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US LTL carriers expanding terminal networks amid post-Yellow recalibration

XPO broke ground last week on a 60-door terminal in Lakeland, Fla., its 11th facility in the state. Photo credit: XPO.

William B. Cassidy, Senior Editor | Oct 31, 2023, 10:17 AM EDT

US less-than-truckload (LTL) trucking companies are digging the foundation for future capacity, adding terminals and doors to their networks across the country. Their goal is not just to fulfill immediate requirements in a post-Yellow LTL market, but also the long-term needs of shipper customers.

XPO, the third-largest US LTL provider ranked by revenue, broke ground for a new 32,000-square-foot service center in Lakeland, Fla., last week. The 60-door facility, set to open in the spring of 2024, is located near Interstate 4, which connects Florida's Gulf Coast with Orlando and the East Coast.

Those 60 doors are needed as more freight flows to XPO. The company's North American LTL shipments per day increased 4.7% from the second quarter to the third quarter, and at 53,637 shipments were 7.9% higher in Q3 than a year ago, the company said in its third-quarter earnings report Monday.

"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 during a conference call Monday. Central Florida is one such market, but XPO recently built out facilities in metropolitan Dallas and Atlanta as well.

Other LTL carriers are pushing the limits of their networks, including Old Dominion Freight Line (ODFL), the second-largest LTL provider, and Estes Express Lines, the fourth-largest LTL carrier. That expansion comes as more than 160 facilities owned by bankrupt Yellow will be put up for auction next month.

Property broker Morprop Advisors, part of the Industrial Transportation Property Network (ITPN), in October released a list of more than 600 transportation properties available for sale or lease. The list includes more than 65 sites with more than 100 LTL doors.

Those sites include 100-plus-door cross-dock terminals in Atlanta, Chicago, Denver, Indianapolis, Los Angeles, Memphis, Miami, Minneapolis, Phoenix and many more markets where distribution demand has been high and competition for warehousing and truck terminal space can be fierce.

Less than optimal

LTL carriers, both publicly and privately owned, "are looking to grab a bigger piece of market share as the Yellow situation is still unfolding," said Satish Jindel, president of SJ Consulting Group.

In the wake of Yellow's collapse, "even though LTL freight is moving, it is not moving in the most optimal network or with the right carrier," Jindel said Monday. Shippers have transferred freight from one LTL provider to another in waves as they look for the right fit in terms of price and service, he said.

"Those shipments eventually will end up where they should be based on their profile" in terms of urgency and handling characteristics, Jindel said.

"The reason they haven't to date is because those LTL carriers don't have capacity to handle it," he said, adding that is driving some network expansion.

Some of those 600 facilities listed by Morprop are owned by Yellow and will be sold at auction Nov. 28. Estes placed a $1.525 billion stalking horse bid for Yellow's terminals, beating a $1.5 billion offer from ODFL. That means bidding will begin at that $1.525 billion floor, and competition will be intense.

"This is the largest number of LTL terminals ever to come on the market," Ted Morandin, managing member of Morprop Advisors, said in an email to the *Journal of Commerce*. "We now have more non-LTL customers considering bids on these properties than LTL carriers." The properties are suitable for multiple industries, he said.

And that may be fine for the big LTL carriers, which may not want hundreds of facilities coming back into the market and potentially affecting pricing. ODFL will look at Yellow's terminals, but will be "strategic" when it comes to bids, CFO Adam Satterfield told investment analysts last week.

"You've got to look at how much incremental capacity you're going to buy and how you will go out and use it," Satterfield said. ODFL has spent $2 billion on terminal expansion over the last 10 years. "As we continue to grow, we will continue to invest" strategically and tactically, he added.

Surprise bid emerges

A new twist in Yellow's already odd afterlife is a potential bid for the company by Jack Cooper Transport, as reported by Reuters Monday. The auto hauler reportedly has discussed an acquisition with the Teamsters and Biden administration that could revive Yellow "as a going concern."

It is hard to square that report with the realities of Yellow's ongoing bankruptcy proceedings and the auction of both equipment and real estate, said Jindel. He also noted that Jack Cooper Transport, a company with a Teamsters contract, is not an LTL operator.

XPO also is looking at Yellow properties as an opportunity to "potentially accelerate our capacity growth," Harik said Monday.

"We're participating in the process, and we'll see how things play out over the next few months," he said, adding whatever property XPO decides to bid on, it must fit its strategic plan.

"We don't look at these things for the next couple of years, but over the next 10-plus years in terms of where the freight markets will be," Harik said. Yellow's facilities might accelerate XPO's plans, but "it's tough to estimate what percent of these terminals will be back in the hands of LTL carriers," he said.

Harik thinks as many as half of Yellow's terminals could go to non-LTL companies, while the timeline for reopening those facilities could be in "the year-plus range."

And that could keep capacity and pricing pressure on LTL shippers for some time. "You'd have a rising tide for pricing across the entire industry," Harik said.

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