

US LTL providers adding trucks as they build out terminals



LTL trucking provider XPO said it added 1,600 tractors to its fleet in the first quarter, bringing its total tractor count above 9,000. Photo credit: William B. Cassidy / Journal of Commerce.

William B. Cassidy, Senior Editor | Jun 4, 2024, 12:24 PM EDT

Less-than-truckload (LTL) carriers expanding their US terminal networks are also purchasing trucks and trailers that will be needed to ensure supply is in place to meet future demand.

Equipment purchases haven't received the same level of attention as real estate deals during an LTL land rush, but LTL carriers are investing in trucks and trailers, replacing older equipment and rebalancing networks as they add terminals and lanes.

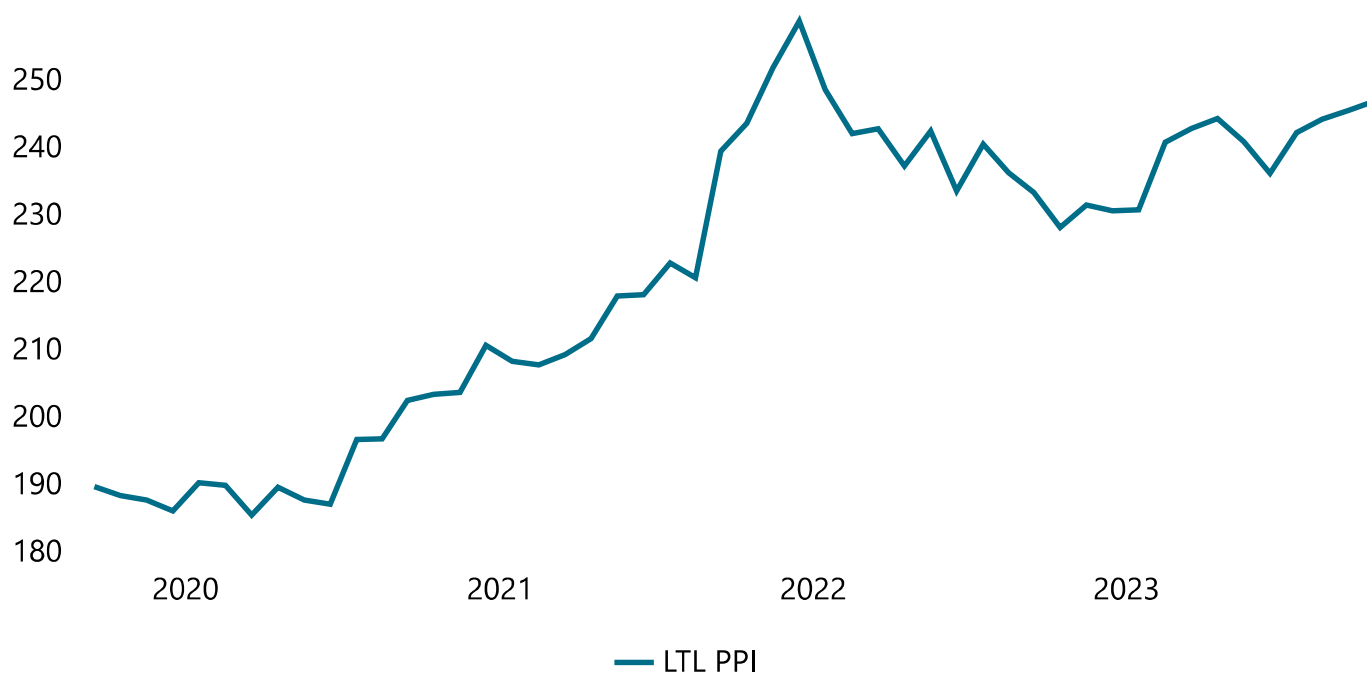
Some LTL equipment added to fleets is recycled capacity — some 60,000 tractors, trailers, forklifts and other equipment once owned by Yellow are being sold by auction.

Ritchie Bros. and Nations Capital are handling the sales at auctions across the country.

The expansion coincides with sustained rate increases at LTL carriers. The US long-haul LTL producer price index — a measure of all-inclusive “selling prices” — rose 8.2% year over year in April and was up 6.9% from last July and the collapse of Yellow.

LTL pricing up 8.2% year over year in April

US long-haul less-than-truckload producer price index (PPI)



Source: US Bureau of Labor Statistics data, JOC analysis

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But the expansion predates Yellow’s fall. Large LTL providers have grown their fleets by double-digits since 2019, their financial records show.

Recent earnings reports show some LTL companies are more aggressive about equipment purchasing than others, with companies adding the largest number of terminals also acquiring equipment needed to serve new facilities.

“This year alone marks the single biggest influx of terminals and equipment in our recent history,” Webb Estes, president of Estes Express Lines, said in his May

president's message to shippers. Estes, the fourth-largest US LTL carrier, acquired 29 terminals from former competitor Yellow in the bankrupt company's real estate auction.

The privately-owned company hasn't said how many vehicles it will add to its fleet of 10,400 tractors and 41,000 trailers. But as Estes and other LTL companies grow, they will need more tractors and trailers to maintain and expand service.

XPO and Saia, both publicly traded companies, each purchased 28 terminals from Yellow and have made significant additions to their equipment fleets as well. XPO, which had about 7,900 tractors as recently as 2021, now has more than 9,500 trucks.

"Excluding the Yellow asset acquisition, more than two-thirds of our capital expenditures in 2023 were deployed to increase the capacity of our fleet," XPO said in its annual report in May. Since 2022, XPO has added more than 11,000 trailers, including more than 6,400 in 2023, and more than 2,400 tractors.

XPO added 1,600 tractors in the first quarter alone, bringing its average tractor age down to 4.2 years from 5 years at the end of 2023, according to CEO Mario Harik. The company also added 1,300 trailers manufactured at its own trailer plant in Arkansas.

'Another step up coming'

Saia is also stepping up equipment purchasing significantly. So far in 2024, "we've already taken delivery of 3,000 units, if you include trailers, tractors and forklifts...we've got another step-up coming," CFO Douglas Col said in an April earnings call.

Saia added only about 300 tractors in 2023, bringing its total to approximately 6,500 by the year's end, according to its annual report.

Differences in how publicly-owned carriers organize their LTL operations and report earnings make apples-to-apples comparisons across the sector difficult. ArcBest, for example, doesn't report a tractor count for its ABF Freight LTL division, but it is expanding its fleet.

"We operate a mature nationwide network and have a robust process in place to identify where we need to increase capacity to meet customer demand," Seth Runser, president of ABF Freight, said in an April earnings call. "Since the end of 2021, we've added roughly 500 doors, and we plan to add around 280 doors the rest of this year."

The company will add trucks to service those dock doors, including those that come with four terminals ArcBest purchased from Yellow. "We have more equipment coming

on that's starting to be delivered as we speak," Runser said.

"We can hold on to some of the older [trucks] if we see demand come on or we can optimize and get rid of those high-cost units, and we've been doing a good balance as we move through this year," he added.

Efficiency creates capacity

Some new LTL equipment is replacing older tractors, rather than expanding capacity. LTL companies are bringing down the average age of their tractors, reducing maintenance costs and adding more fuel-efficient vehicles and even alternate-fuel models.

"When I think about capacity ... it also comes down to efficiency," Runser said.

"We're seeing some of the best efficiency numbers in three years because of our investments. The more efficient you are, the more capacity you have for growth."

The LTL ground isn't level across the sector, however. While some companies are adding terminals and equipment, fueled in part by freight once hauled by Yellow, others are expanding more modestly, if they're adding to their fleet counts at all.

Old Dominion Freight Line (ODFL), the second-largest US LTL provider, cut its tractor count 4.3% to 10,791 in 2023. The LTL freight market, absent the Yellow distortion, remains soft in the first half of 2024, company officials said during their latest earnings call.

The company plans to spend \$325 million on tractors and trailers this year, compared with \$386 million in 2023.

But ODFL has been expanding its terminal network and fleet for years. The long-term ODFL strategy is "pre-investment ahead of the growth curve," CFO Adam Satterfield said.

Even with its dip in truck numbers in 2023, ODFL's tractor count was 17% higher last year than in 2019 before the COVID-19 pandemic.

"We don't feel the need to go out and chase volume, which many of our competitors have done in the past," Satterfield said, adding that too much new capacity can hamper growth.

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