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Control of US LTL capacity in 2024 hangs on sale of Yellow terminals

Yellow's leased facilities may be worth an additional $500 million. Photo credit: Turkey23 News.

William B. Cassidy, Senior Editor | Nov 27, 2023, 5:14 PM EST

The biggest sale of trucking assets in US history is scheduled for Tuesday, but there is little clarity about who will buy the terminals formerly operated by bankrupt trucking company Yellow.

The defunct less-than-truckload (LTL) carrier, once the third-largest US LTL provider, is scheduled to auction off 174 of the terminals and other properties it owns Tuesday – that is if an auction is necessary, according to documents filed with the US Bankruptcy Court of Delaware in September.

An auction would not be necessary if no bids exceed the $1.525 billion put up by Estes Express Lines in a "stalking horse" bid in October following a bidding war with rival LTL carrier Old Dominion Freight Line.

The auction, if it happens, would not cover the 149 terminals and facilities leased by Yellow, including some large terminals in major metropolitan areas such as New Jersey and Southern California. Yellow is battling landlords, including Estes Express Lines, over the leases and rights to some terminals.

The leases for those facilities may be worth another $500 million, according to Ted Morandin, managing member of Morprop Advisors, a transportation property broker. “There’s a whole bunch of leased terminals that are worth a lot more than their leases suggest today,” he said Monday.

Yellow was successful in negotiating low-priced leases that are now below market rates, Morandin told the *Journal of Commerce*. Lessors are likely to battle the defunct company to prevent those leased properties from being transferred to third parties during bankruptcy reorganization.

Exercising LTL control

Whoever eventually controls the 323 facilities owned or leased by Yellow would effectively control US LTL capacity.

The winning bidder or bidders would have a grip on a real estate spigot that could be turned on or off when needed to regulate the amount of space available to carriers competing in the LTL market. They could also expand their own networks gradually, as needed, as LTL freight demand rises.

As of late Monday, however, details of the scheduled Nov. 28 auction had not been filed with the US Bankruptcy Court. Under its court-approved bidding plan, Yellow is required to file notice with the court within one day if it decides not to hold an auction. Winning bids are scheduled to be announced Friday.

Yellow has not hired a real estate auctioneer for the terminal assets, Morandin noted. The company has hired auctioneers to liquidate its rolling stock of trucks, tractors and trailers, a process that will roll into 2024.

“They seem to want to sell to the terminals wholesale, and then let others sell properties retail,” Morandin said. “A lot of these properties will be scrapped to get rid of capacity and make the LTL club even cozier.”

After a period allowing for objections to winning bids, those bids would be finalized at a Dec. 12 sale hearing. Attempts to contact Estes and others involved in the process were not successful.

'Curing' leased terminals

Estes is also pursuing Yellow in the Delaware bankruptcy court for back rent and damages to 14 facilities Estes leased to its larger rival. Some of the properties require millions of dollars in repairs, Estes said in a Nov. 3 court filing. The LTL carrier put the total repair costs at no less than $27.96 million.

Subleases to other businesses further complicate the dispute. Estes claims Yellow violated its lease agreements by entering subleases with logging and construction companies and truck parking businesses at some facilities. "Estes was not informed of the subleases," the company said.

The heart of the issue is whether Yellow can assume control over leased properties for sale before "curing" existing defaults – including the damages and back rent and fees claimed by Estes. Potential purchasers of the leases must assure the lease owners of "future performance," Estes said.

There is still rumor of a potential offer for all of Yellow's assets, both terminals and equipment, from Jack Cooper Transport, a unionized truckload carhauler. That bid, reported to be between $2 billion and $3 billion, aims to relaunch Yellow as a new company while rehiring Teamster employees.

But the Jack Cooper Transport bid depends on the US Department of the Treasury extending by two years the terms of a $700 million loan originally provided to Yellow in 2020. The carrier also must convince Yellow's creditors to accept delayed and diminished benefits from a potential asset sale in return for longer-term, more hypothetical benefits.

Meanwhile, Yellow is selling off other noncore or "de minimus" items more swiftly. That includes items such as the office furniture in storage at Yellow's former Overland Park, Kan., headquarters and maintenance tools from terminals.

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