TRUCKING STATE OF THE UNION

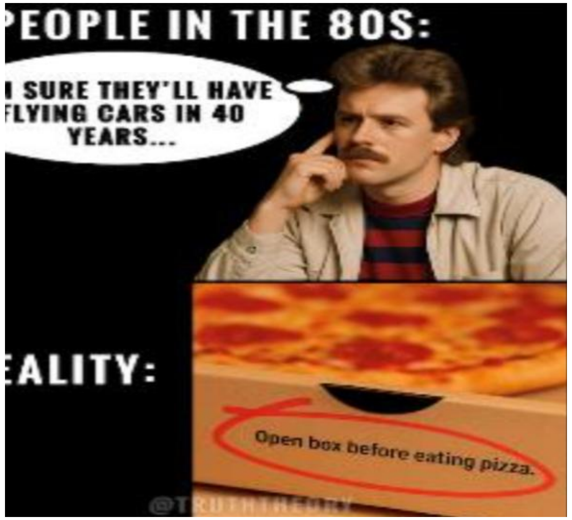
with Thom Albrecht

RELIANCE PARTNERS

WHY THE TRUCKING RECESSION FEELS LIKE THE MOVIE SEQUEL TO *GROUNDHOG DAY*

Will 2026 Finally be "Tomorrow"?

Socialist:
A person that wants everything you have, except your job.



2025-2026: Just Show Up & You’re Guaranteed to See Zaniness!

TRUCKING'S GROUNDHOG DAYS

AGENDA

- Day 1: State of Freight
- Day 2: State of the Consumer
- Day 3: State of Demand
- Day 4: State of Capacity
- Day 5: State of Trump, et al

REMEMBER: CHAOS IS NORMAL!

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DAY1: THE STATE OF TRUCKING (SUPPLY & DEMAND): CONTEXT TO THE NIGHTMARE

Trucking Equilibrium Was There Until the Monkey Wrench of Tariffs

* 2 "Perspective" Slides:

- The Aftermath of Covid "Steroids"

- Trucking Conditions Improved—But not Enough

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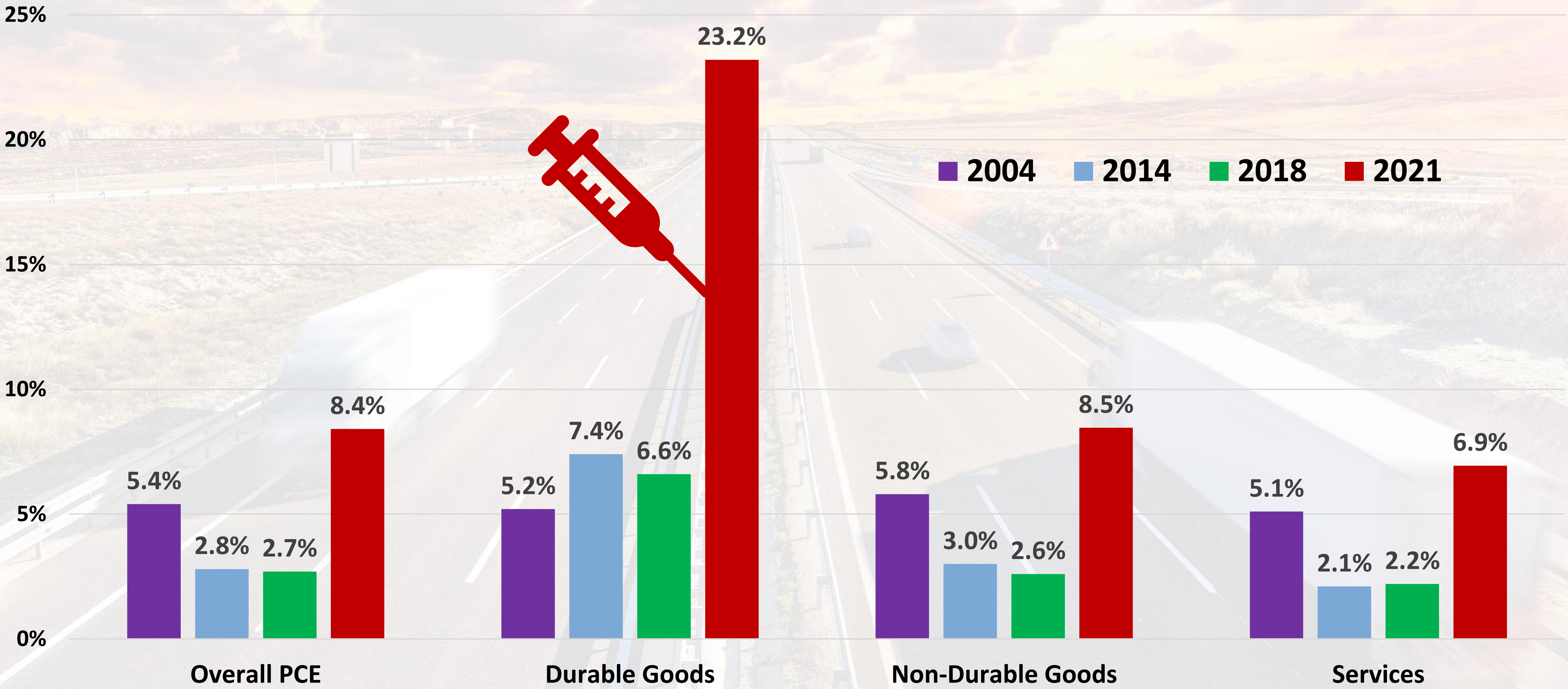
COMPARING 4 CYCLES—AN INEVITABLE DOWNTURN

*2021 SPENDING (I.E., FREIGHT) WAS ON **STEROIDS** FUELED BY **$6 TRILLION OF STIMULUS**!!*



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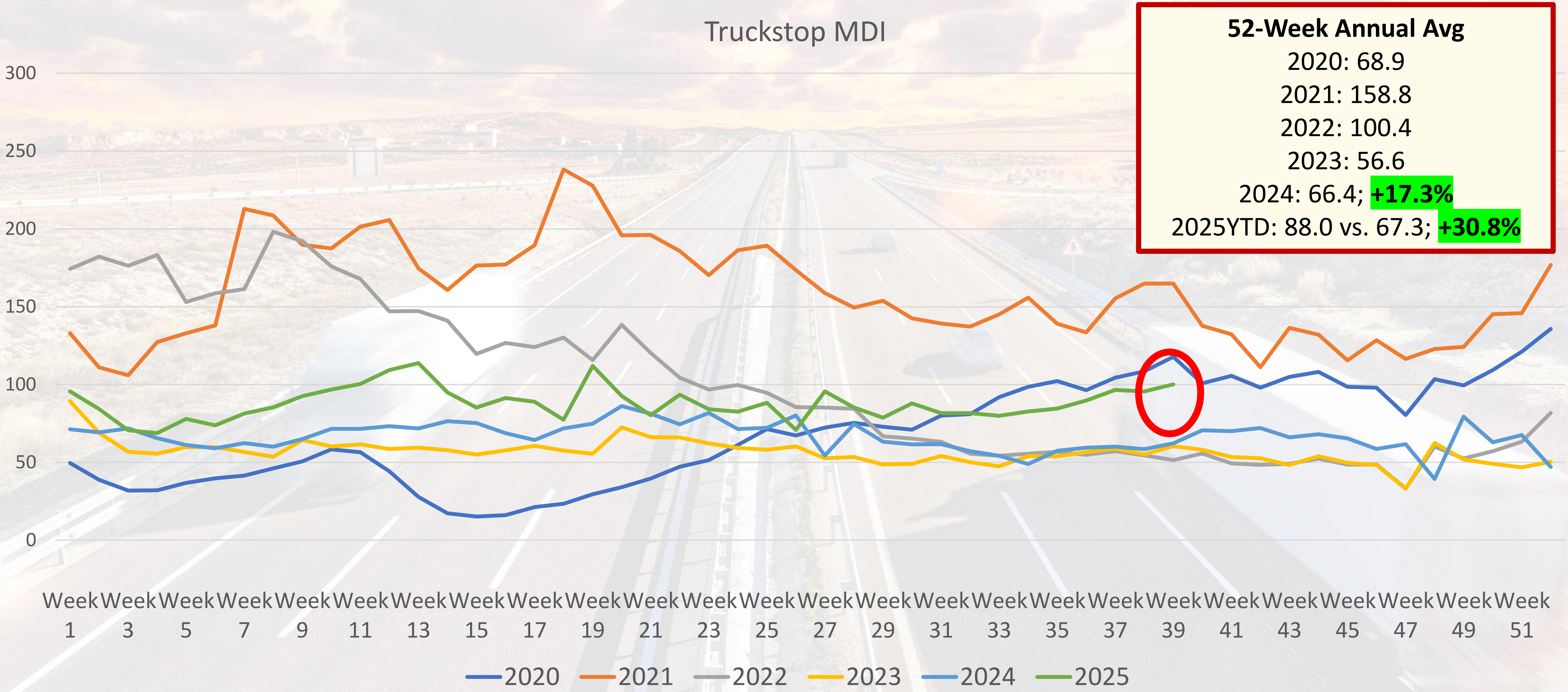
***Source:** BEA Personal Consumption Expenditures report and the St. Louis Federal Reserve. All figures are "real", meaning inflation-adjusted.*

FREIGHT CONDITIONS–IMPROVED BUT STILL SUB-PAR

Improved but tied to tariff pull-forwards; the ***CONSISTENT "Freight Mendoza Line" is ~100 for 3-ish months***



52-Week Annual Avg
2020: 68.9
2021: 158.8
2022: 100.4
2023: 56.6
2024: 66.4; **+17.3%**
2025YTD: 88.0 vs. 67.3; **+30.8%**

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Source: Truckstop.com MDI (Market Demand Index) and captures capacity and demand data for dry van, reefer and flatbed markets. October 6, 2025 report.

DAY 1 TRUCKING SUMMARY: DISCOURAGED BY UNCERTAINTIES

✓Depressed **freight rates**

✓Weak **used equipment** market ***until recently*** (kept many lenders from foreclosing;)

✓**Vulnerable service** despite high tender acceptance as maintenance costs rise/get deferred

✓Questionable **issuance of CDLs and DOT#s** (but help has started!)

✓***Macro-economic challenges***:
- Inflation
- Shifting trade and tariff policies
- Stubborn interest rates
- Business and consumer confidence undermined by trade/tariff uncertainties

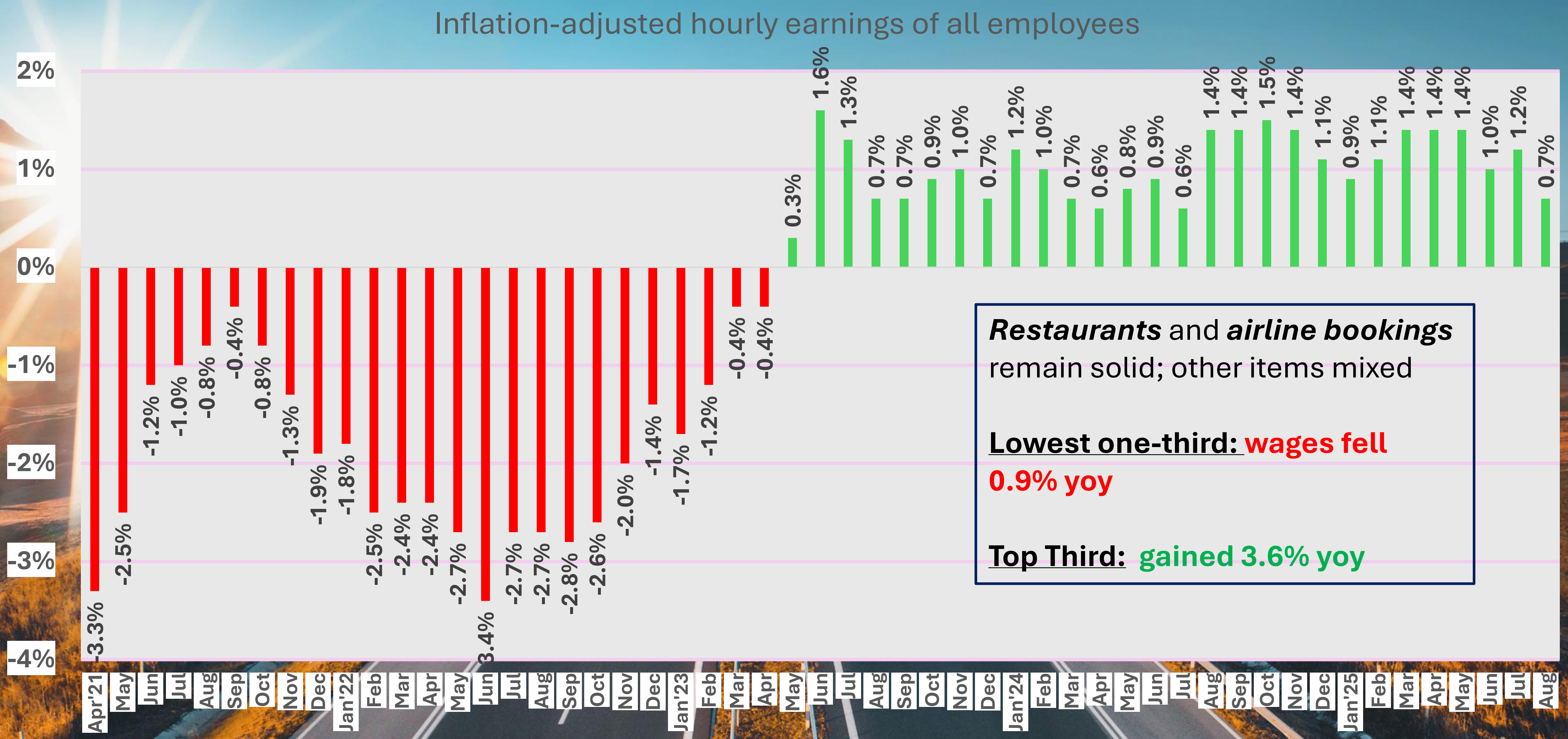
REMEMBER:

"Some people have no idea what they're doing and a lot of them are really good at it."

- George Carlin

DAY 2: THE CONSUMER> WOBBLY BUT SCRAPPY

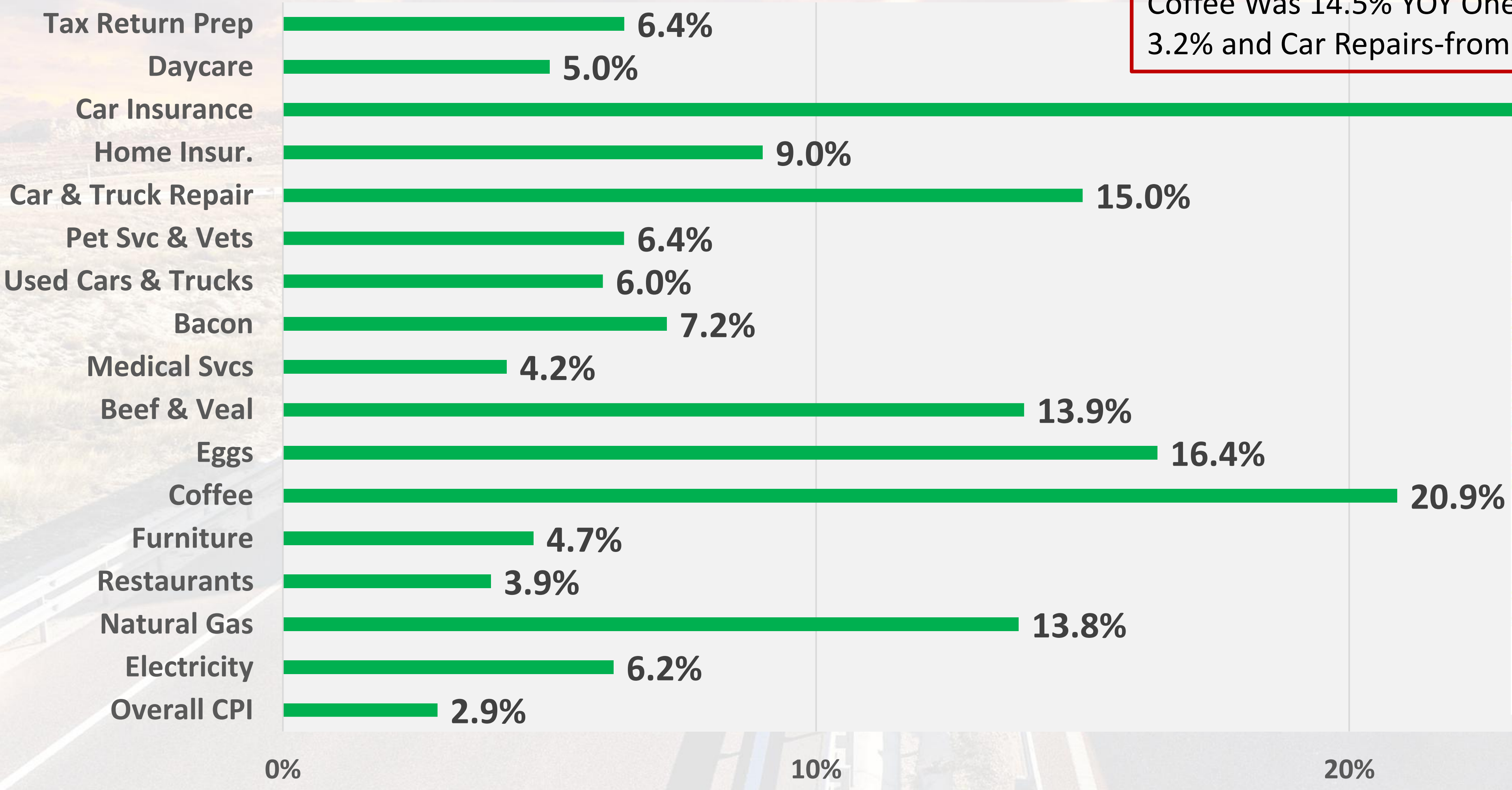
Even after 28 months of real inflation-adjusted wages, many workers have 10% to 15% of lower PP



CPI MAY BE 2.9% LTM, BUT AMERICANS DON'T LIVE ON 'AVERAGE' CPI

12 states saw homeowner's insurance increases of 31% or more; many states with 15+% car insurance hikes

Coffee Was 14.5% YOY One Month Ago! Furniture was 3.2% and Car Repairs-from 9% to 15%!!



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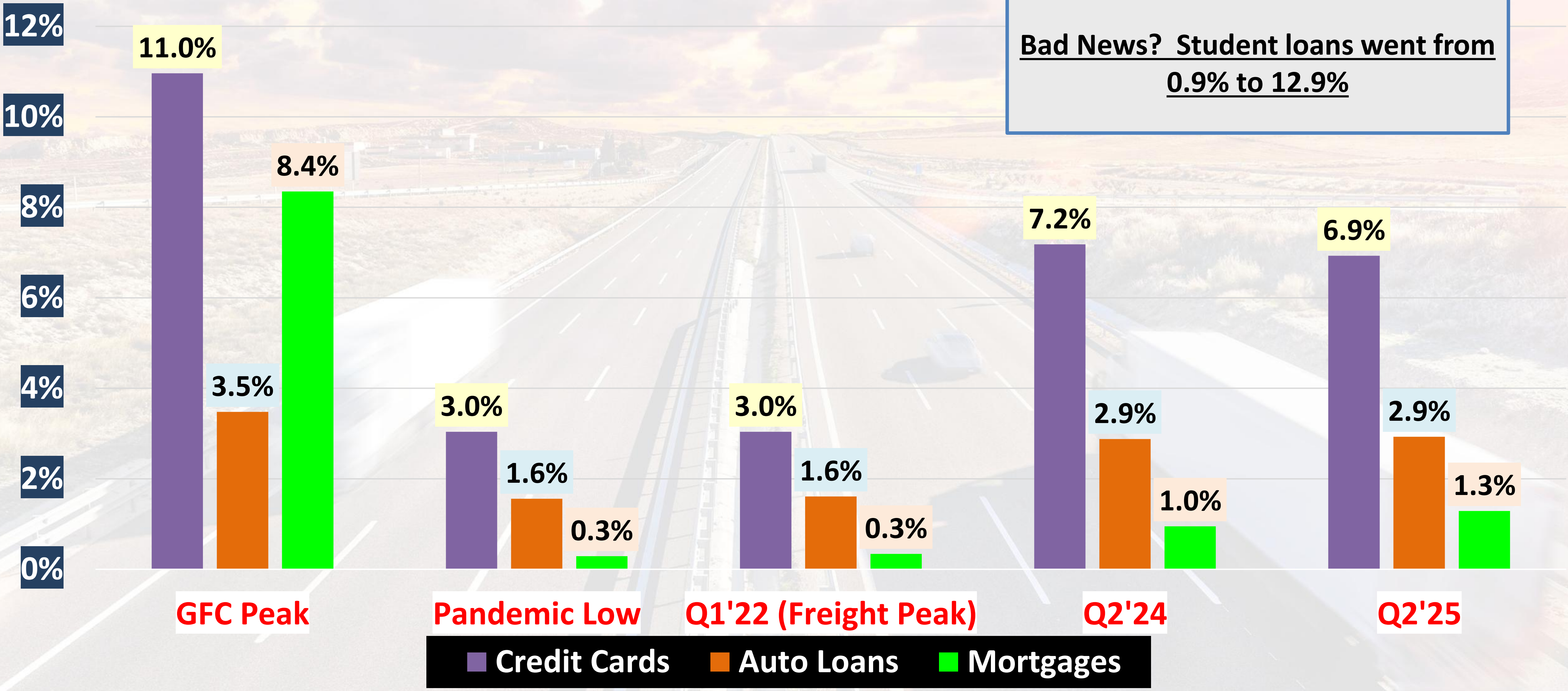
Source: 9-11-2025 monthly CPI report by BLS.

90-DAY DELINQUENCY RATES UP AS CONSUMERS GRAPPLE WITH DEBT & LOST PURCHASING POWER

Good News? CC improved!

Bad News? Student loans went from 0.9% to 12.9%



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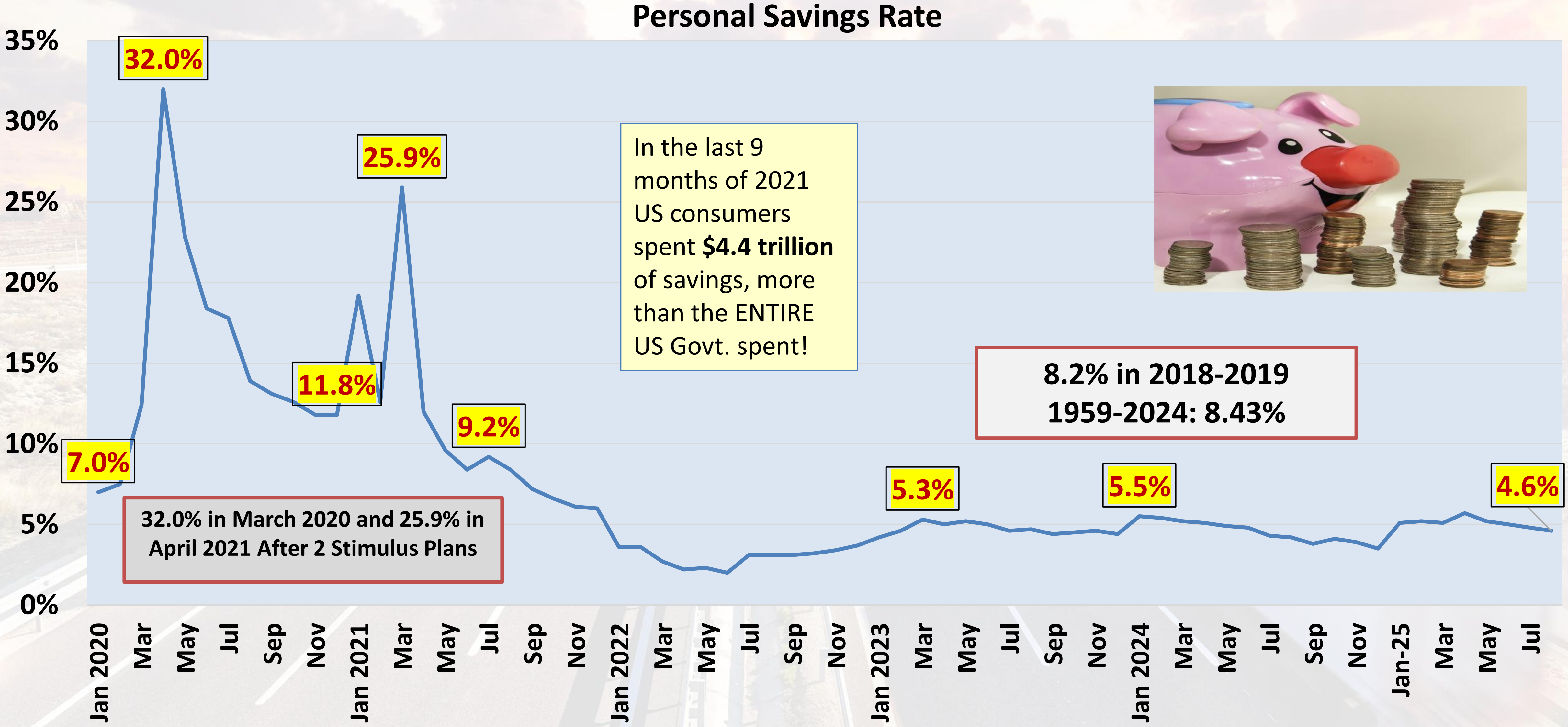
Source: NY Federal Reserve Household Debt Q2'25 report. GFC is "great financial crisis" peak (typically in 2H'09); Pandemic low is either late 2021 or early 2022.

SAVINGS HAVE BEEN DRAINED TO PAY BILLS & MAINTAIN A STANDARD OF LIVING



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Sources: US Bureau of Economic Analysis (BEA) and the St. Louis branch of the Federal Reserve Board. Data is the savings rate of disposable personal income, which is released monthly as part of the PCE report.

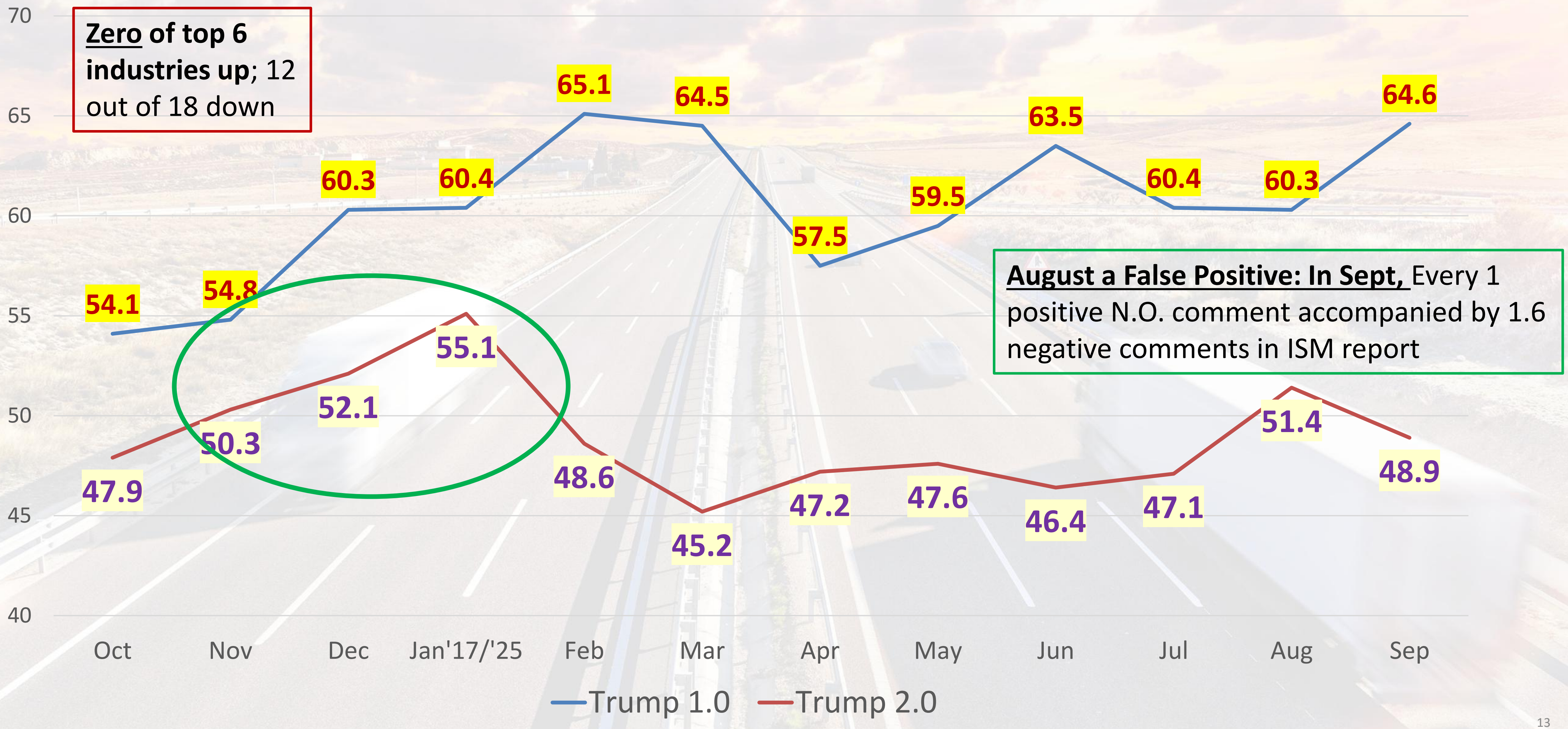
DAY 3: THE STATE OF DEMAND: MEDIOCRE & INCONSISTENT

CHOPPINESS WAS VANISHING YET RE-EMERGED IN THE AFTERMATH OF TARIFFS

MAKING SENSE OF CONFUSION

ISM NEW ORDERS: TRUMP 2.0 VS. TRUMP 1.0 LOST MOMENTUM DUE TO TARIFFS

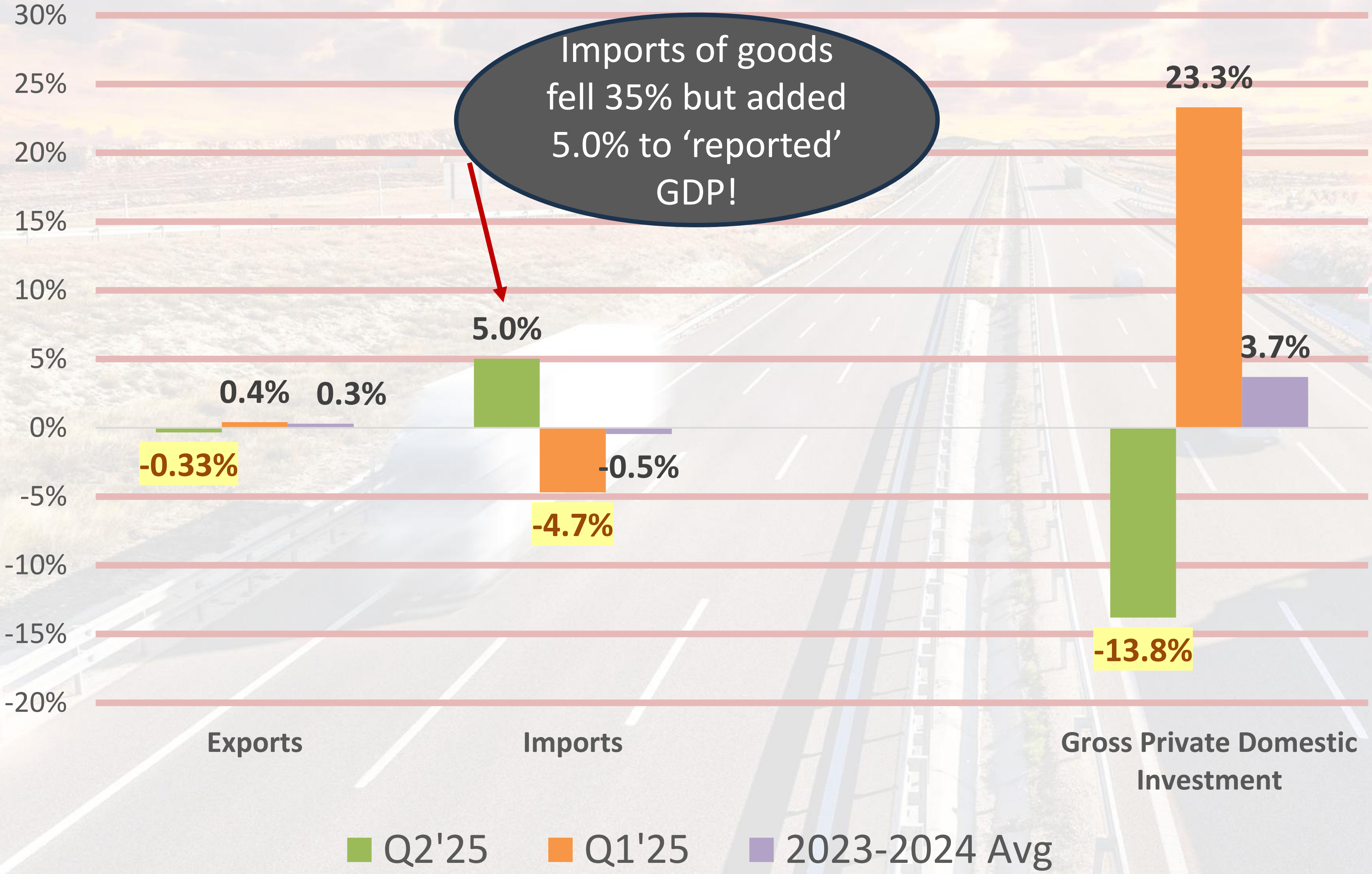
Millions of businesses expected a pro-business environment with certain tax, regulatory & trade policies; ***uncertainty instead***



Note: Source and note permission granted by Institute for Supply Management®, as part of their monthly ISM® and PMI® reports. If applicable, please reference to their website: ismworld.org. Note: New Orders of >52.1 indicate manufacturing growth.

Q2 US GDP GROWTH WAS 3.8% UP FROM -0.6% IN Q1–REALLY??!!

So why did freight feel lousy? *Imports (good for freight) subtract from GDP; Absent import decline, GDP shrank!*



Confused?

- Falling imports are bad for freight!!
- In Q2'25 **exports of goods** hurt GDP by **-0.33%** because countries didn't buy from us as robustly
- Gross private domestic investment **plunged ~14%** after adding 23.3% to Q1 GDP; **it normally adds 3.7%**
- The "Tariff Whipsaw" isn't helping anyone tied to freight and logistics

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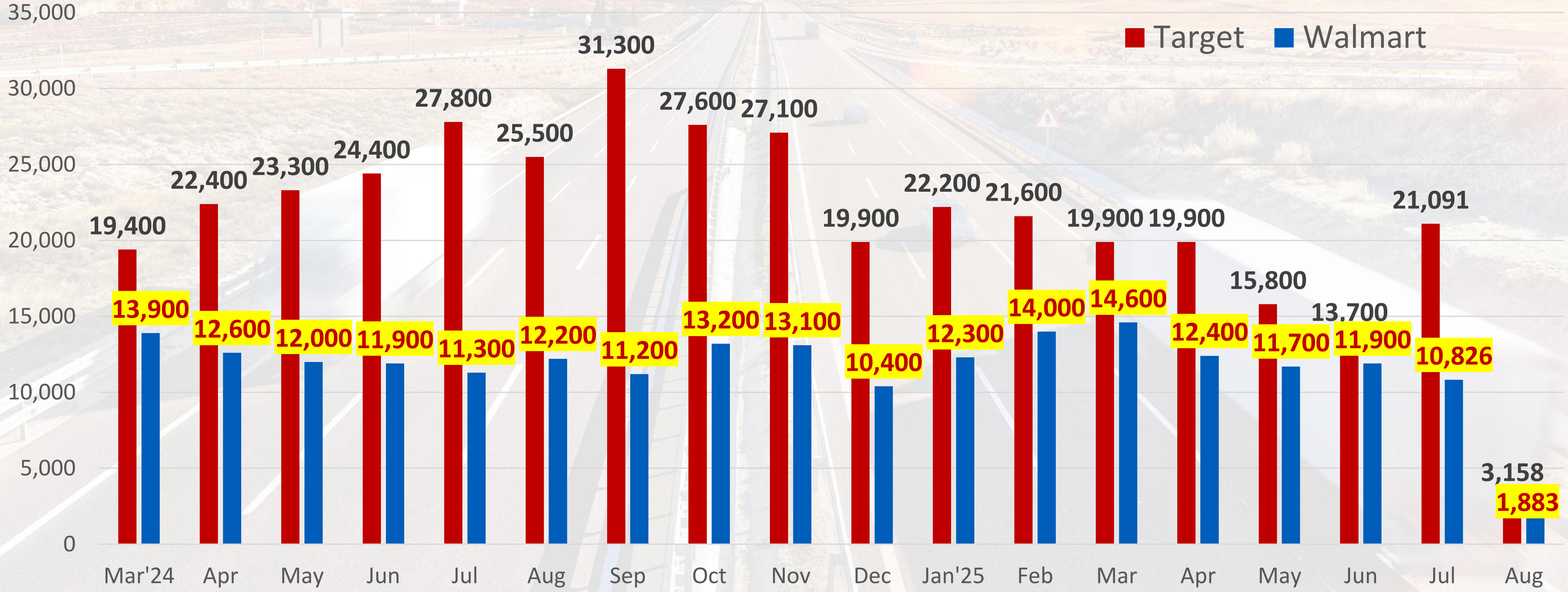
Sources: BEA Q2'25 GDP third and final revised report from 9-25-25 and Reliance commentary.

DON'T EXPECT MUCH FROM WALMART & TARGET THIS FALL

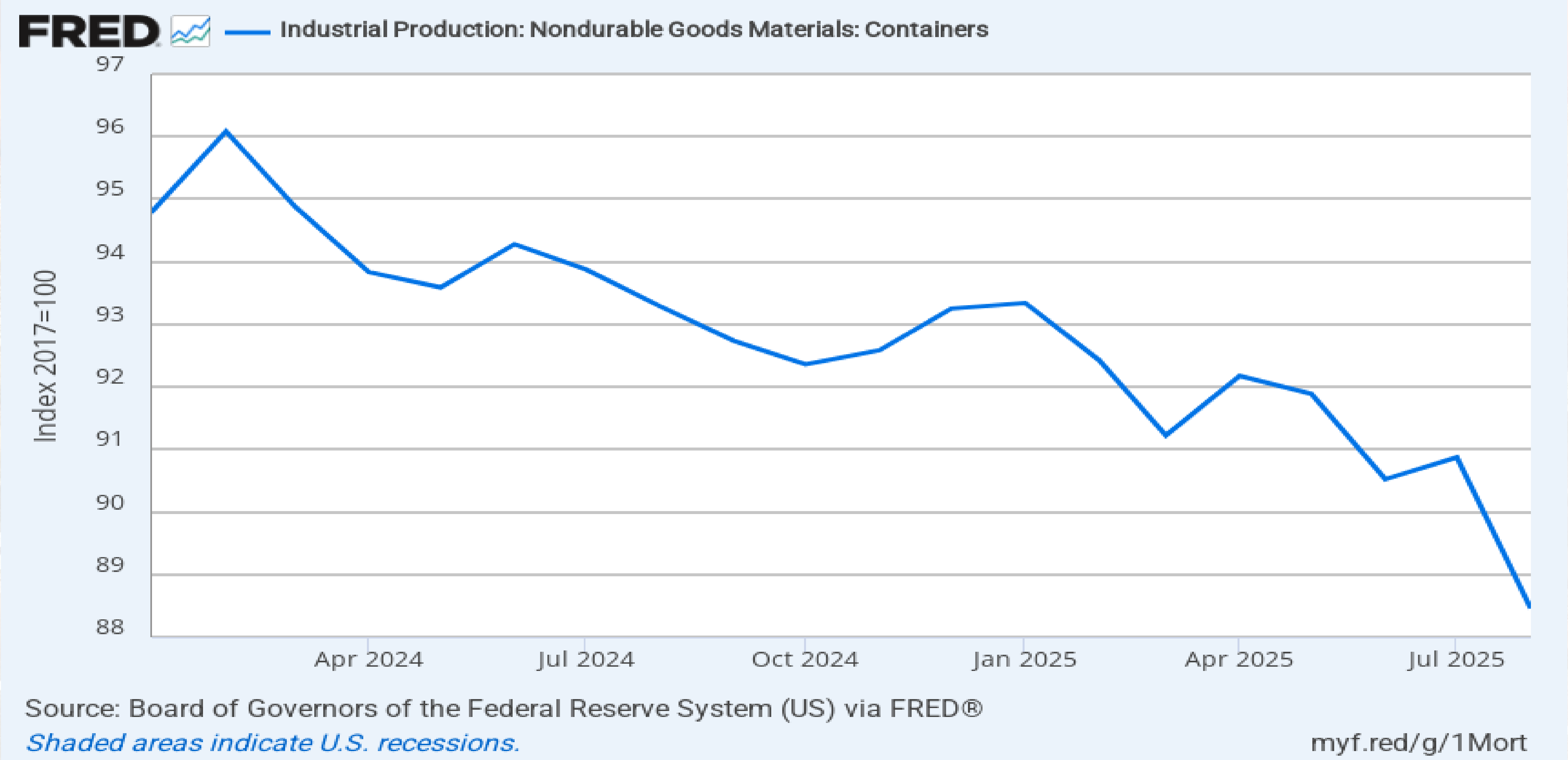
Target's inventory strategy has been a mess going back to port labor concerns last fall

Monthly TEU Imports from WMT and TGT



UNTIL TARIFF POLICY BECOMES CRYSTAL CLEAR, EXPECT MORE LETHARGY

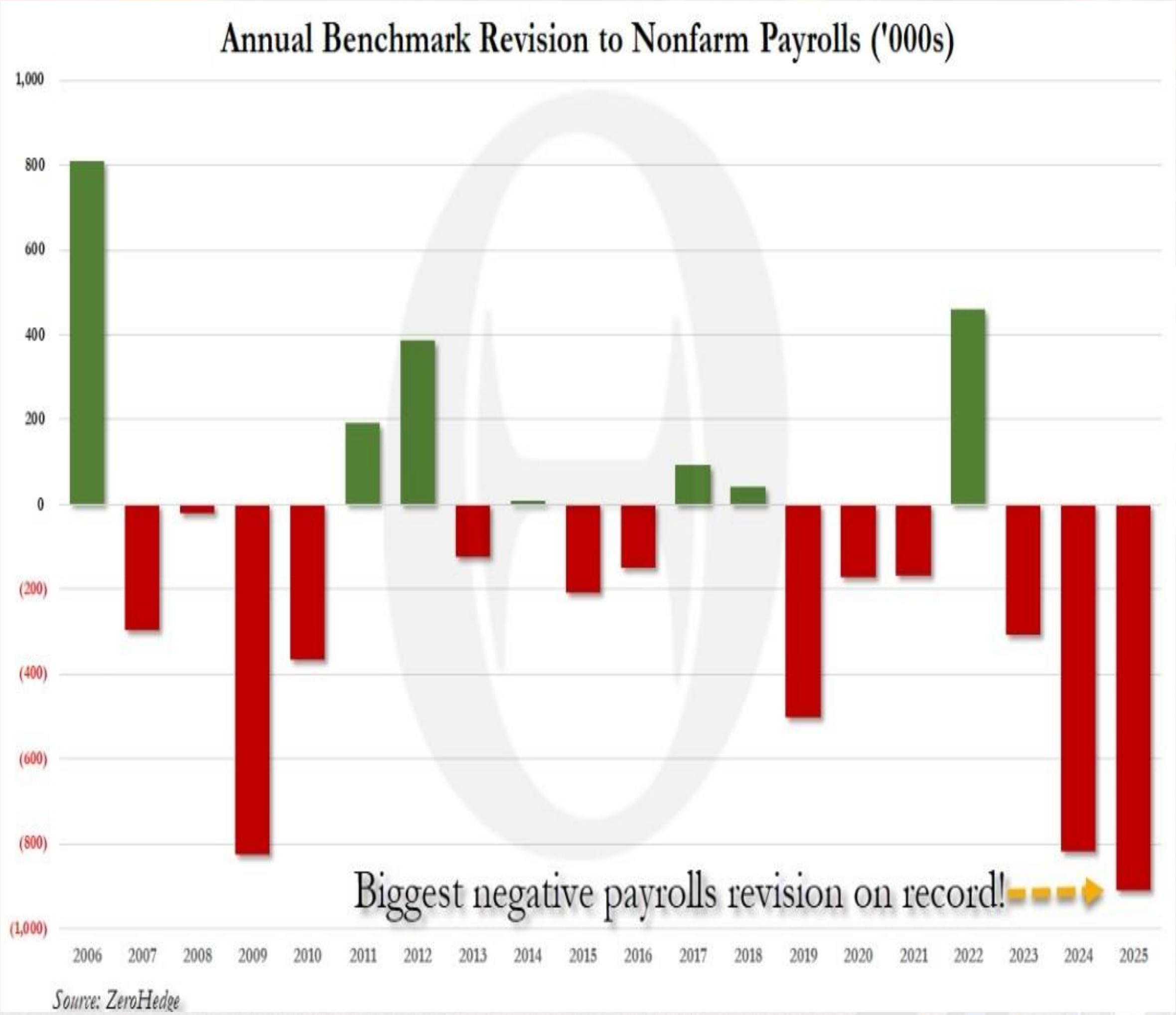
Container, corrugated boxes *reflect uncertainties;* ***down 7.9% Since February; Down 2.6% in Aug. vs. July***



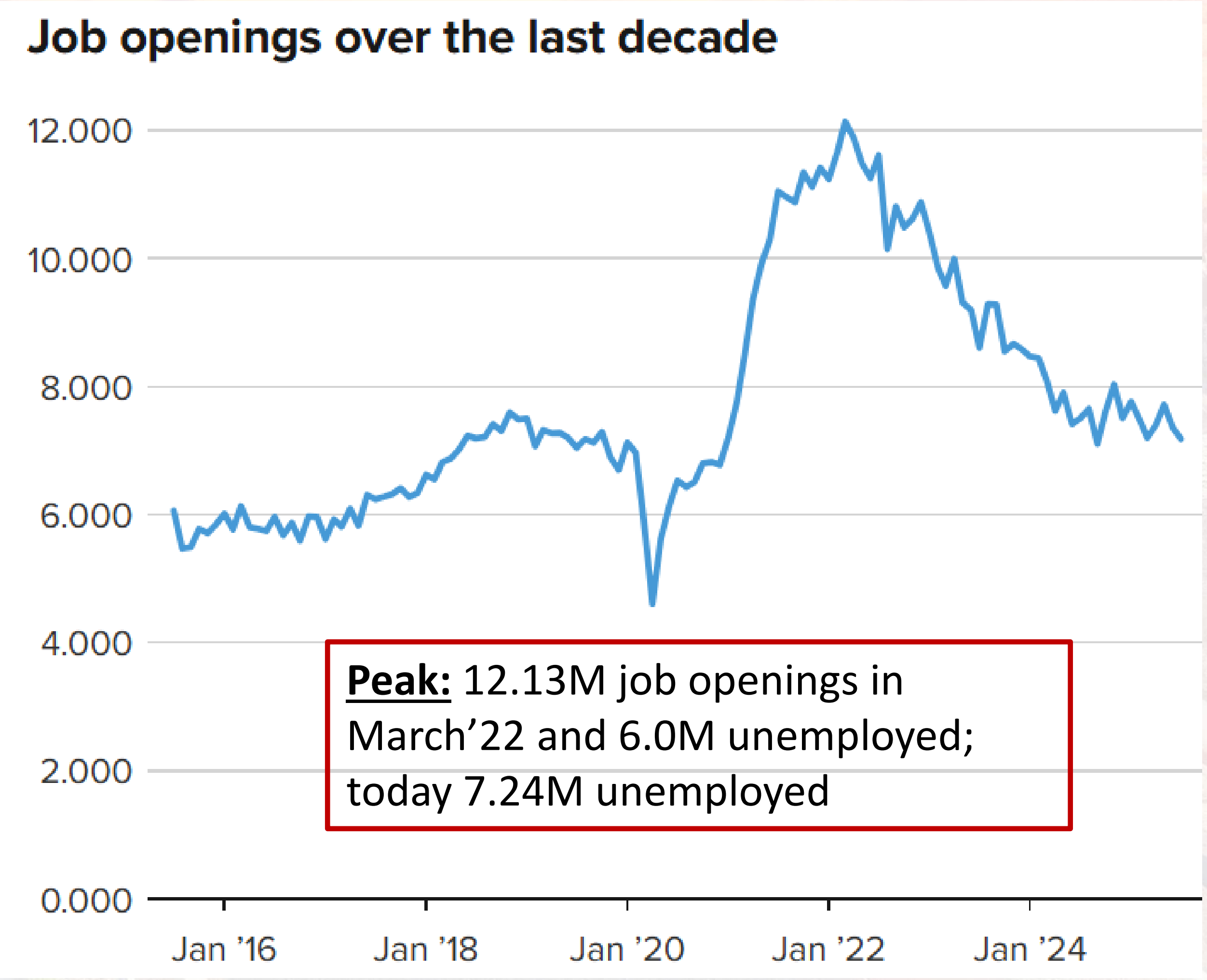
JOB REVISIONS AND JOB OPENINGS: CONSUMERS LOSING OPTIONS

*Job openings to unemployed at peak was 2.1x; now below 1.0x–**just 2nd time since 2018***

2+ Million Jobs Revised Away the Last 3 Years



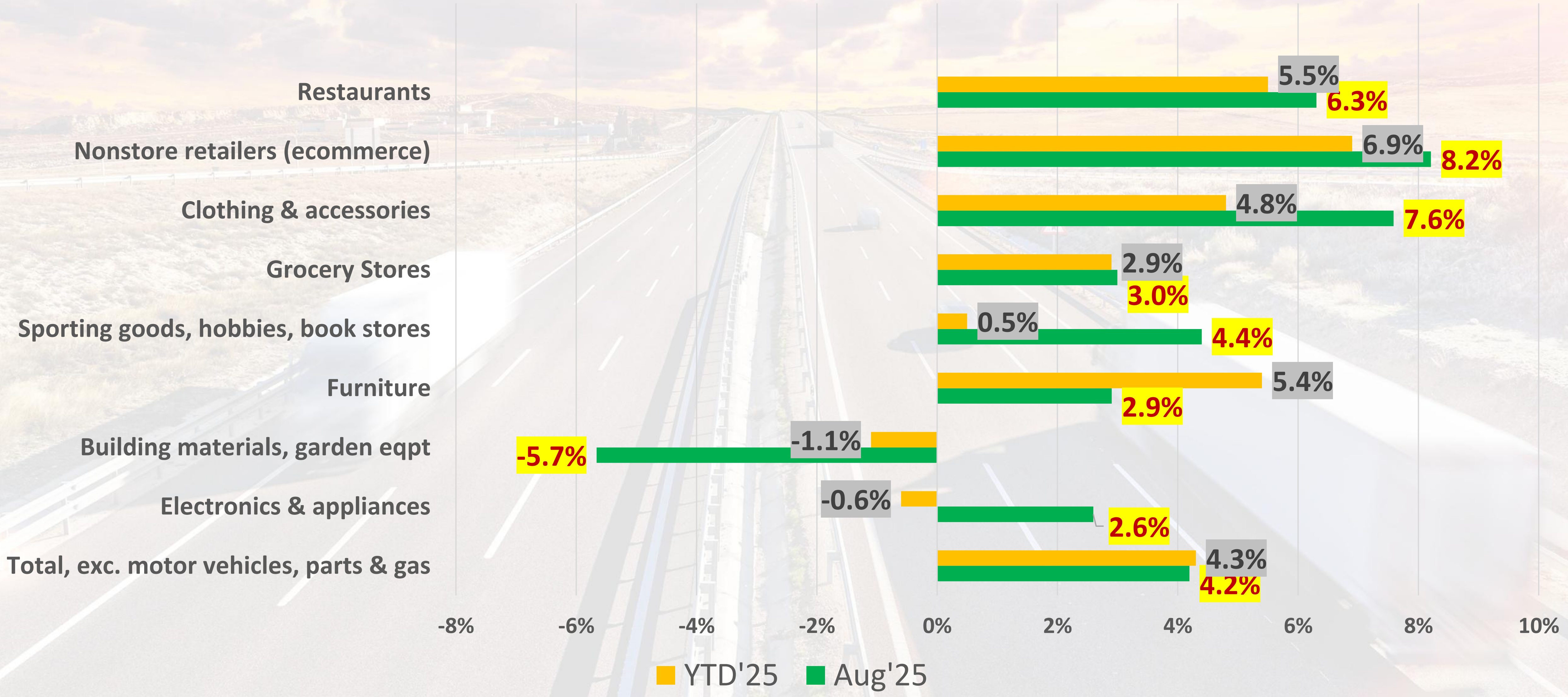
More Unemployed than Job Openings



Sources: BLS and Reliance Partners commentary

WHERE PEOPLE ARE SPENDING THEIR MONEY

*Figures **NOT** inflation-adjusted; some categories, e.g., **restaurants (+3.9%) & furniture (+4.7%)** w/ inflation higher than **2.9% CPI***



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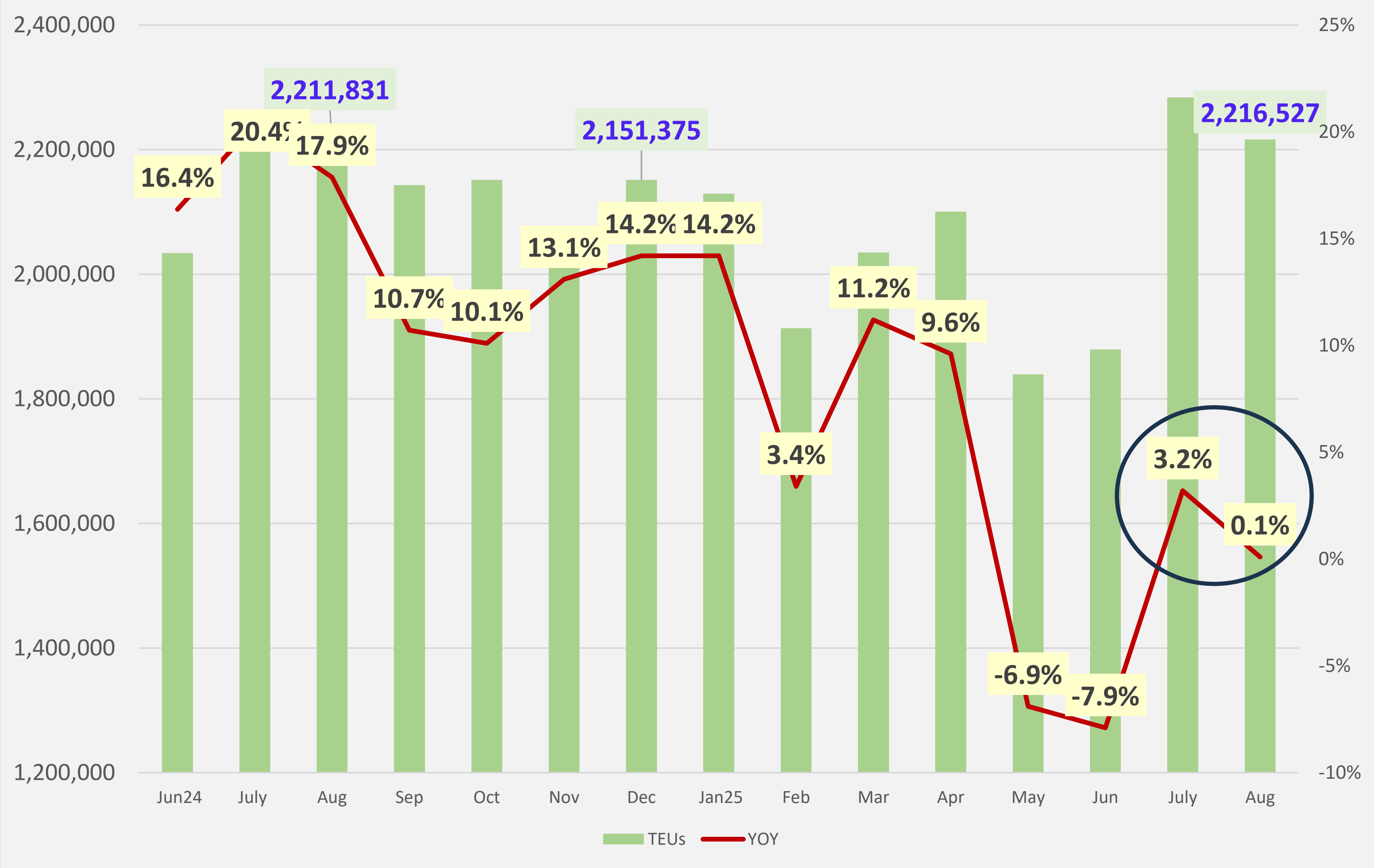
Source: US Census Bureau monthly retail and food sales report.

MOMENTUM [NOT]> PORT DATA; FROM AUG ONWARD WON'T BE PRETTY

10 Largest Ports: Inbound Containers



- Q2'25: Chinese imports **-19%**
- All other Asian nations **+14%**
- **August:** **4 out of 10 ports** were negative
- **LA (-1%) and LB (-3.6%) hurt the group**

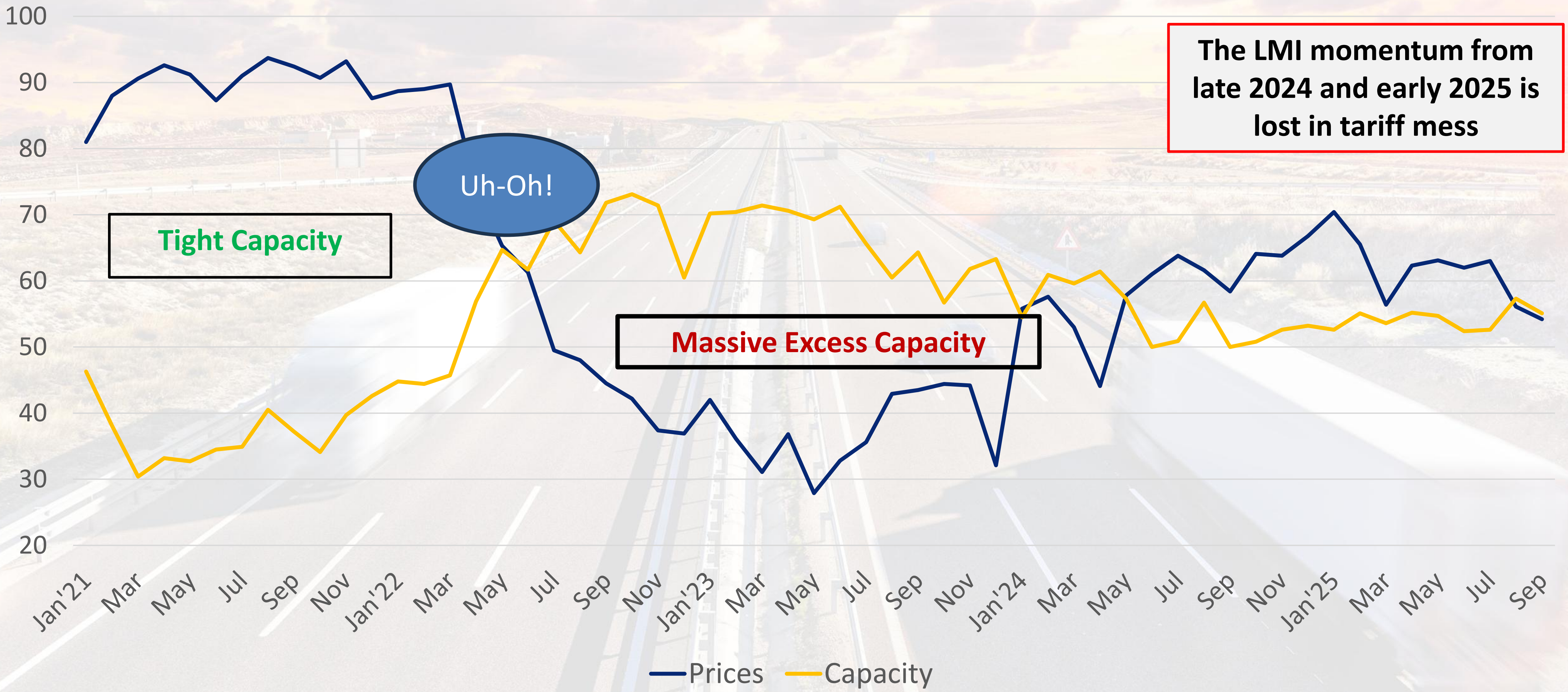
Source: McCown report and individual port data releases.

DAY 4: THE STATE OF CAPACITY > CLOSE, BUT…

- ✓ LMI: Equilibrium not far but uncertainty is hindering demand and hence, a pricing recovery
- ✓ Insights into CDL and DOT# issuance and potential changes to capacity
- ✓ Interesting regulatory efforts under way
- ✓ How much longer before it feels better?

LOGISTICS MANAGERS' INDEX: UPCOMING WINTER OF CHALLENGE?

*The Transportation Capacity/Price Indicator Momentum Has Evaporated from **+17.7 in Jan to -0.9** in September*



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Source: www.the-lmi.com and Reliance Partners analysis. The LMI measures several things, but the above are prices and capacity for Transportation.

INITIATIVES: THE BEGINNING OF "REAL" ENFORCEMENT?

~3.8 million active CDL drivers; *1% is 38,000;* ***Enforcement will be key; 2% is 76,000 drivers***

ELP (6-25)

Automatic OOS, but CA not complying, **<u>border counties exempted</u>**;

Texas to enforce ELP on intrastate drivers

B-1 Visa

Cabotage

More focus last few months; Rubio halt of worker visas not the same

Heightened CDL Oversight

(60 schools shut down, FMCSA pressuring states, etc.)

ISSUANCE OF CDLs AND DOT #s NEEDS TO BE CLEANED UP

- Cutting red-tape in Commercial Driver's licensing: DOT gave states the tools to more than double new commercial driver's license issuances in January and February 2022 compared to January and February 2021. States have issued more than 876,000 CDLs since January 2021.

<u>July ELP Data:</u>

✓ 4,497 ELP violations

✓ 2.352% violation rate

✓ OOS rate was less than 1%

✓ **<u>Ex: Texas:</u>** 1,852 violations, but only 6 OOS

<u>August ELP Data:</u>

✓ 7,366 ELP violations; awaiting OOS

✓ 2.358% violation rate

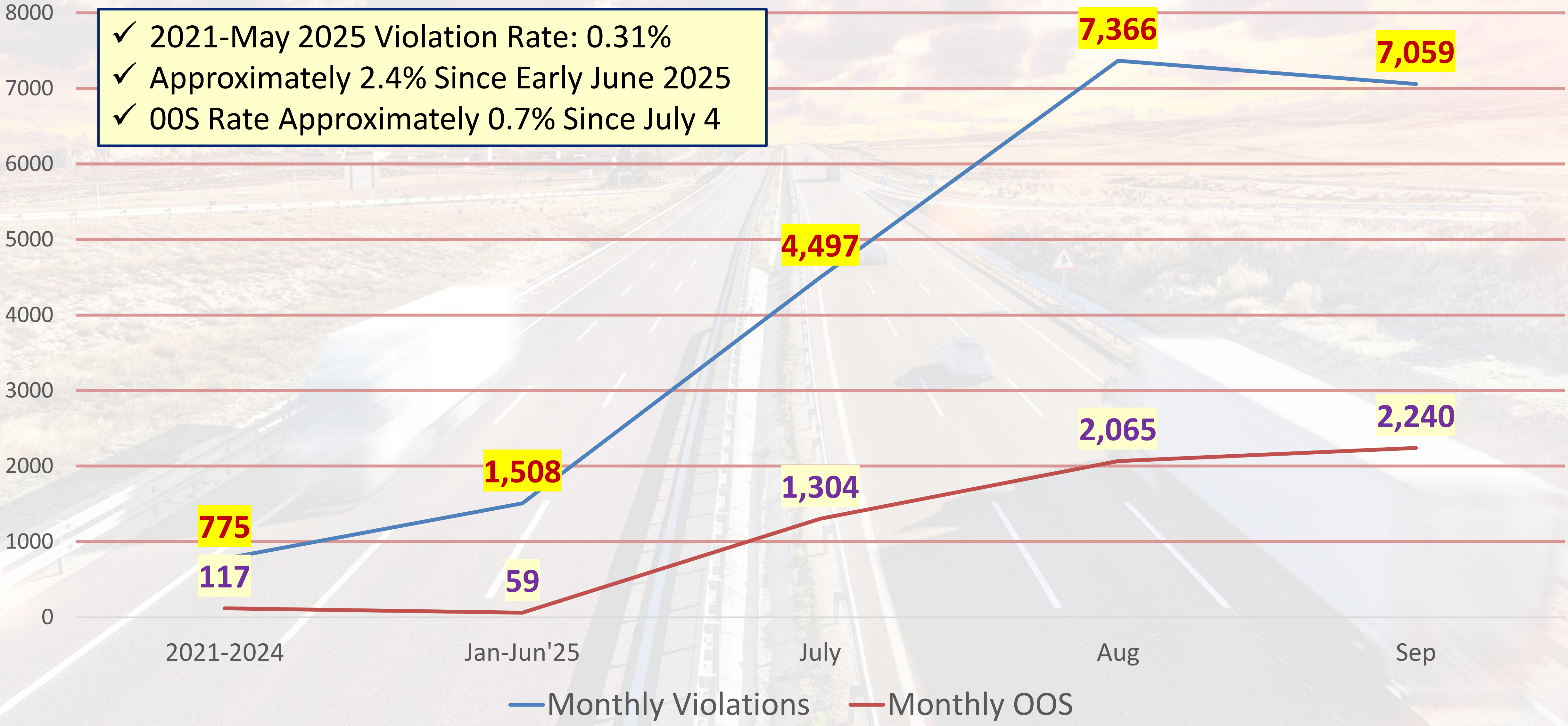
✓ <u>Jan-June</u>: ***1,508 avg.*** violations/month

✓ **<u>2021-2024</u>**: 0.312% violation rate

Source on 876K CDL figure: April 4, 2022 White House Fact Sheet. Link: [FACT SHEET: The Biden Administration's Unprecedented Actions to Expand and Improve Trucking Jobs | The White House]

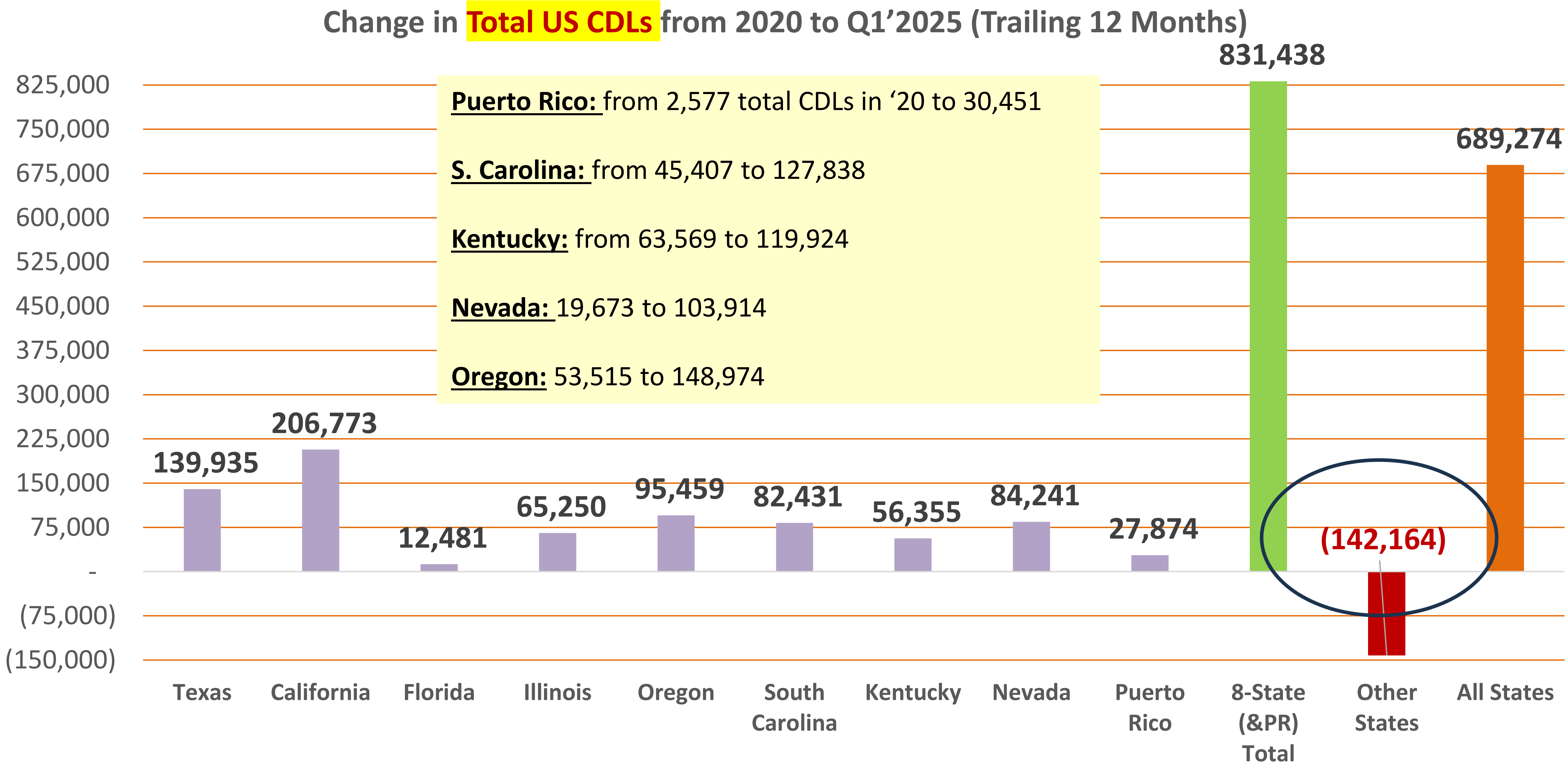
ELP VIOLATIONS AND OOS—FOCUS ON ABSOLUTE NUMBERS NEAR-TERM

Non-domiciled CDL changes on 9-26-25 *are stirring significant activity and fear; October #s will be fascinating*



Source: FMCSA monthly A&I report. A&I online – Motor Carrier Analysis and Information Resources Online; months are not uniform, not ending on last day and each month varies in length.

WHY DO 8 STATES & PR ACCOUNT FOR ALL CDL ISSUANCE? POLITICS, CARGO FRAUD…?



Source: FMCSA, ATU and Reliance analysis.

GROWTH OF CDL ISSUANCE FOR NEWLY REGISTERED CARRIERS: 8 STATES & PR WERE 74% OF TOTAL IN 2024

Illinois: *no outlier year, but the king of non-domiciled CDL issuance with 5,290 in 2024 and 4,904 in Q1'25;* ***IL just 80 a decade ago!***

	2024	2023	2022	2021	2020		Average Excluding Outlier Year
Texas	16,970	16,262	20,461	124,360	21,432		18,781
California	49,002	16,242	18,942	124,698	21,557		26,436
Florida	9,936	9,679	12,674	12,838	109,122		11,282
Illinois	11,358	6,659	10,308	14,841	13,517		11,337
New York	47,119	4,028	4,585	5,532	4,318		4,616
Oregon	1,284	1,251	98,899	1,303	1,107		1,236
South Carolina	1,800	1,867	2,109	77,580	1,765		1,885
Kentucky	53,686	1,545	1,859	1,775	1,164		1,586
Nevada	81,689	1,005	1,409	1,197	1,153		1,191
Puerto Rico	26,407	292	490	615	313		428
8-State (+PR) Total	299,251	58,830	171,736	364,739	175,448	69,090	
Other States	107,671	118,911	90,602	98,646	85,717	66,883	
All States	406,922	177,741	262,338	463,385	261,165	135,973	

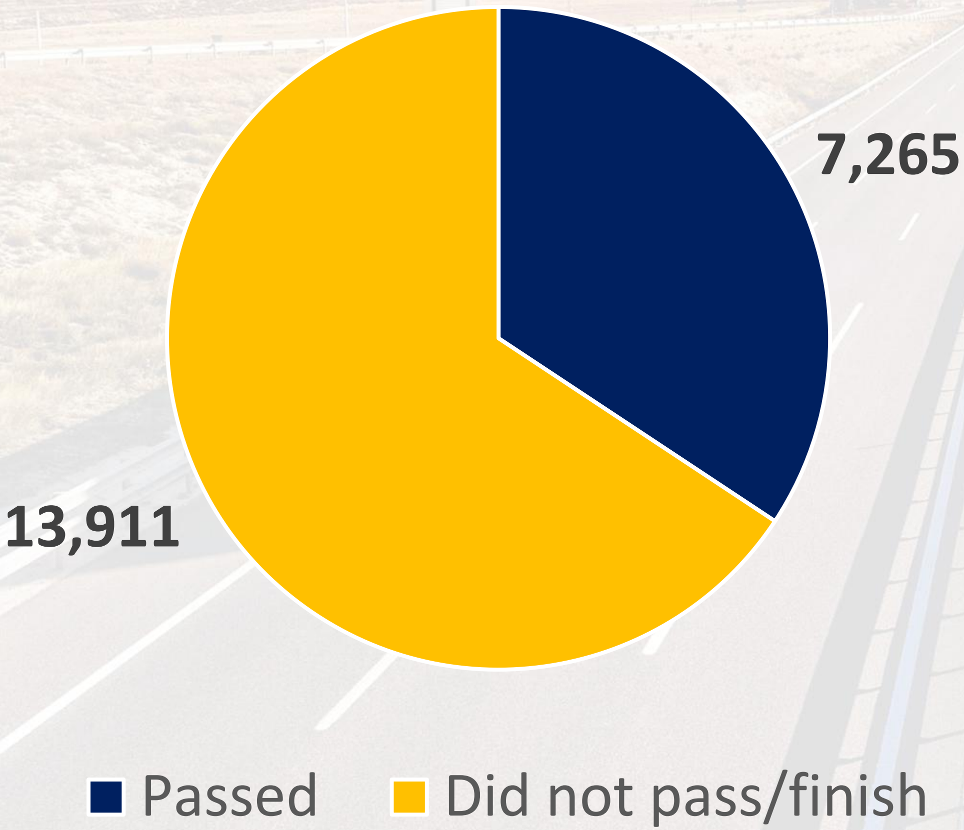
RELIANCE PARTNERS

Source: FMCSA, ATU and Reliance analysis.

NEW URS SYSTEM FROM FMCSA—MAY CURTAIL SOME FRAUDULENT CARRIERS FROM GETTING DOT #s (partnering with IDEMIA to improve identity verification)

__65.7%__ of New Motor Carrier Registration Attempts Failed; Normal Failure Rate is 30% to 35%

Attempts in first 16 days



➢Effective **__10-1-25__** existing carriers **__(not just new)__** are required to go through the FMCSA URS

Source: FMCSA May 13 webinar and Reliance analysis and commentary..

ISSUANCE OF CDLs AND DOT #s NEEDS TO BE CLEANED UP

DOT Secretary Sean Duffy *is the most pro-trucker DOT head in decades…**more changes coming!***

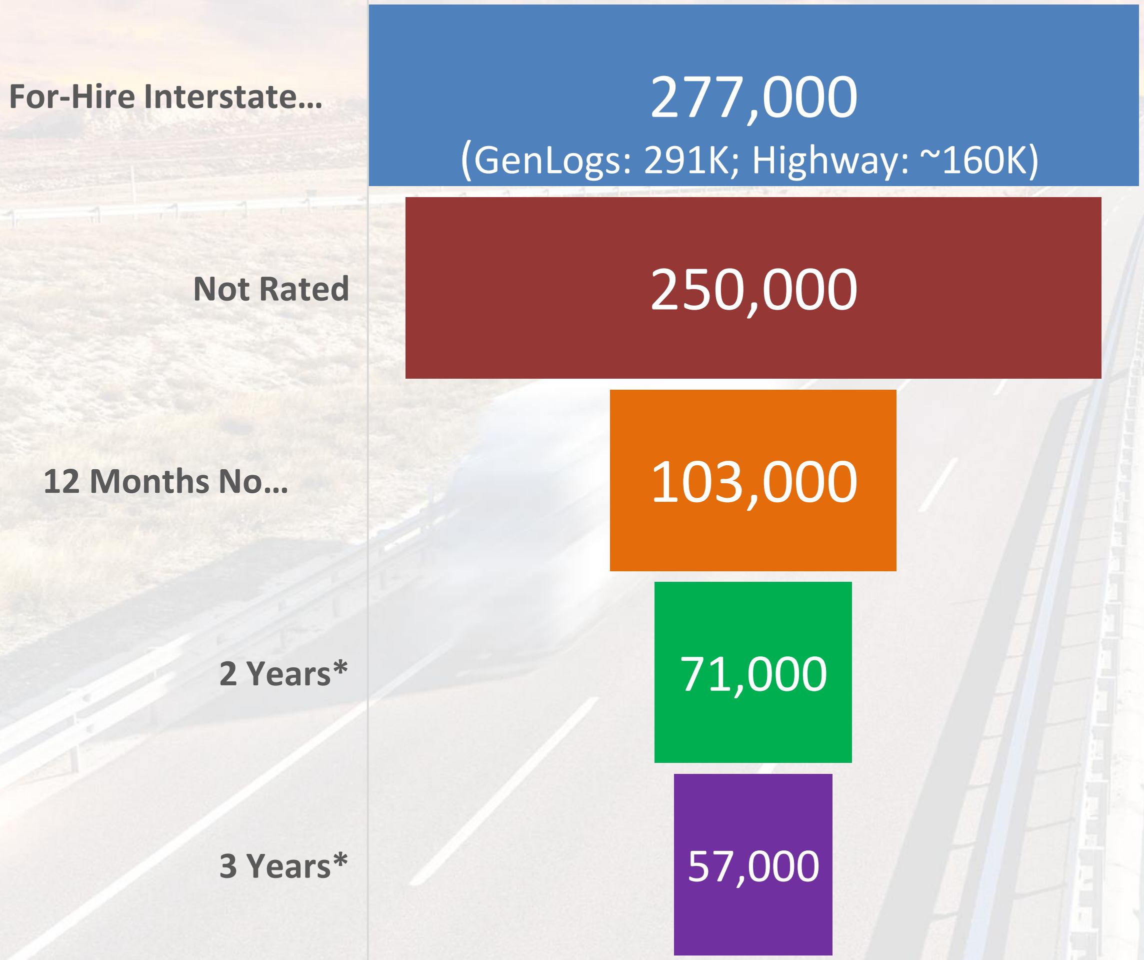
- ✓ FMCSA **needs software alerts** for fake addresses, shell companies, fraudulent phone numbers/emails
- ✓ File MCS-150s **annually, not every 2 years**
- ✓ Eliminate **MC #s** (originally Oct. 2025; now on hold) or police the sale of them
- ✓ **New digital identity verification** (new URS process for new DOT#s in April, ***all carriers*** effective 10-1-25)
- ✓ ***Consistent standards around CDL issuance by all 50 states***
- ✓ Shorten **insurance cancellation window from 33 days to 15-20 days (?)** before a carrier is shut down
- ✓ **CDLs:** mimic same process and verification used in issuing **TWIC cards** or require a TWIC card first
- ✓ FMCSA needs to aggressively declare **"imminent hazard"** on fraudulent and unsafe carriers
- ✓ In September, **Senator Ashley Moody (FL)** has introduced the **"Safer Truckers Act"** with tighter CDL issuance, mandatory ELP, annual state reporting on ELP, and states losing federal transport funding for non-compliance.
- ✓ In July, **Congressman Rick Crawford (AR)** introduced a **hair follicle drug testing** requirement bill.
- ✓ **Customs:** 7-day window for B1 drivers to get back to border, not open-ended
- ✓ **Auto liability minimums:** tier it? $1M up to 50 trucks; $1.5M for 50-100; $2M> 100 trucks; $3M>250; $5M> 1,000. Boost **broker bonding** from $75K to $500K?
- ✓ Change **commercial truck inspection**….next page

Source: Reliance Partners comments

A CAPACITY NIGHTMARE & POTENTIAL SOLUTIONS

94% of Carriers Don't Have a Safety Rating; Freud's Definition of Insanity Applies!

Trucking—We Have a Problem!



A Few More Solutions?

- DOT/FMCSA: audit top 25-50 cities **EACH MONTH** that get a DOT or MC #
- Signal Hill, Fresno & Bakersfield (all CA), Sheridan, WY, et al, can be exposed!
- Help FMCSA realize that cross-border freight is **not just a Customs problem and vice versa**
- Make getting a DOT# harder… a 4-5 month process?
- Texas issued **51,993 non-domiciled CDLs since 2015** and CA nearly 100K…**194K from DOT on 9-26-25 could be low**
- Move inspections **BEYOND** from CDL, Med Cards, Drug & Alcohol, TBL, HOS/ELD, Insurance to…
- …UCR, Principal place of Business, have data for Co's with multiple MC and DOT #s in a year, info on VINs, etc.
- **Force carriers with 1-20 trucks to have XX number of inspections until there is enough data to have a safety rating**
- **10% to 15% of capacity is non-compliant and/or fraudulent, but excess capacity OVERALL is not more than 2% to 3%**

Source: FTR on the left; Reliance commentary on the right. * Indicates time since the last inspection.

DAY 5: THE STATE OF TRUMP, TARIFFS, et al

- If you want **less** goods, tax and tariff them more
- If you want **more** goods, do the opposite
- A nation does not become **richer** by producing at home products it can buy more cheaply abroad
- The only **closed economy** is the World economy

TRUMP: SNAPSHOTS OF 100, 200 AND 300 DAYS

April 30

- Reverse Biden's Actions
- 143 Exec Orders
- Apply Tariff Pressure
- Border Security
- Deportations
- Deregulation
- Cut Some Spending
- Reduce Federal Workforce

August 8

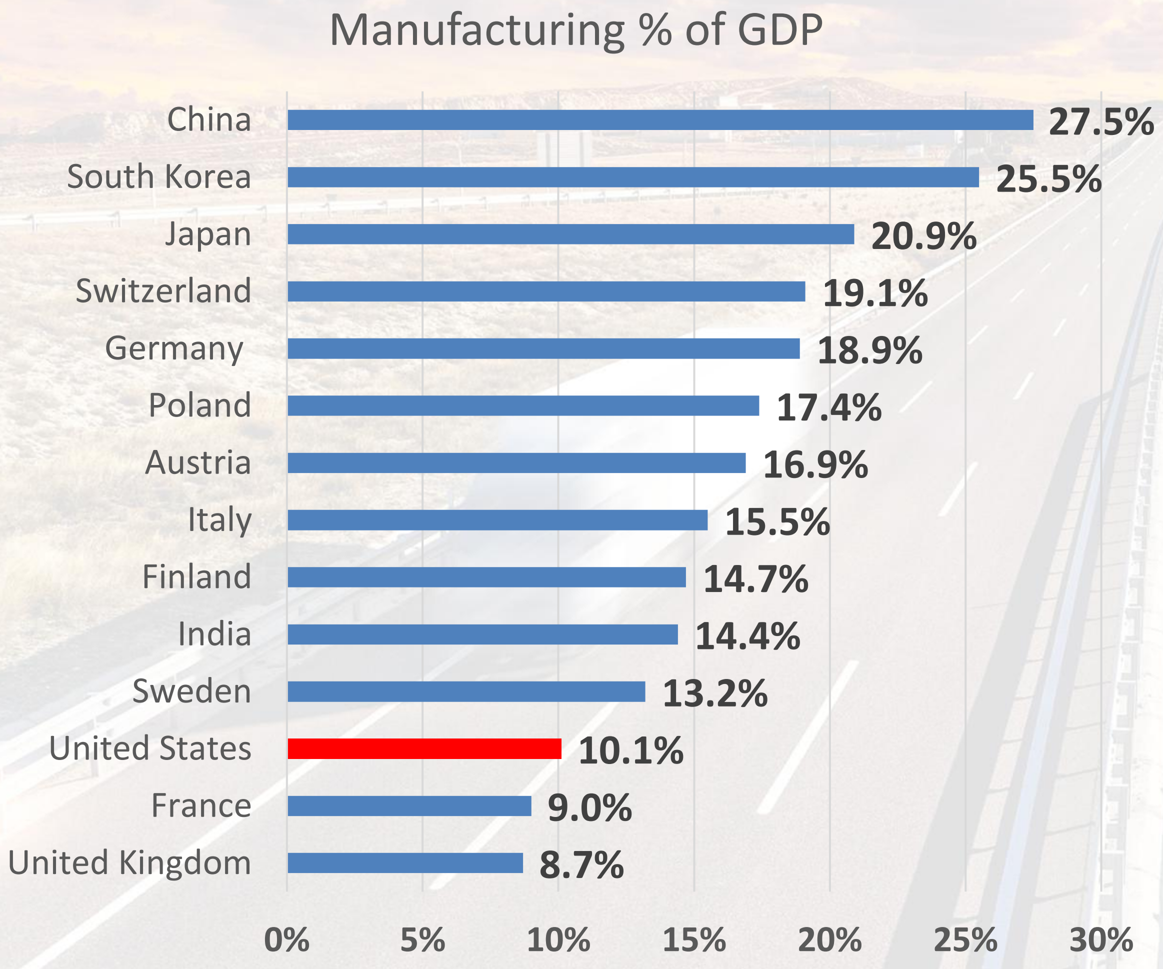
- Pass OBBBA
- Bomb Iran
- Negotiate w/ Russia and Ukraine
- Some Tariff Treaties (UK, EU, Vietnam, Philippines, Japan, etc.)
- Increase Artic Presence
  - ✓ Rare earth elements (lithium, titanium, etc.)
  - ✓ U.S. Security

November 16

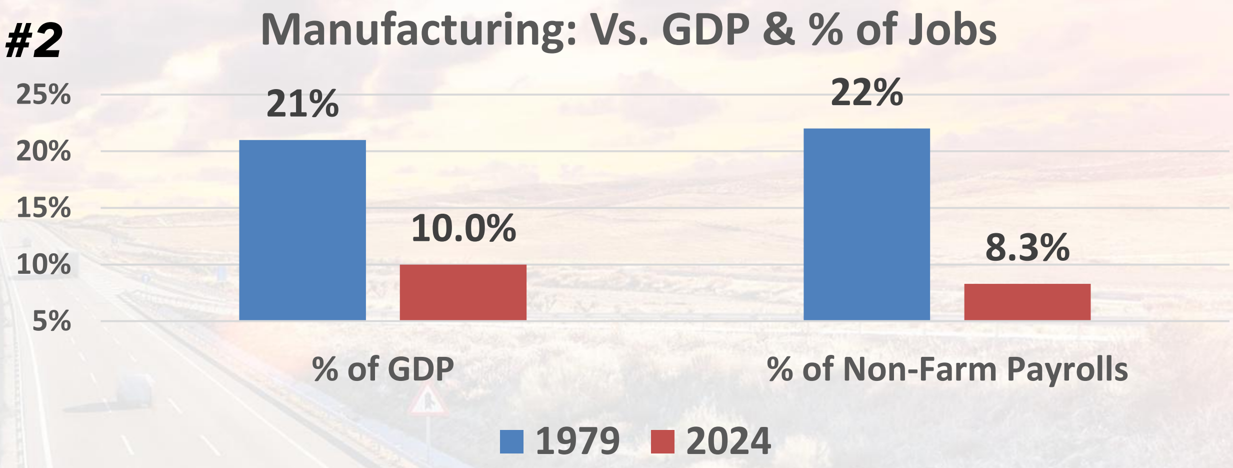
- Potential Russia/Ukraine Peace
- Potential Peace in Mideast
- Trade Deal with China- more likely in 2026
- Counting on stimulus from OBBBA for 2026
- Numerous Trade Deals
- Re-Globalization Framework in Place

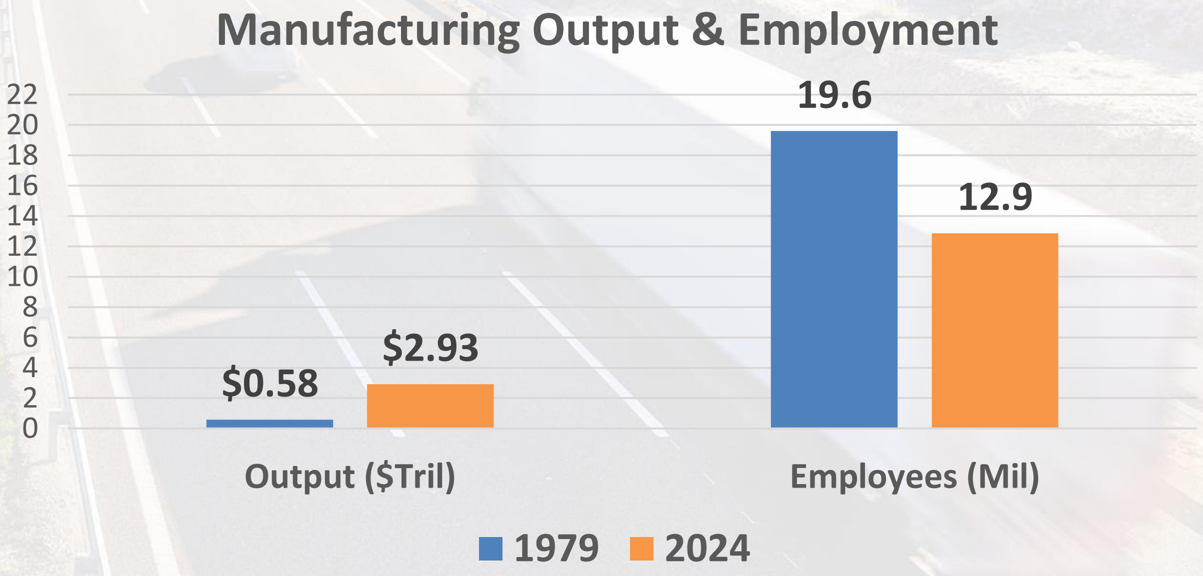
WHAT'S MOTIVATING TRUMP (& OTHERS) REGARDING TARIFFS?

By ***Output*** *China has been #1 since 2011;* ***US is a strong #2***



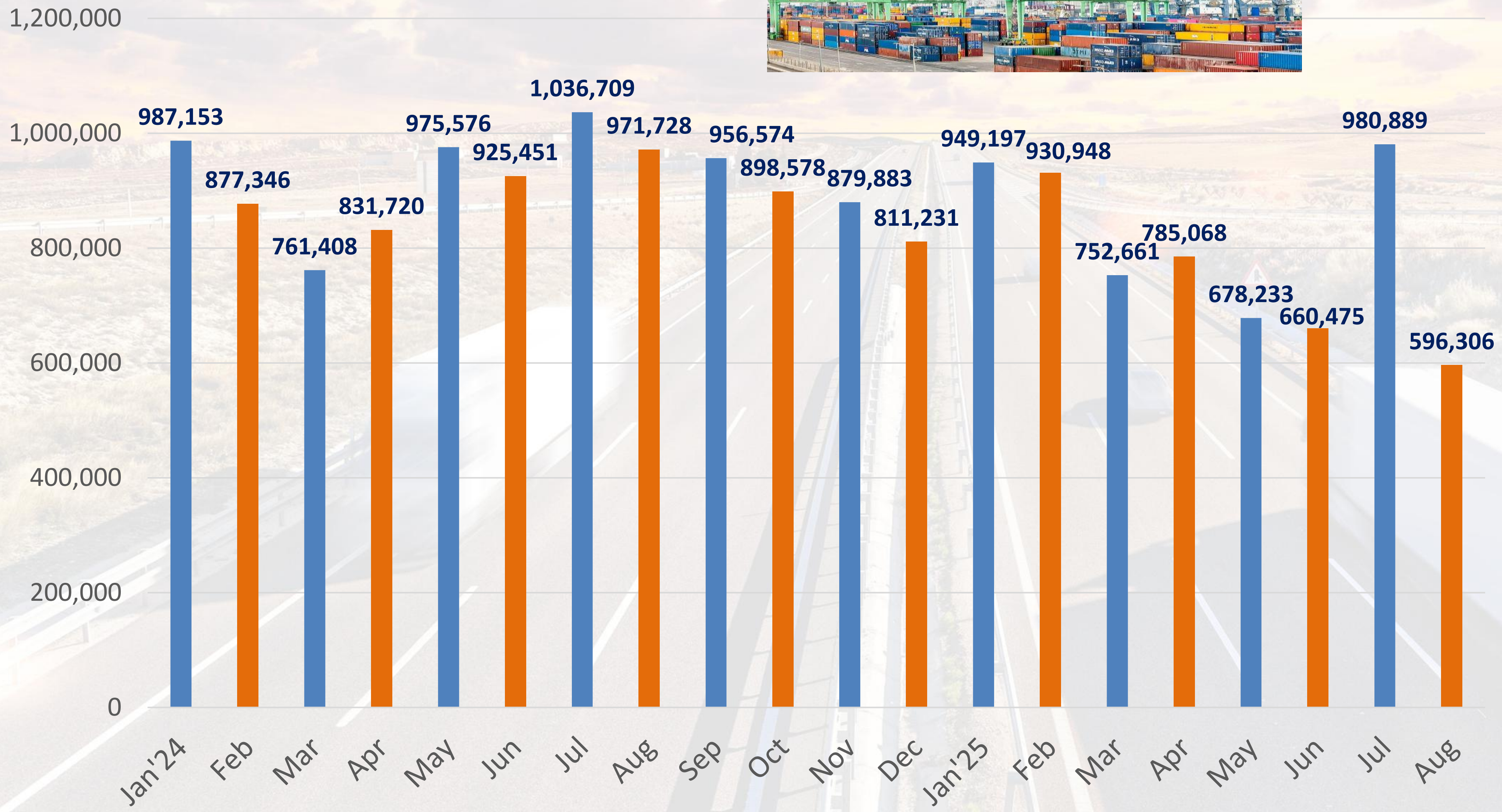
Source: World Bank, 2022





US IMPORTS (TEUs) FROM CHINA ARE DOWN 14% YTD

Trade with China will never be the same again; lanes and partners being permanently altered

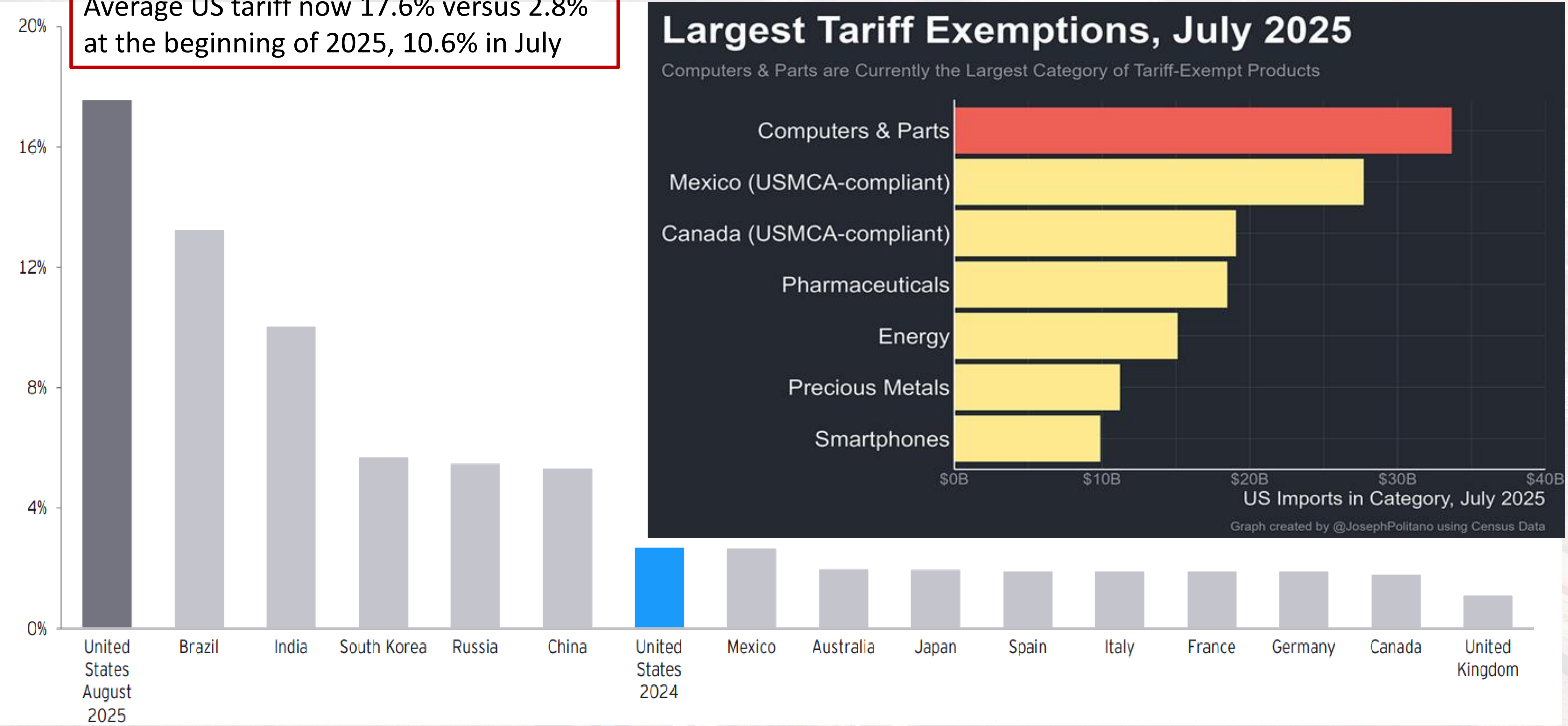


- ✓ **China's exports to the US** plunged ~39% in August vs. July and yoy
- ✓ **China's imports from the US** in Aug fell 16%
- ✓ Down every month in 2025 except Feb (+6.1%)
- ✓ **Down 17.6%** in April-July (including front-loading months)
- ✓ **YTD China's exports to the US** are -14%

Sources: ImportGenius.com, CNBC and Reliance Partners commentary.

TARIFFS: THE U.S. TODAY VS. OTHERS AND VS. THE U.S. IN 2024

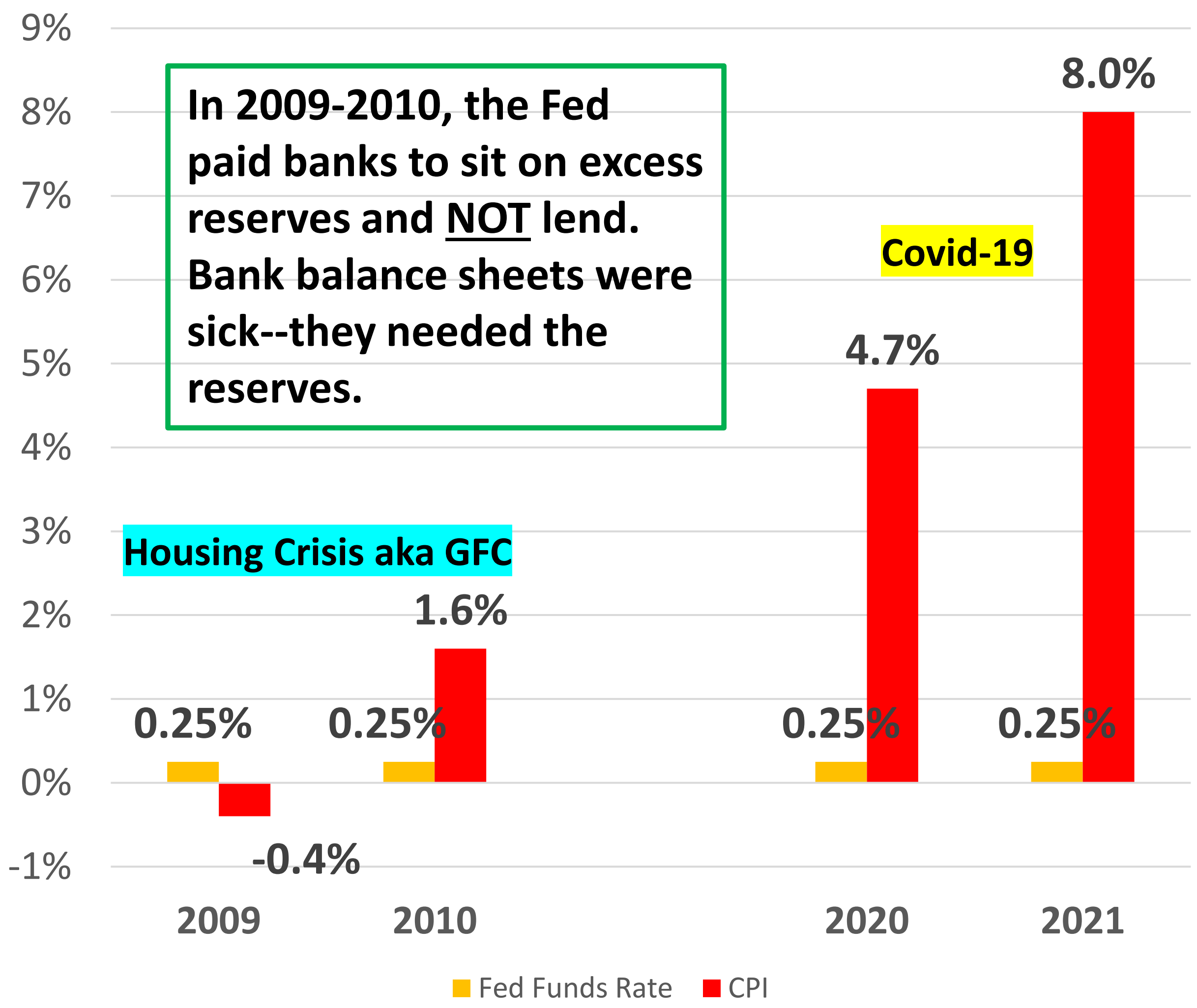
Average US tariff now 17.6% versus 2.8% at the beginning of 2025, 10.6% in July

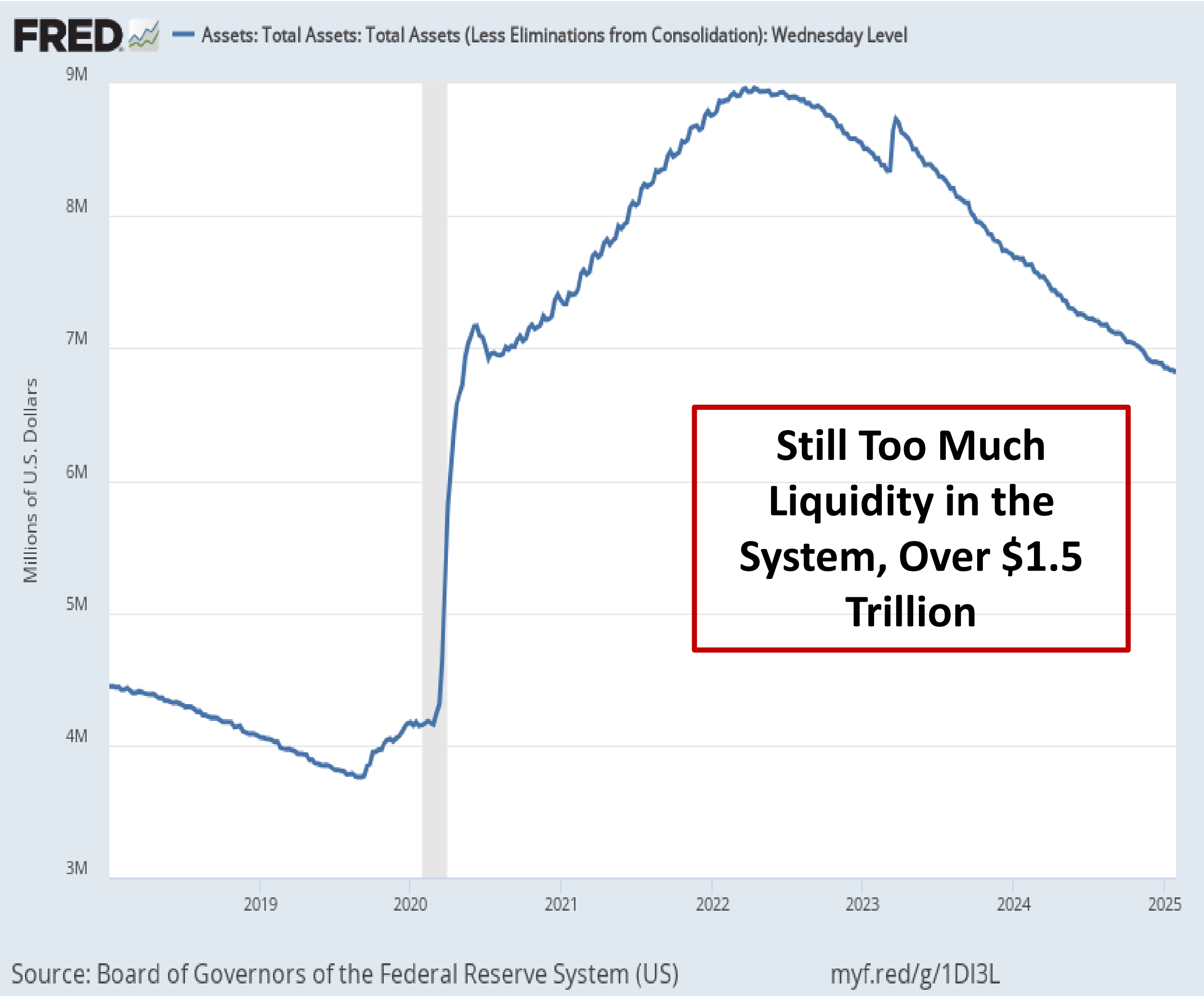


Sources: EY Parthenon, US International Trade Commission and Apricitas Economics

INFLATION: 2 CASE STUDIES–HOUSING/GFC CRISIS vs. COVID

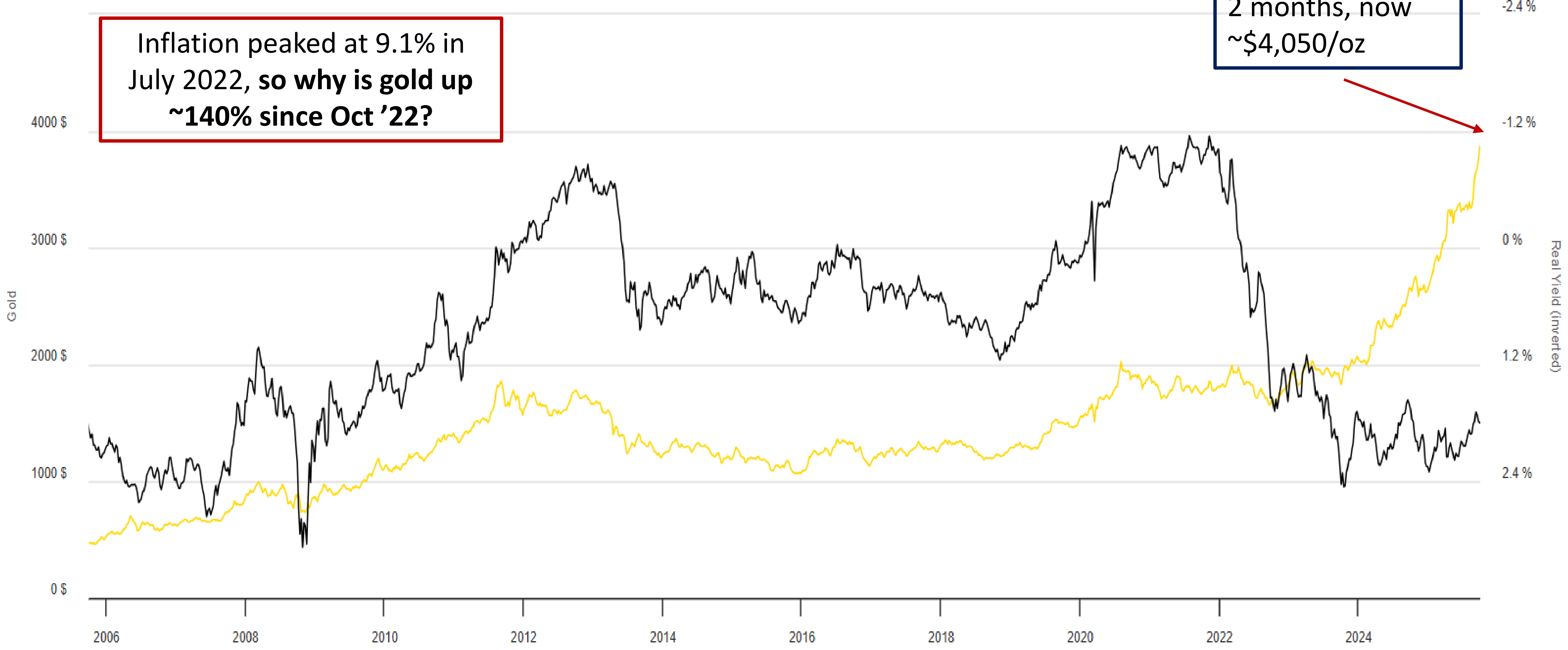
Same Interest Rates: 2 Inflation Stories; In “GFC” Rates Were Held Near Zero for 6 Years vs. < 2 Years in Covid





GOLD (Yellow): SIGNALLING THAT THE FED, CONGRESS & TRUMP ARE NOT UNDER CONTROL; INVESTORS DEMAND AN INFLATION PREMIUM

Real Yield (Inverted in Chart) Now Over 2% after Years of Negative Real Yields



Sources: www.longtermtrends.net and RP analysis

SO, ARE BETTER DAYS COMING TO TRUCKING? PERHAPS…

2025 Outcomes

- **Paralysis of decision-making**
- Tariff supply and demand **shocks**
- Trucking lost legitimate momentum
- **Re-Globalization?** Remains to be seen; higher prices

2026 Demand?

- **Some** stimulus from tax extensions **(not as much as some think)**
- **Bonus depreciation** may help capex (and freight)
- **Estate tax exemption** raised to $15M (from $13.99M), $30M for couples; both indexed to inflation from '27

2026 Capacity?

- Regulatory enforcement to help capacity by mid-2026
- Capacity shrinkage **if enforcement & regulatory changes are made**; 3% to 5%???
- **Pricing** to begin rising around mid-2026?
- **If I'm wrong? Tariffs could lead to a global recession**

APPENDIX—EXTRA SLIDES

OBBBA HIGHLIGHTS FOR COMPANIES AND INDIVIDUALS

BUSINESSES

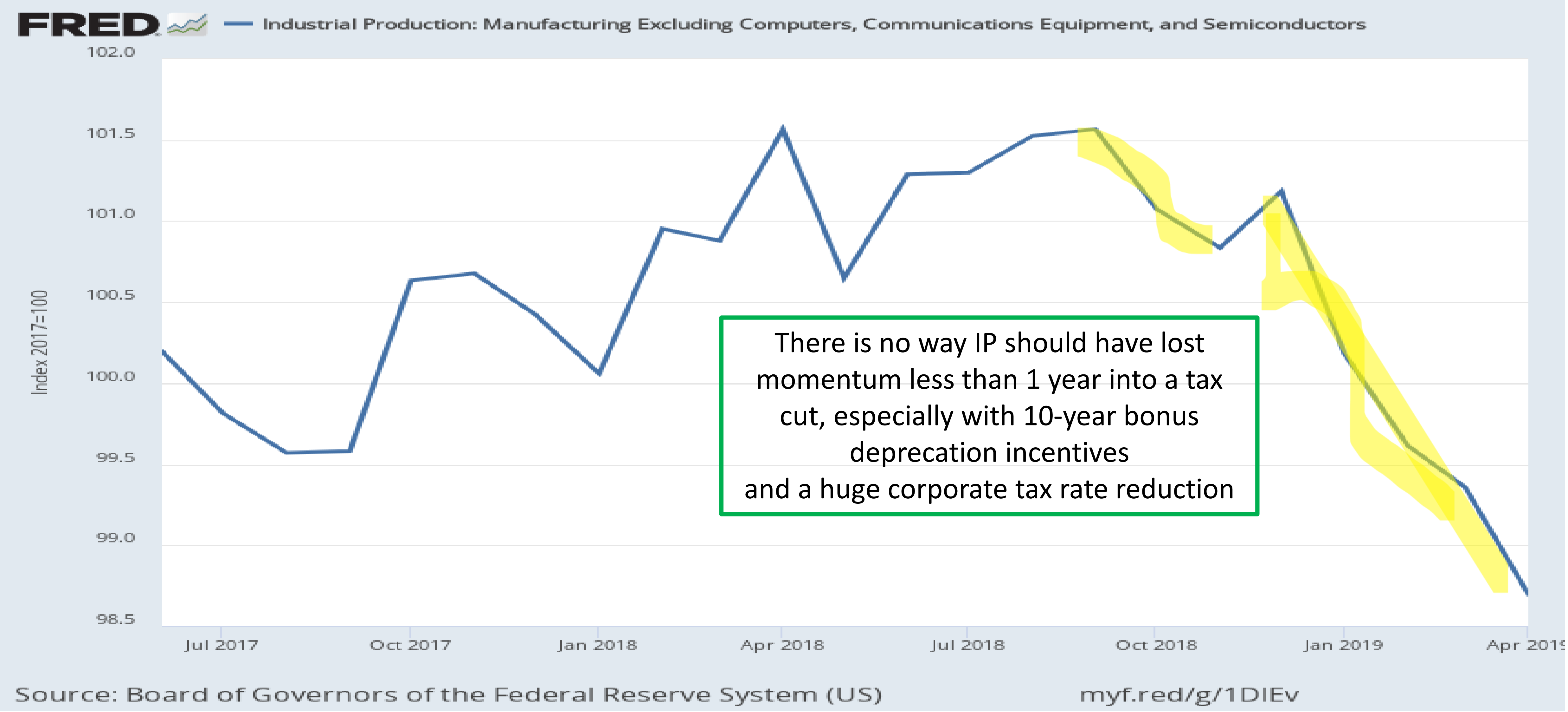
- 100% Bonus Depreciation
- Increased Business Interest Limitation
- 1099: Now Up to $2K From $600
- Full R&D Expensing
- Some Permanence Around Opportunity Zones and Rural Zones
- QBI 20% deduction made permanent

INDIVIDUALS

- SALT Increased to $40K from $10K Through 2029
- Trump Accounts for Babies ($1,000)
- Auto Interest Deduction for New Car Purchases
- No Taxes on Tips
- Estate & Gift Exclusion Lifted to $15M from $13.9M; Indexed to Inflation from 2027 onward

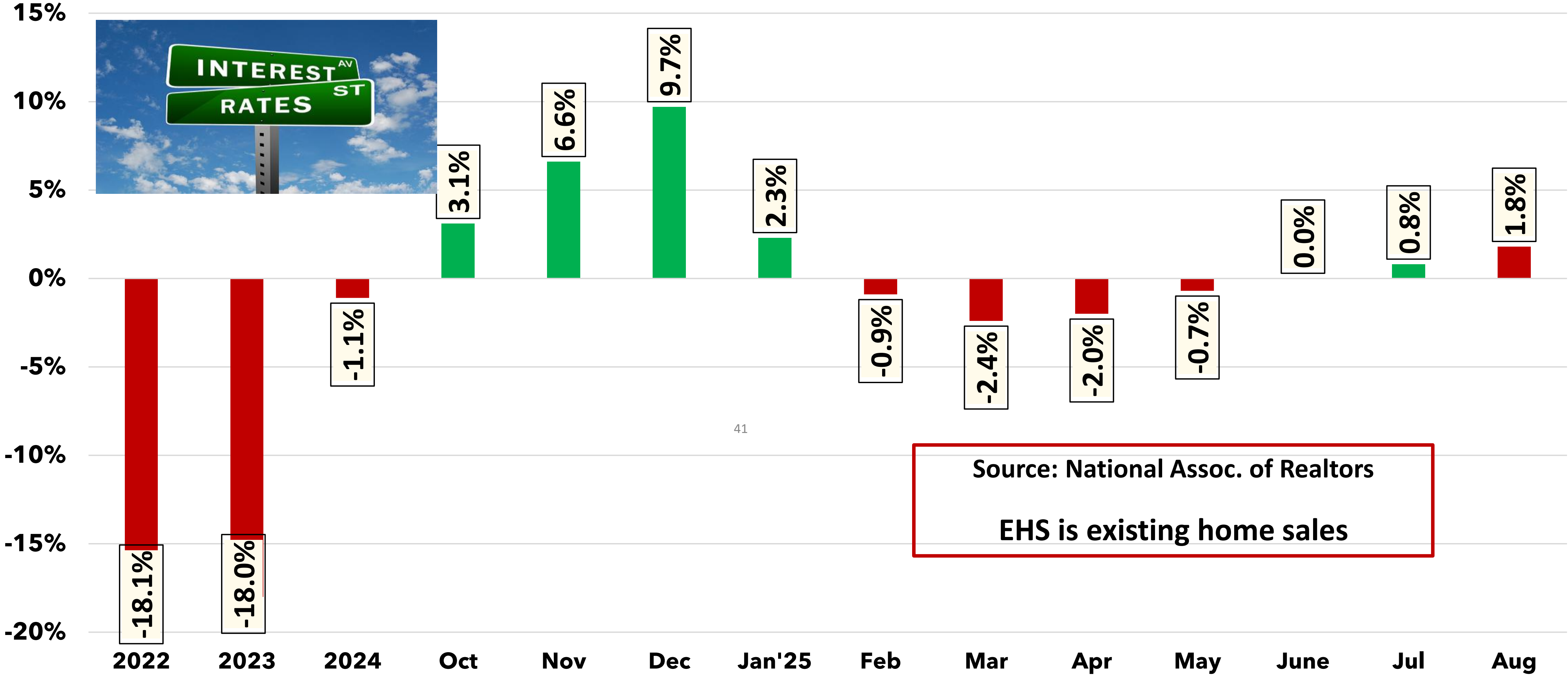
TARIFFS STARTED IN MAY AND JUNE OF 2018; IP LOST MOMENTUM IN 2H'18

Trump Tax Cuts Including Huge Business Tax Cuts Took Effect January 1, 2018



HOUSING WAS READY FOR AT LEAST A MODEST RECOVERY

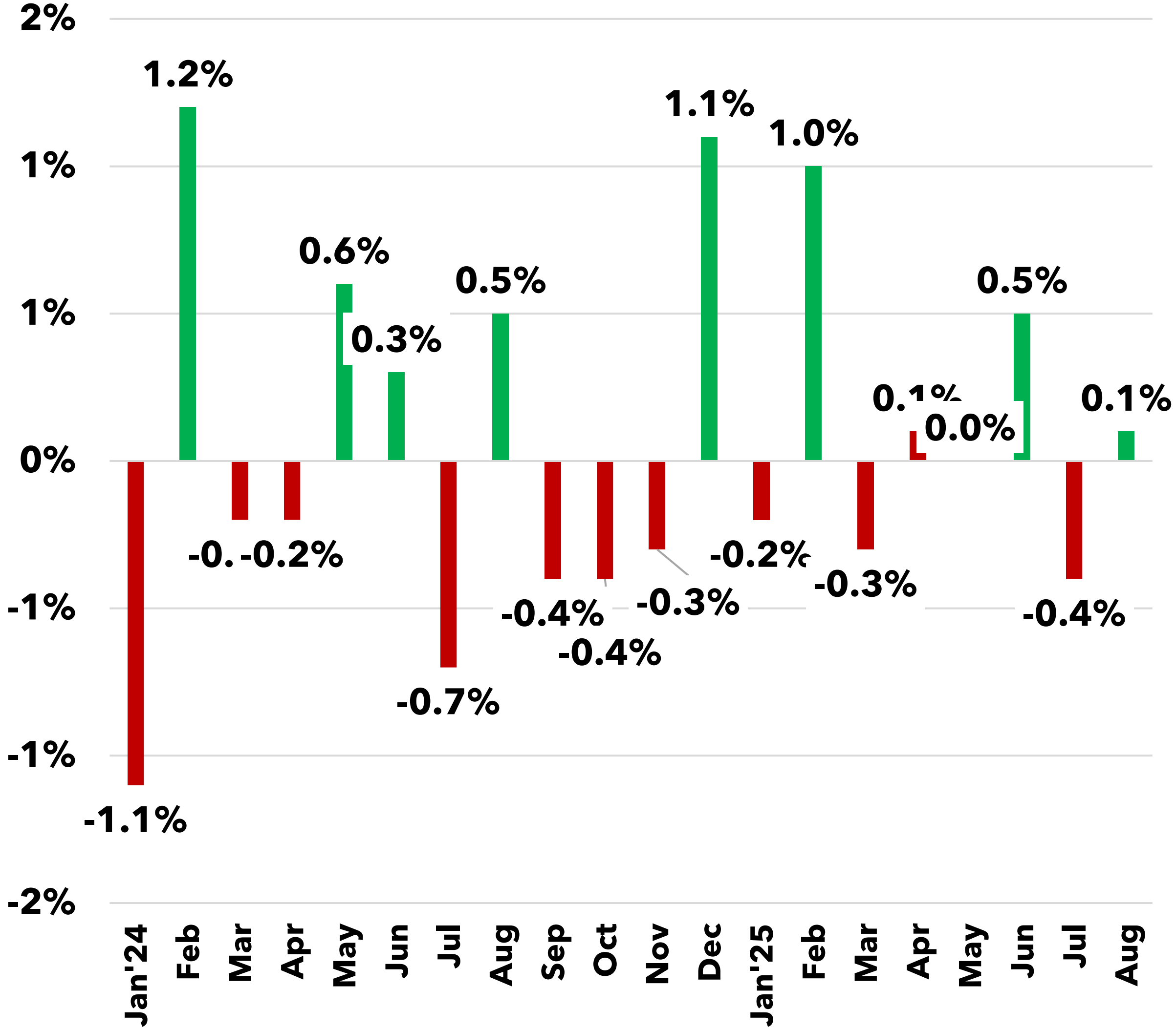
*EHS Had Been Negative for **38 Months**, but the Comps are Easy So **Maybe** Some Growth in Late 2025?*

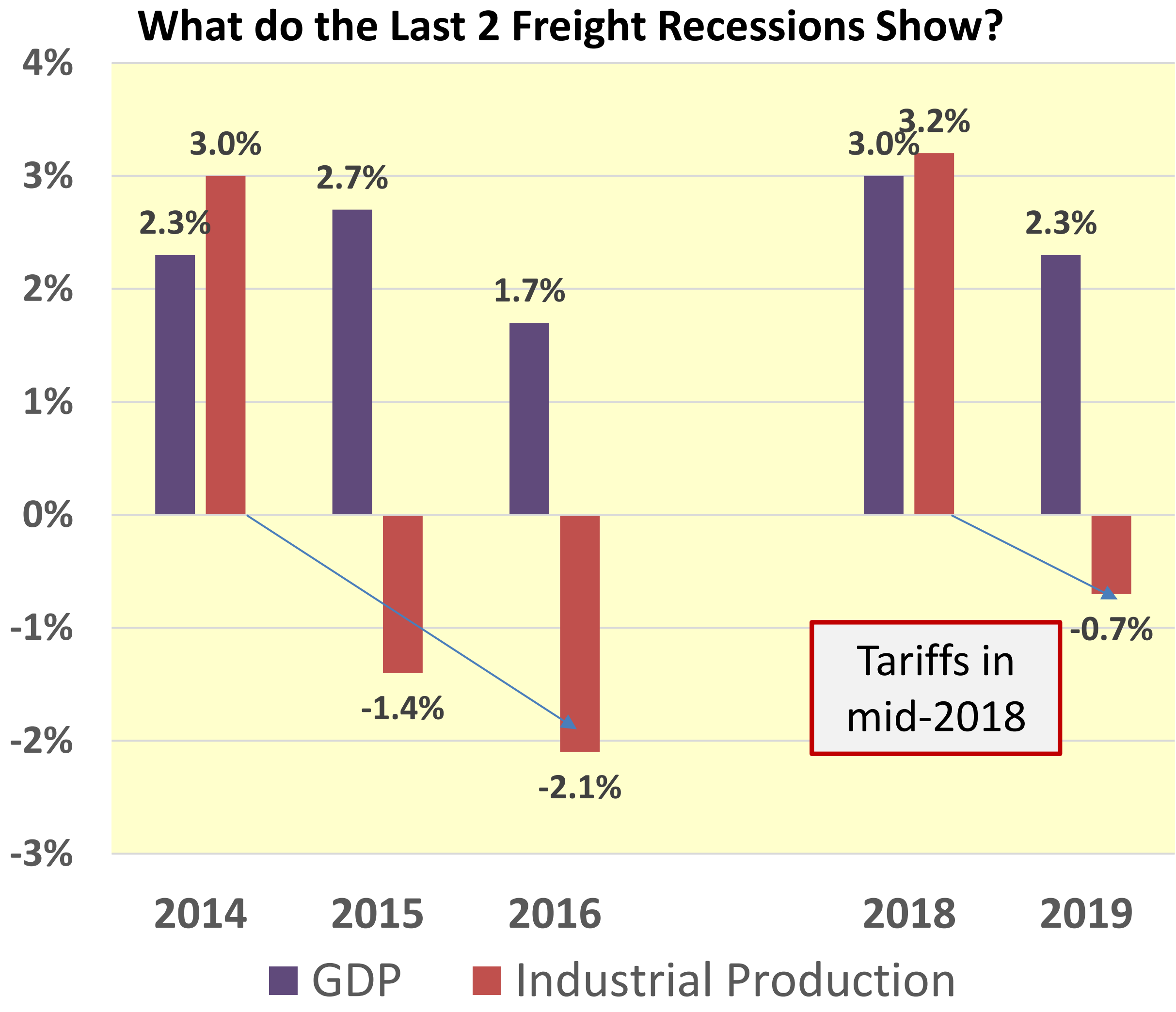


Source: National Association of Realtors. Figures are year-over-year changes.

INDUSTRIAL PRODUCTION: RECENTLY & 2 PRIOR CYCLES

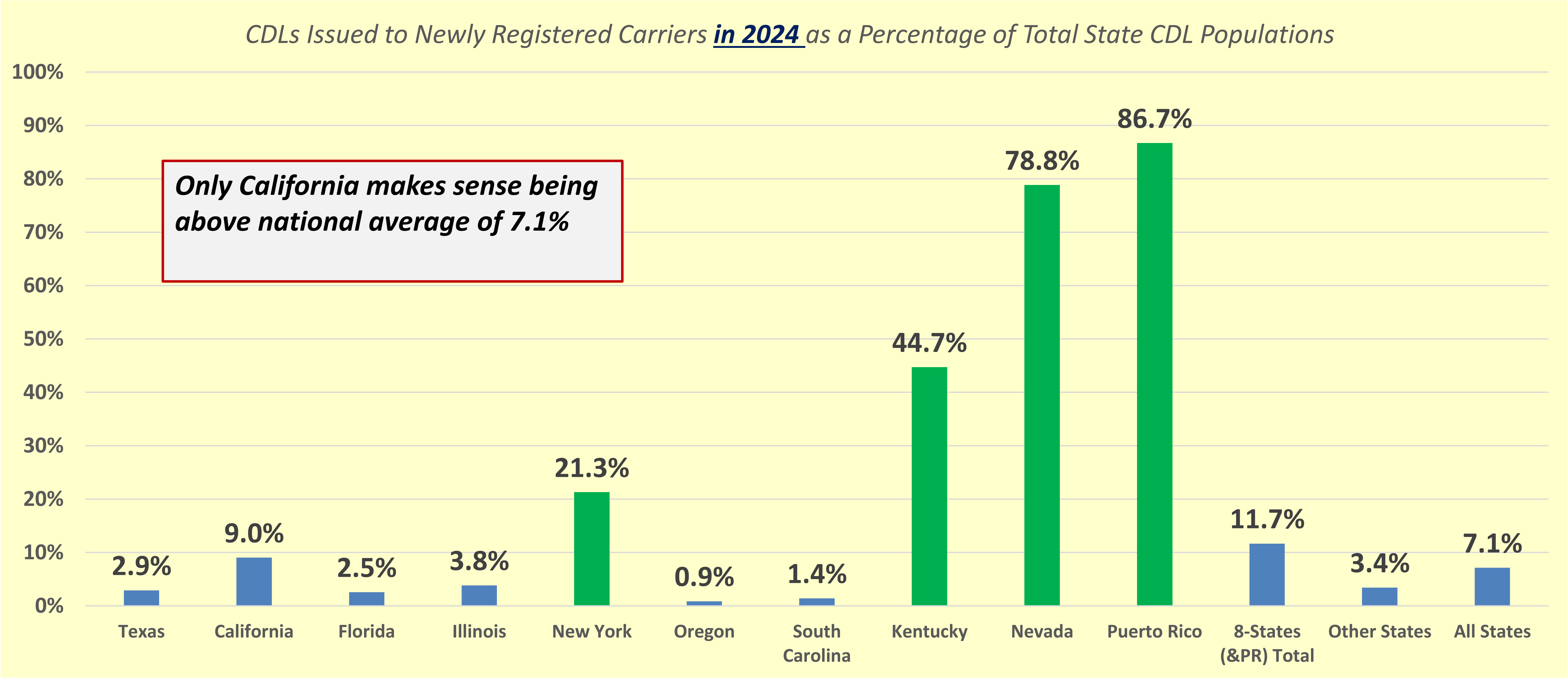
"Straw That Stirs the 'Freight Drink' – Negative 12 of 20 Months; ***Up Dec'24-Feb'25 on Tariffs, First Since Q3'22***





Source: Federal Reserve Board monthly IP report.

WHY WOULD 4 STATES BE *WAY* ABOVE THE NATIONAL AVERAGE FOR NEW CARRIER CDL ISSUANCE? YET ALONE IN A FREIGHT RECESSION??!!



RELIANCE PARTNERS

Source: FMCSA, ATU and Reliance analysis.