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Published on *JOC.com* (<https://www.joc.com>)[Home](#) > UPS Freight sold to Canada's TFI for \$800 million**William B. Cassidy, Senior Editor** | Jan 25, 2021 1:14PM EST

UPS Freight will be rebranded TForce Freight and operate independently within TFI's subsidiary network. Photo credit: Sundry Photography/Shutterstock.com.

UPS is selling UPS Freight to TFI International, Canada's largest trucking provider, in a step that will reshape the North American less-than-truckload (LTL) market. TFI, which offers LTL, truckload, and courier services in Canada, will now own the sixth-largest US LTL trucking company.

The \$800 million sale comes with a five-year service agreement that will ensure UPS Freight will continue to use UPS's network to fulfill package shipments, UPS said in a statement Monday. That will avoid disruption for shippers that use bundled UPS package and freight services.

As it takes on what will be its largest subsidiary in the United States, TFI is expected to try to make its new LTL subsidiary more profitable and more competitive, which could put more pressure on already-climbing LTL rates in 2021. The deal is expected to close in the second quarter.

Satish Jindel, president of transportation research firm SJ Consulting Group, said the sale would be beneficial for both UPS and good the US LTL market as a whole.

For TFI, the sale vastly expands its US presence, something the company has been building through acquisitions for more than a decade. Its US truckload subsidiaries include CFI and Transport America. Now it will have a major LTL presence throughout North America.

"Our strategy of operating independent business units with a high degree of accountability is well-suited for building on UPS Freight's strengths and improving margins over time," Alain Bédard, chairman, CEO, and president of Montreal-based TFI, said in a statement.

Approximately 90 percent of UPS Freight will operate independently within TFI's LTL business segment under a new name, TForce Freight. "This transaction is a 'win-win,' allowing TFI to continue our strategic expansion across the US," Bédard said.

The acquisition "will vault TFI International to one of the largest North American LTL carriers," he added. "We see compelling opportunities to improve TForce Freight's efficiency and productivity and apply our proven business model to drive long-term value creation."

TFI owns nine over-the-road LTL carriers in Canada, including TST-CF Express, the combined operations of the former TST Overland Express and Canadian Freightways. In 2019, the company's Canadian LTL operations took in a collective C\$902 million (US \$707.67 million) in revenue.

The sale includes the LTL operation, which reported \$3.1 billion in revenue in 2020, as well as UPS's dedicated truckload business, UPS said. Compared with large truckload carriers, UPS Freight is a relatively small player; its dedicated operations will be split off and operate within TFI's truckload division, which was the 15th largest truckload company by revenue in 2019.

In total, UPS Freight operates from 197 facilities across the US, and has 14,500 employees, about 11,500 of which are members of the Teamsters union.

## "Better, not bigger"

With UPS Freight out of its hands, the largest US transportation company will be free to "laser focus" on core parts of its business — i.e., those that deliver the most value to its customers — UPS CEO Carol Tomé said in a separate statement Monday. That means the package network.

"When Carol Tomé said last June she would be focused on UPS being better, not bigger, I had questions in mind about UPS Freight. I didn't think it would be part of her plan to keep it," said Jindel.

UPS Freight, he said, does not deliver the kind of value to UPS shareholders the company might like. "They've operated historically on thin profit margins," Jindel said. For full-year 2020, UPS estimates its LTL arm had a 98.8 operating ratio (OR), or a 1.2 percent operating margin.

The company said UPS Freight's fourth-quarter operating margin was 2.9 percent, generating an OR of 97.1. In the third quarter of 2020, the seven largest LTL carriers excluding UPS Freight had an average operating ratio of 87.9 percent, according to company data.

When UPS acquired the business of Overnite Transportation in 2005 for \$1.25 billion, the prevailing belief in transportation was that bigger was better, and that offering shippers a one-stop shop with bundled services was the best strategy. That's not necessarily the case now.

XPO Logistics, for example, after spending the last decade assembling a \$17 billion transportation conglomerate, is splitting its transportation and contract logistics operations into two businesses to focus more on LTL and create more shareholder value on Wall Street.

"When you look at companies like Old Dominion Freight Line, XPO, and Saia, they're improving their profitability without having a parcel arm or the ability to bundle services," Jindel said. "UPS had to be asking itself, 'Do I really need to be in LTL to go forward?'"

FedEx, which owns the largest US LTL company, FedEx Freight, is in a different position, Jindel said. "FedEx has been able to cherry pick oversize freight from the FedEx Ground network to increase density in its lanes," he said. "And they're an \$8 billion LTL trucking company."

FedEx Freight also brought its operating ratio into the 80s in the second half of 2020, with an OR of 87 percent in the second quarter, as it improved its profitability. "FedEx should feel good about UPS getting out of the LTL business," Jindel said.

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