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XPO readies former Yellow terminals as LTL shipment count rises

XPO opened six terminals in the first quarter and expects to open another six in the second quarter. Photo credit: XPO.

William B. Cassidy, Senior Editor | May 3, 2024, 12:20 PM EDT

US less-than-truckload (LTL) carrier XPO will continue to roll out renovated terminals on the back of gains in freight shipments, CEO Mario Harik told the *Journal of Commerce*.

XPO acquired 28 terminals from bankrupt Yellow in December and has already reopened several service centers. The next opening will be in Landover, Md., on May 9.

XPO, the third-largest US LTL provider, opened six terminals in the first quarter and plans to open another six in the second quarter. It will open an additional dozen by the end of the year and the remainder of the 28 terminals acquired from Yellow in early 2025.

The network buildout is proceeding despite a soft overall LTL market.

"These are not investments we're making for the next two quarters, but for the next several years," Harik said in an interview Friday. "When you have the space in the next upcycle, you can grow into it."

And XPO is growing. In the first quarter, its LTL volume rose 4.7% year over year to 51,392 shipments per day, while tonnage per day rose 2.6%. Harik attributed those increases more to gains from existing customers than a better underlying LTL market.

"The freight market continues to be soft," he said. "It's stable, but it's bouncing along the bottom." Harik added that XPO's tonnage and shipments in April were higher than normal, "but a lot of that is because of initiatives that we have going" with customers.

Harik noted that the Institute for Supply Management (ISM) Purchasing Managers Index (PMI) dropped to 49.2 in April, a sign of contracting US manufacturing. The ISM PMI rose above 50 — the breaking point between expansion and contraction — in March.

The S&P Global US manufacturing PMI dropped from 51.9 in March to 50 in April. S&P Global, the parent company of the *Journal of Commerce*, said new orders dropped for the first time in four months, as demand for semi-manufactured goods fell.

Harik is optimistic that gains made in early 2024 presage better freight demand in the second half of the year. "Customers expect growth in the back half of the year, but it seems to be muted growth," he said. "It will be a gradual recovery over time."

Disciplined environment

XPO isn't the only LTL provider expanding its network, as competitors that purchased terminals from Yellow are pushing ahead with plans to open those service centers in 2024. Estes Express Lines, Saia and Knight-Swift Transportation Holdings also plan to open all or most of the facilities they acquired from Yellow by the end of the year.

Harik doesn't believe the addition of those terminals and their capacity will affect LTL pricing, which has been rising since Yellow shut down last July 30. He pointed out that, to date, only about half of Yellow's 323 service centers have been sold at auction.

Even if all the 163 Yellow terminals and leases sold via auction are reopened by early 2025, there will still be less overall LTL capacity available than at the start of 2023, and hopefully more freight demand, Harik said. Yellow has another 160 properties to sell.

“We continue to see a disciplined pricing environment out there for LTL," he said. “Just because you have a new service center, it’s not as if you have to fill it with freight.”

XPO’s revenue per hundredweight, or LTL yield, a measure of profitability that includes pricing, rose 9.8% year over year in the first quarter before accounting for fuel surcharges. When those surcharges are included, the yield rose 7%.

XPO divides its service center openings or reopenings into three buckets. The first bucket is the relocation of smaller facilities to larger terminals, as will happen in Brooklyn, N.Y., later this year. The second bucket is expansion within existing markets, such as Nashville, Tenn.

“We have a 150-ish door facility in Nashville, but it sits on a small lot,” Harik said. Opening a second terminal in the city helped divide work between the facilities and shortened pickup and delivery runs. “We’re also opening a facility to the west of Nashville,” he said.

The third bucket is expansion into new markets, which is only happening in two instances in this round of expansion, in Wisconsin and Arizona. “We’re opening a terminal in Nogales on the US-Mexican border that will enhance our cross-border LTL capabilities,” Harik said.

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