

US LTL sector growth, efficiencies still fueled by loss of Yellow



Estes Express Lines President Webb Estes says adding terminals is as much about efficiency as it is capacity and the ability to capture new opportunities for growth. Photo credit: Around the World Photos / Shutterstock.com.

William B. Cassidy, Senior Editor | Aug 30, 2024, 4:30 PM EDT

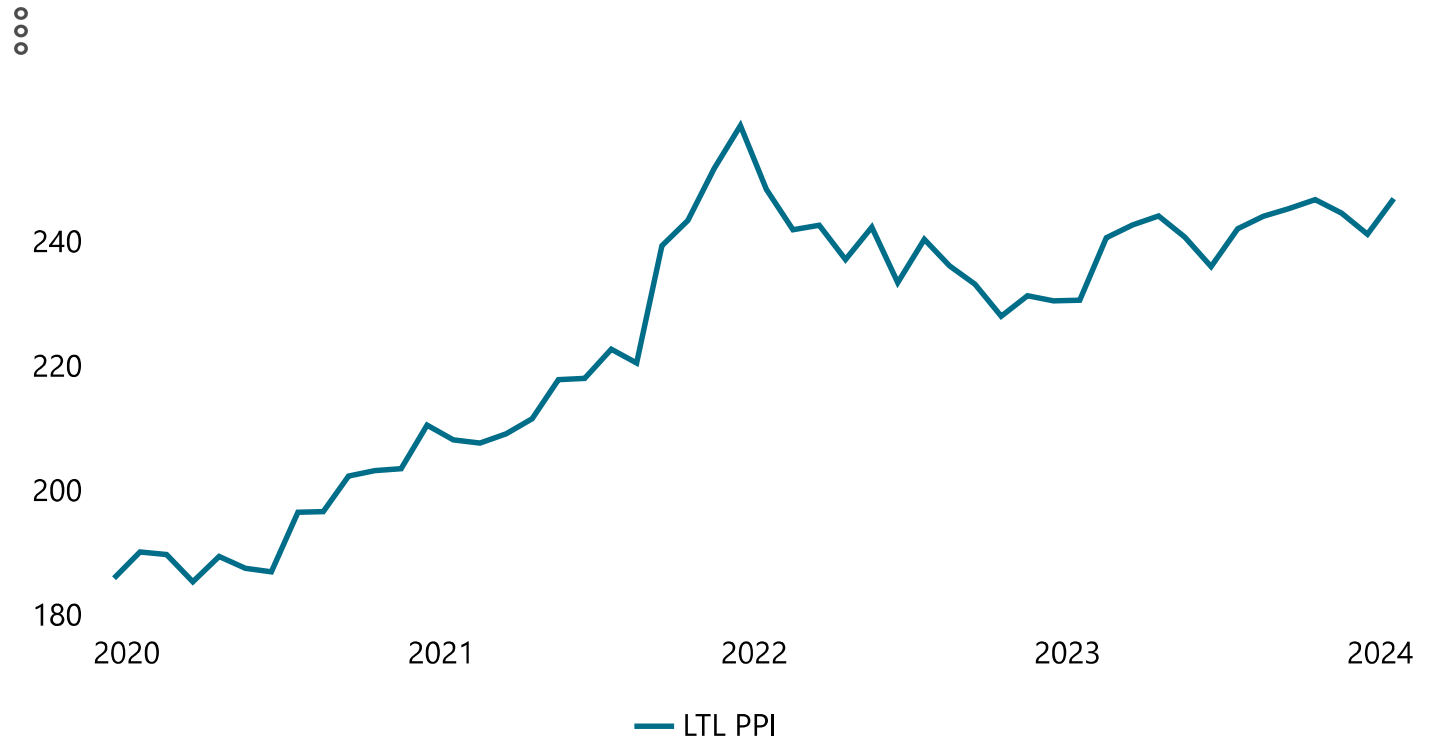
A year after former leading less-than-truckload (LTL) provider Yellow declared bankruptcy, the shape of a new US LTL market is becoming clearer. It is a smaller market highly focused on customer service with denser networks, higher costs and higher prices.

The LTL sector, long squeezed between truckload and parcel providers, is more clearly defining its place in domestic and international supply chains.

LTL carriers are still focused on picking up and delivering palletized freight, but they are playing on a bigger field.

LTL producer price index rises 7.1% year over year in July

US long-haul LTL producer price index



Source: US Bureau of Labor Statistics data, Journal of Commerce analysis

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6M	1Y	3Y	YTD	MAX
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Their role supporting international supply chains is especially clear, thanks to growing e-commerce middle-mile transportation demand and increased transloading of containerized freight near seaports, as well as smaller and more frequent shipments.

The LTL business is also more profitable in a post-Yellow market, with operating ratios mostly in the 80s. Old Dominion Freight Line, the second-largest LTL provider, has planted its operating ratio (OR) in the low 70s, with a 71.9 OR in the second quarter.

LTL pricing began rising as soon as Yellow’s gates closed and continues to rise year over year. The US producer price index for long-haul LTL, a measure of final selling prices, was up 7.1% from a year ago in July.

All that is making LTL more attractive to investors and to those looking to acquire companies. Shippers may feel squeezed by higher LTL prices, but they are enjoying better LTL service.

Public LTL carriers are reporting high on-time delivery performance.

“There’s a lot of optimization being driven by Yellow’s closing,” Scooter Sayers, executive strategic account manager at Cubiscan, a firm providing dimensioning technology to LTL carriers, told the *Journal of Commerce*.

Trends that began before Yellow’s collapse have been accelerated by the company’s departure.

“All of this hinged on Yellow going out of business,” said Webb Estes, president of Estes Express Lines, the fourth-largest LTL provider and largest privately owned LTL company. “When 10% of LTL capacity leaves, everyone gets an enormous tailwind.”

Land rush still on

Some of the largest LTL carriers are showing sharp elbows in competition for Yellow’s real estate and business. They have been battling to buy former Yellow terminals and reopen them for three quarters, but there is still less LTL capacity available than a year ago.

According to documents filed in Yellow’s bankruptcy case this month, the company still has 116 leased and owned terminals that have yet to be sold or leased to other companies. Industrial real estate firm CBRE has been hired to dispose of those properties.

The LTL sector has undergone a limited realignment, with capacity and business shifting hands. Companies including Saia, Estes and XPO have gained large amounts of freight from Yellow.

“These carriers are going to have different footprints,” said Mike Regan, chief relationship officer and founder of TranzAct Technologies. “That’s changing the competitive landscape in the industry. They’re not in it just for expansion, they’re in it for profitable expansion.”

Estes is the latest company to add more former Yellow facilities to its network. In July, the company reacquired seven facilities it had leased to Yellow and is now adding them into its 280-plus terminal network. Altogether, Estes has acquired 39 Yellow terminals.

The race to acquire terminals is not just about expansion, Estes said.

“It’s really about efficiency,” he said. “LTL is all about cross-docking freight, and when you don’t have enough [terminal] doors you have to touch that freight again and

again.”

More dock doors and denser networks — more terminals closer together — means freight flows stay fluid and there is more opportunity to provide faster next-day service.

“These [new] terminals provide more intermediate opportunities,” Estes said.

Opportunities exist for acquisitions in LTL as well — and not just of terminals, but companies, too. Knight-Swift's [acquisition of Dependable Highway Express \(DHE\)](#) is the largest LTL deal so far this year. SJ Consulting Group President Satish Jindel believes more acquisitions will follow.

“The LTL sector is very attractive right now, and smaller companies need investment to buy technology they will need to compete,” including shipment dimensioning equipment, Jindel said.

On Friday, the International Brotherhood of Teamsters said DHL Freight, a nonasset arm of Germany's Deutsche Post DHL, plans to sell Standard Forwarding, a regional LTL carrier based in East Moline, Ill.

Perhaps the biggest change for LTL carriers has been the way in which they compete. Gone are the days when carriers battled for market share by offering deep pricing discounts. Instead, LTL providers have spent the past decade emulating Old Dominion Freight Lines' disciplined pricing and costing strategy.

That makes it likely LTL companies will maintain their “pricing discipline” going forward.

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