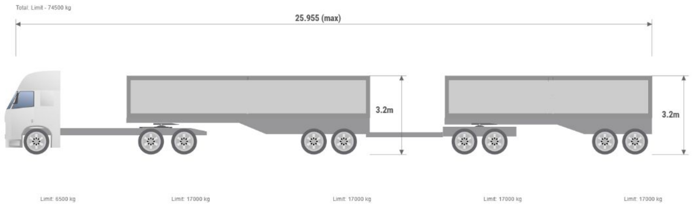
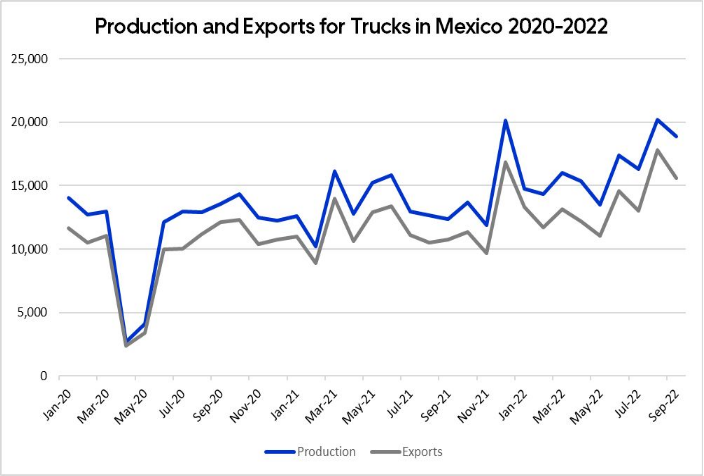
Mexico current situation

Cancellation of double trailers
In October, the Mexican chamber of Deputies announced a law initiative to ban double-trailer trucks across the country. This proposal has created concern in the transportation market as many experts consider it could have negative effects in transportation costs, capacity, pollution emissions, and worsen current drivers' shortage situation.



Mexico nationalized lithium
The company "*Litio para Mexico*" created last August, it's expected to hold exclusive rights to exploit the country's lithium resources. The government has not established rules on how it will manage concessions yet. MEX and USA plan to take advantage on expanding the production of electric vehicles through Mexico's nationalized lithium industry.



Increase in heavy trucks production
Production of heavy trucks in Mexico from Jan-Sep 2022 increased 22% compared to same period of the last year; resulting in exports increase of 18.7% during Q3.

Volume increase for port containers
From Jan-Aug 2022, there was a transit of more than 5 millions of TEU's*, an increase of 9.3% compared to the previous year. Manzanillo Port had the greatest amount of container traffic with a growth of 3.5% compared to 2021. The recovery of the automotive industry is the main driver of this trend.

**Twenty-foot Equivalent Unit (TEU)*

US-Mexico Task Force for the Electrification of Transport

The transition to electromobility

The Mexican Government understands the urgency to accelerate efforts in the transition to electric car manufacturing. For that reason, the Mexican Ministry of Foreign Affairs, in collaboration with the University of California, has created the *US-Mexico Task Force for the Electrification of Transport.*

This project will support both countries in the transition to electric vehicle manufacturing.
The first phased has been completed (diagnosis of the transition to electromobility and its opportunities); the second part started in August and will be based on finding joint recommendations.

Transportation challenges

Road security

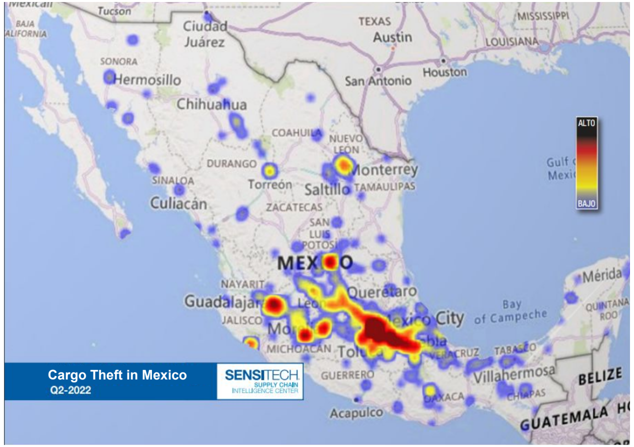
- A total of 8,523 theft incidents were reported between Jan-Aug 2022. The Central region of Mexico represents the hottest area of cargo theft.
- The states with the most incidents are Estado de Mexico (33%), Puebla (13.5%), and Guanajuato (11%).

Bill of lading complement – Carta Porte

- According to the Mexican Institute of Public Accountants (IMCP); only the 0.47% of the truck companies meet the “Carta Porte” requirement.
- Due date is still December 31st according to Mexican Authority publication.
- Higher operational costs and longer shipping process are the negative outcomes, according to carriers and shippers.

Drivers' shortage

- According to Canacar*, the revised expectation for driver's deficit for 2022 has increased to 56,000 unfilled positions, almost 4% above the original forecast in January this year (54,000).



**National Chamber of Freight Transportation (CANACAR)*

Uber Freight

Outlook and recommendations

Outlook

- The Mexico market is temporarily soft; however, we expect it could pick up any time with new shippers settling in as nearshoring continues increasing especially in the northern region of the country.
- Carriers continue to be selective with customers, prioritizing shipper of choice best practices such as agile processes for loading, unloading, and border crossing.
- Inflation continued at 8.7% in September, same as in August.
- Drivers' shortage continue to be a challenge for the freight market; it’s expected that Mexico will close the year with a drivers' deficit of 56,000 unfilled positions.

Recommendations for Mexico exporters

- Continue working on implementing efficient processes for Carta Porte implementation to avoid shipment rejections from carriers and the risk of paying fines for error or omissions in its requirements.
- Improve driver experience: shipping and unloading times, border crossing times, and flexible appointments scheduling (24/7 dock access or weekend hours options).
- Continue having open communication and 1:1 negotiations with your incumbents' carriers and logistics partners to prioritize service.

Canada

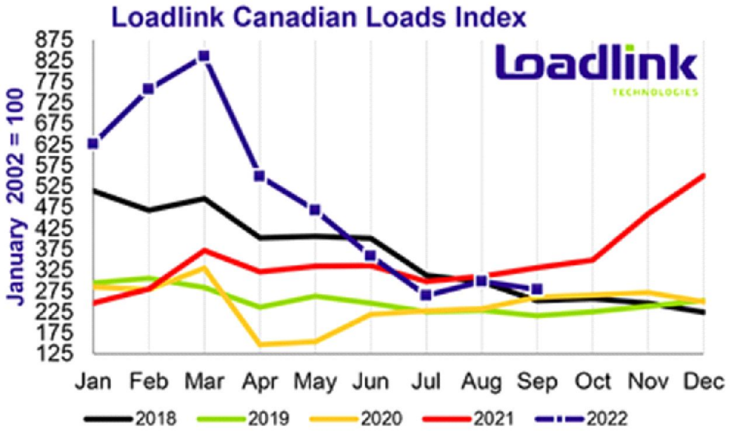
Canada: highlights

- The Canadian economy grew at 3.3% through Q2, making it a standout performer on the global stage. The pace of the Canadian economy has moderated through Q3 and most economists are indicating a ‘so far so good’ result. Key indicators are moving in the right direction suggesting that Canadian monetary tightening can be less aggressive than what is occuring in the US.

- The Canadian markets (domestic and cross-border) certainly bore significant rate increases through the first part of ’22, however changing economic conditions that emerged mid-year have shifted the go-forward outlook.
    - The Canadian economy at this point has stalled, with many economists projecting a significant slowdown. Inflation concerns and the impact of rising interest rates have narrowed growth opportunities as concerns about the economic outlook grow. Projected Canadian Real GDP over the next three quarters are 0.6% / 0.1% & 0.7%… a downgrade from previous projections.
    - Canada’s inflation rate in September slowed to 6.9% as fuel prices fell, although the cost of groceries and other staples continued to climb.
    - Fuel costs across North America were quite volatile through Q3 ’22, again veering higher through October. <u>Average</u> Canadian diesel fuel prices in Q3 ‘22 were 9% <u>lower</u> than Q2, and 59% <u>higher</u> YoY. Over concerns of a global slow-down, world oil prices are forecast to fall slightly to just over $80 per barrel (current close of $89).
    - The Government of Canada removed all COVID entry restrictions, as well as the testing, quarantine and isolation requirements for anyone entering Canada effective October 1, 2022. The US Congressional Northern Border Caucus has requested the Biden Administration to ease entry requirements at the land border to allow all non-US citizens the ability to enter the US. This in support of Canada-US trade and commerce.
    - Canadian domestic ELD’s: Provincial Transportation officials are continuing to prepare for the enforcement of the ELD mandate starting in January 2023. As most Canadian carriers run cross-border, most Canadian tractors were equipped with ELD’s back in 2017 when the US mandated ELD’s. The stricter enforcement of ELD’s within Canada is <u>not expected</u> to have any impact on rates.

Canada: key factors impacting supply

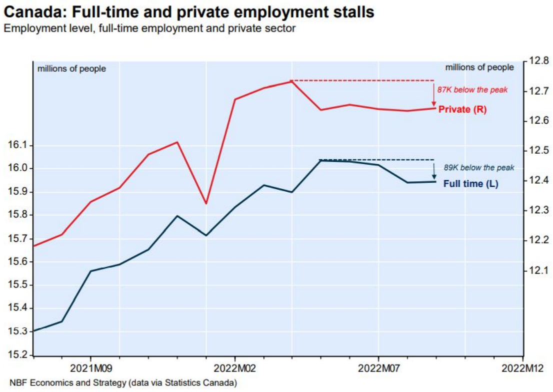
- The supply balance in the Canadian market, including cross-border have stabilized with capacity now growing and demand softening in most markets.
  - Most notable is the cross-border market as the balance between capacity and load volume has returned to a more sustainable position. Rate levels, while certainly significantly higher than one year ago (in excess of 40% higher), are more predictable as carriers are adhering to recently contracted rates and the level of spot rates have settled back.
  - The east to west lanes continue to show stability. With no events (weather or strike related) impacting rail service, anecdotally, many shippers are taking advantage of the economics and shifting higher volumes onto the rail.
- The September data from Loadlink indicates that load activity fell slightly from August levels and is 20% lower than one year ago. Truck capacity has now grown for the 6th straight month, a dramatic shift from the capacity strains particularly evident in the second half of '21 and first months of '22.

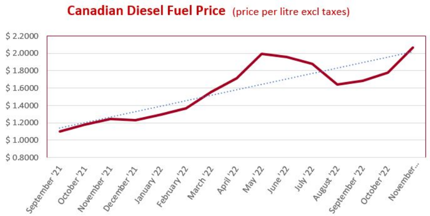


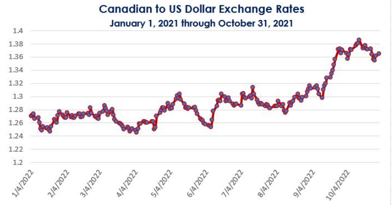
- Truck-to-load ratios steadily increased through Q3 '22, reflecting the softening in the North American economies. Loadlink's most recent figure for September was 3.65 available trucks for every load. This figure is up 5% over August's figure (3.48) and 38% higher than September '21 (2.64).
- In perspective, this underlies a significant shift from the Q1 '22 truck-to load figure of 0.91, a point where capacity had reached its tightest.
- *Note: Load Link is the most popular load board within Canada. The results shown are primarily influenced by spot market moves.*

Canada: key factors impacting demand

- The combined impact of elevated inflation and higher interest rates, has caused a marked slowing in overall spending activity across Canada. With some indicators starting to turn, the central question is whether this slowing will be a soft landing or more bumpy.
- Bank of Canada's Third Quarter Business Outlook Survey reveals that business confidence has softened as many firms expect slower sales growth as interest rates rise and demand growth shifts closer to pre-pandemic levels. GDP growth is expected to slow considerably through the next two quarters.
- Canadian unemployment at 5.2% remains very low, although a closer look at another crucial indicator of labour-market pressures reveals the underemployment rate has increased to 7.5%. This rate has increased for a third consecutive month and is back to levels reported in 2019.
- Fuel prices have been volatile across North America through 2022. After peaking in late May, North American fuel continued to fall until early October. On Oct.5th, OPEC+ announced a production cut of 2 million barrels per day. At that point, world oil prices (WTI) jumped to over $90 per barrel. Corresponding to the announcement, diesel prices have continued to increase. Since October 5th, Canadian diesel prices have increased 26%. In comparison, the US National DOE measure has increased only10%. These measures usually move in sync.
- Inflation driven tightening monetary policy by the US central bank has investors worldwide running to the safety of the US dollar. Through Q3, the Canadian dollar has weakened against the US, falling over 4 cents. The Canadian dollar is currently (end of Oct) trading at 73.27 cents ($ 1.3649). Economists see the Canadian dollar weakening further against the US dollar forecasting a $0.72 - $0.73 dollar through Q4 and into early 2023.







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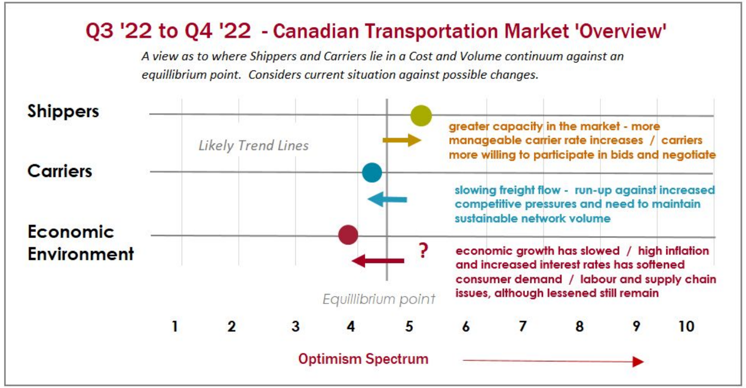
Canada: current impact

- At this early point of Q4, the Canadian freight market can be described as somewhat in a state of equilibrium. This is marked by adequate carrier capacity and in most markets / regions essentially stabilized rate levels. At this point, there almost is an expectation that the Canadian and North American economies will further soften and that the next few quarters may be more bearish.
- Through Q3, rates in many markets stabilized , if not actually declined. This was most evident in the cross border activity which saw rate levels fall as additional capacity opened-up (due primarily to border crossing issues, many carriers had previously shifted assets away from from cross-border to domestic) and volumes, especially northbound, dropped-off.
  - YoY, due to the cumulative impact of the increasing rates in the later half of '21 and especially through the first half of '22, rate levels across all markets, both domestically and cross-border, are up significantly. See table next page.
  - The Toronto – Montreal corridor continues to be an interesting study. Historically, rate levels on this high volume / highly competitive lane have been very stable, even predictable. Market conditions through the pandemic facilitated carriers pushing rates on this corridor significantly higher… and to date they appear to be sticking, if not moving higher.
- Against this backdrop of slowing volume, which many key indicators say will continue and potentially even deepen, there is a growing wariness that freight activity will fall. The key questions moving forward are:
  - Through the pandemic, carriers got much better at adjusting capacity to match shifting demand. How will this impact spot rates in the shorter term?
  - How will carriers hold onto the increased rates achieved through the past year against increased competitive pressures and the need to maintain network sustainable volume?



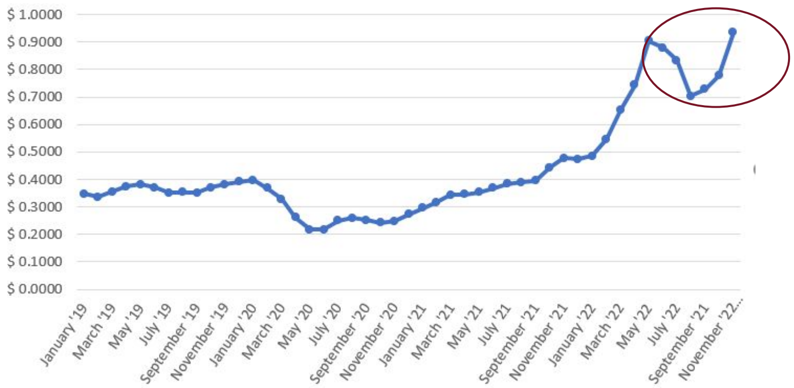
Uber Freight

Canada: current impact

- Results of benchmarking Q3 '22 Canadian Dry Van spot rates on key geographic markets outbound from Toronto and Montreal is outlined below.
  - A market correction from Q2 as rates in most markets fell back from the early '22 levels.
  - Interesting to see the YoY impact from last years capacity crunch and resulting run-up in carrier rates in almost all markets.
- The price of diesel fuel across North America, but especially within Canada, has been quite volatile through 2022. Accordingly, the cost of fuel has been removed from the following table. Given the recent trends in linehaul rates below, changes in fuel costs (down 9% QoQ, but up 59% YoY) continue to distort the impact which all-in rates have had in most Canadian domestic and cross-border markets.

Change in Base Linehaul ** removes impact of fuel*	Quarter to Quarter Change Q2 '22 to Q3 '22	Year to Year Change Q3 '21 to Q3 '22
Between Toronto & Montreal :		
TOR TO MTL	up 19.6 %	up 100.6%
MTL to TOR	up 8.0 %	up 28.0 %
To Western Canada (OTR) :		
Ex TOR	up 3.3 %	down 7.7 %
Ex MTL	down 2.3 %	up 8.2 %
To Atlantic Canada (OTR) :		
Ex TOR	up 4.7 %	up 17.6 %
Ex MTL	down 12.1 %	up 21.4 %
Southbound Cross-border - Short	down 13.4 %	up 40.7 %
Southbound Cross-border - Long	up 14.1 %	up 37.6 %
Northbound Cross-border - Short	down 3.2 %	up 44.5 %
Northbound Cross-border - Long	down 9.0 %	up 51.9 %

In early October, OPEC+ announced a 2 million per day barrel cut-back in the production. Since that announcement, Canadian fuel costs have jumped significantly.



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Canada: outlook and recommendations

- The pace of the Canadian economy has moderated considerably, but not catastrophically in recent months.
  - Q3's projected Canadian annual average real GDP growth has been lowered as the Canadian economy is showing signs of cooling as sales growth slows as interest rates rise and demand growth shifts closer to pre-pandemic levels.

	Q2 '22 Actual	Q3 '22 Forecast	Q4 '22 Forecast	Q1 '23 Forecast	Q2 '23 Forecast
GDP Growth	3.3	1.0	0.6	0.1	0.7

An amalgam of GDP projections from various Canadian banks. There is greater forward–looking variation between the banks than usual.

  - September's annual inflation rate slowed to 6.9% as fuel prices fell. More significantly, CPI moderated sharply this summer, as from May to August it rose only 2.9% annualized. This figure now back in the Bank of Canada's target range for inflation.
  - September's unemployment rate remained very low at 5.2% (up slightly from the 4.9% in Q2) have businesses expecting wages to continue to rise. The BoC's Third Quarter survey indicated that wage increases have receded and expected wage growth is now at 4.9% .

- Through the early part of Fall, driven by expanding industry capacity, increasing inflation and forecasts of slowing demand, Canadian market dynamics contine in a <u>cautious</u> state :
  - Carriers have become much more active in participating in RFP's while pursuing new opportunities.
  - Continuing to see varying responses in carrier's RFP submissions. Incumbent carriers do not want to erode achieved rate increases, while new carriers are being aggressive in pursuing new opportunities.
  - Spot-market rates declined and carriers began committing to longer term contracted rates.

Canada: outlook and recommendations

Current economic and industry conditions lead to the following strategies…

- Conditions remain favourable for issuing full network RFP’s or even segmented mini-bids. All bids should include multiple-rounds as carriers are cognizant of competitive factors and are exhibiting a growing trend to ‘fine-tune’ their final rate submissions.

- The volatility in the price of fuel over the past year, especially since Russia’s invasion of Ukraine, has reinforced the importance of a well conceived and managed fuel program. Currently, fuel can represent upwards of 25 to 30% of a shipper’s freight spend.
    - Truckload programs should be mileage-based, not percentage based.
    - Should consider programs that update or refresh the fuel price mechanism as often as possible and to use diesel price measures that are familiar and accepted within the industry, including using ones specific to the region the freight is moving in.

- Given a renewed focus on transportation budgets, there appears to be a growing trend to increase the number of carriers used in one’s network, both national as well as strong regional carriers.
    - Can better tailor regions and lanes to the strengths of the carriers, both in terms of service and cost.
    - Ensures capacity due to carrier overlap.
    - A creative, yet effective routing guide can yield savings without adding an undue burden on carrier management.
    - Important to ensure that all carriers on the routing guide are tendered freight on a regular basis in alignment to the spirit of the initial carrier assignment.

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