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Big US LTL carriers reap lion’s share of Yellow terminals in auction

XPO bid $870 million for 30 Yellow terminals, a major expansion of its national LTL network. Photo credit: XPO

William B. Cassidy, Senior Editor | Dec 5, 2023, 12:39 PM EST

Four of the largest US less-than-truckload (LTL) carriers — XPO, Estes Express Lines, Saia and R+L Carriers — are about to get bigger after acquiring 77 of the 130 terminals auctioned to date by bankrupt LTL provider Yellow. And dozens of additional terminals remain on the auction block.

Although no one carrier won all the properties, as some analysts expected would happen, the successful bids totaling $1.57 billion by four of the largest LTL providers in the US keep a large chunk of Yellow’s terminals in the “LTL family.” That will help keep LTL pricing firm heading into 2024.

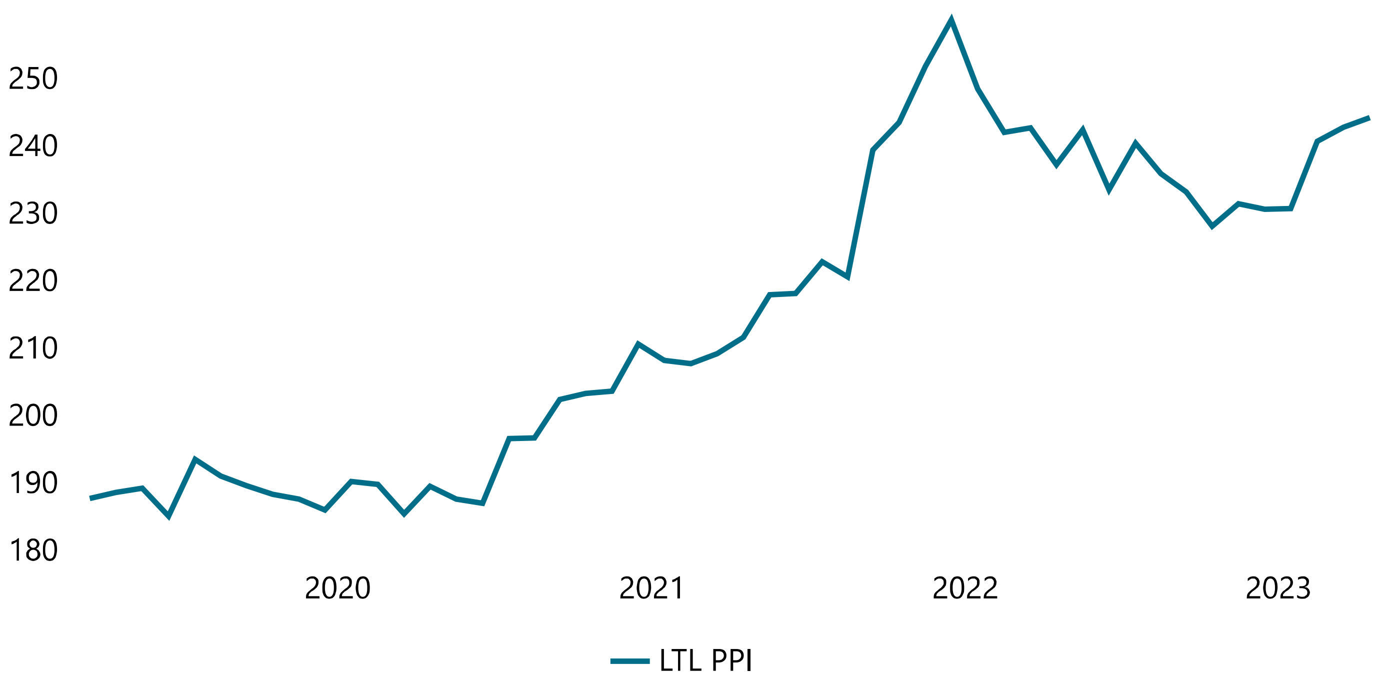
XPO successfully bid $870 million for 28 properties, Estes put up $248.7 million for 24 terminals and Saia bid $235.7 million for 17 facilities, according to documents filed with the Delaware Bankruptcy Court Monday. RAMAR Land Corp., an affiliate of R+L Carriers, won eight terminals with a bid of $211.5 million. Another 18 companies successfully bid a combined $330 million for 55 other terminals.

Successful bids in the ongoing private auction total $1.9 billion for 130 properties to date, far exceeding the $1.525 billion stalking horse bid from Estes Express Lines that set the floor for the auction. The first round of winning and back-up bids was announced Monday evening, a week after the auction began.

"In the eyes of large LTL truckers, these terminals represent once-in-a-generation opportunities for controlling market share and lowering their operating ratios permanently, and they are willing to pay a premium for those advantages," Ted Morandin, managing member of Morprop Advisors, said Tuesday.

Less-than-truckload costs up 5.9% from August

US LTL produce price index based on selling prices for trucking services



Source: US Bureau of Labor Statistics data, JOC analysis

Related data for this chart

Click here to explore related data on Gateway

The bidding is far from over. There are still 46 company-owned properties that remain to be sold by auction, plus an additional 149 terminals Yellow leased from other companies that will be disposed of in a separate proceeding. The owned terminals still being auctioned boast 3,157 dock doors.

Those as-yet-unauctioned properties include some of the jewels of Yellow's network, in particular a 426-door, 283,000-square-foot terminal in Chicago Heights, Ill.; a 304-door, 177,600-square-foot terminal in Maybrook, NY; and a 216-door, 175,000-square-foot facility in Cincinnati, Ohio.

Acquiring control of the LTL network formerly operated by Yellow, which hauled nearly 50,000 shipments a day in 2022, gives those LTL carriers command of a significant share of LTL capacity, and limits access to it. The terminals add density to their networks in critical lanes and hubs nationwide.

Transportation property broker Morandin believes Yellow could have gotten more for its properties in a public auction. "The bidders are paying a $200 million premium — less than 10% — over the potential sale price of these terminals if they just sold them to the public," he told the *Journal of Commerce*.

If finalized later this month, the winning bids will keep a large number of Yellow's terminals within existing LTL networks, for now, rather than providing a platform for new competitors.

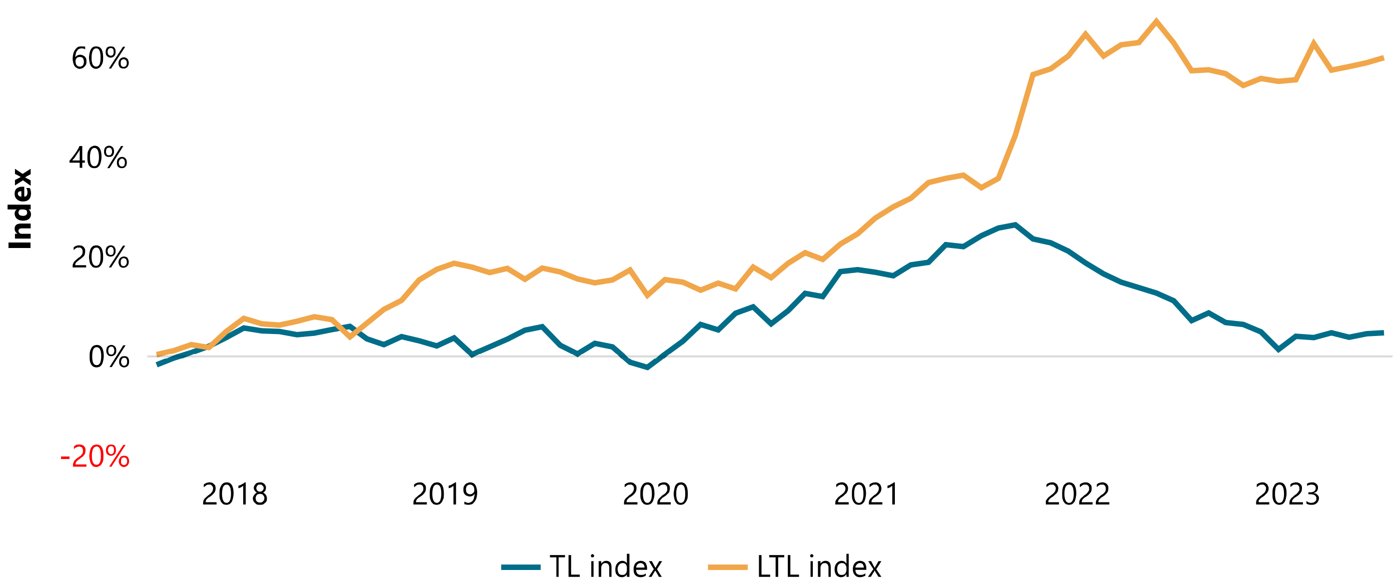
The big exception is the $51.3 million sale of 13 Yellow terminals to Knight-Swift Transportation Holdings, which has expanded in the LTL sector through the acquisition of LTL carriers and terminals in the past two years. Knight-Swift won bids on terminals mostly in the Midwest, where it has existing LTL operations.

XPO, Estes and Saia, which have won sizable amounts of Yellow's market share since the company's four carriers shut down July 30, will be able to bolt on terminal capacity where and as needed while maintaining the LTL sector's pricing discipline.

Capacity will not flood back into the market, which will help LTL carriers maintain the higher pricing levels won since Yellow's failure. The US long-distance LTL producer price index rose 5.9% between August and October, an indication that LTL base rates and fuel surcharges are rising off a bottom hit this spring amid falling freight demand.

Upward pressure on LTL pricing

TD Cowen/AFS Freight TL and LTL Index (base = January 2018)



Source: AFS Logistics

6M 2Y YTD MAX

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Despite a slip in early 2023, the AFS Logistics LTL rate index was 60.3% higher this month than at its base in 2018. The AFS truckload rate index, in comparison, is up only 5% over the same period.

Need for capacity

The biggest bidders for Yellow's properties need additional capacity. XPO said Tuesday that its LTL shipments increased 3.8% per day in November from October, its eighth consecutive month of rising daily shipment counts. In the third quarter, XPO's daily shipment count increased 8% year over year.

Although XPO was not as engaged in pre-auction bidding as its closest rivals in revenue size, Estes and Old Dominion Freight Line, the national LTL provider has been expanding its terminal network, adding more than 900 doors in the past two years by expanding old terminals and building new ones.

"We're adding new doors in markets where our investments in capacity can sustain more growth over time," CEO Mario Harik told Wall Street analysts in October. Central Florida is one such market, and XPO recently built out facilities in metropolitan Dallas and Atlanta as well.

Saia on Monday said its daily shipment count in November was up 18.9% year over year, compared with an 18% increase in October. Sequential monthly shipment data was not available from Saia.

"The addition of these new facilities furthers our multiyear strategy of expanding Saia's national terminal footprint and, as they are opened over time, they will enable us to provide better service to both new and existing customers," Saia CEO Fritz Holzgrefe said in a statement Tuesday.

Eighteen other bidders successful

The remaining winning bids released so far were dispersed among 18 national, regional and small carriers, as well as non-LTL bidders. Among the larger LTL carriers placing small bids were ArcBest, which bid $30.2 million for three terminals, and TForce Freight, which put up $16 million for two facilities.

Terminal Properties, an affiliate of Pitt Ohio, acquired seven properties in the Midwest and Mid-Atlantic for $84 million, while Northeast regional carrier A. Duie Pyle bid $29.4 million for four properties.

Crown Enterprises, a commercial real estate developer owned by the Moroun family, owners of LTL carrier Central Transport, won a $38.2 million bid for eight Yellow terminals. Southeast Consolidators, representing SECO Logistics (unrelated to SEKO Logistics), bid $8.5 million for a Fort Worth, Texas, facility, while Unis, a third-party logistics operator, bid $2.4 million for two properties.

No termination date has been set for the auction, but a final sales hearing in Delaware Bankruptcy Court is set for Dec. 12.

The auction may not have closed the door entirely on a possible long-shot bid from an affiliate of Jack Cooper Transport, a unionized truckload car hauler and International Brotherhood of Teamsters ally, for the entire network of Yellow, but it makes such a bid even less likely to succeed.

The affiliate, named in news reports as Next Century Logistics, has been lobbying the Biden administration to change the terms of a 2020 $700 million US Treasury loan to Yellow, reportedly to allow it to offer better terms as part of a bid to restart Yellow as a "going concern."

The group last week offered $1.1 billion to secured creditors and another $1.5 billion in preferred shares in a new company to unsecured creditors, the *New York Times* reported.

But the $1.9 billion raised for secured lenders in auction exceeds that amount – and the total value of the network may be more than $2.5 billion, counting leased properties and equipment.

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