LOGISTICS REPORT

Yellow's Bankruptcy Sparks a Battle to Reset Trucking Competition

Truckers are vying for 170 properties in a once-in-a-generation bid to expand in a tight market for industrial real estate

By Paul Berger Follow

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A Yellow terminal in Kansas City, Mo., over the summer as the carrier was shutting down. PHOTO: CHARLIE RIEDEL/ASSOCIATED PRESS

The sale of failed trucker Yellow's real estate is turning into a battle for a competitive edge in a corner of the trucking industry that forms a crucial part of the U.S. economy.

Estes Express Lines, the largest privately held trucking company in the country with revenues last year of more than $5 billion, is the stalking-horse, or lead bidder, for Yellow's nationwide network of truck terminals with a bid of $1.525 billion.

If Estes wins the auction, scheduled for late November, it would give the Richmond, Va.-based operator a big leg up in the thriving less-than-truckload segment of the trucking industry. The sector has been growing about 15% to 20% annually over the past two years and well-run LTL carriers are operating with margins of 15% or more, said Satish Jindel, president of SJ Consulting Group.

"It's even more attractive and desirable to have control over the assets which are critical entry barriers," Jindel said.

Yellow went out of business this summer, dragged down by years of poor management, heavy debts and a fight with the Teamsters union. It left behind about 30,000 workers, 170 terminals and a once-in-a-generation opportunity for rivals to expand.

The thousands of shipments that Yellow handled each day have already been dispersed among other truckers. But the sale of the large number of properties through bankruptcy could have a longer-lasting impact on the trucking sector, potentially providing winning bidders a fast track toward expansion.

The Estes Express Lines terminal at its Richmond, Va., headquarters is one of 215 in the trucker's network. PHOTO: ISABELLE BOUSQUETTE / THE WALL STREET JOURNAL

Jindel said a company that scoops up all of Yellow's terminals would be well positioned to grow in the coming years because less-than-truckload carriers depend heavily on their industrial real estate, which is expensive and increasingly difficult to acquire close to population centers.

At the time of its collapse over the summer, Yellow was the third-largest operator in the less-than-truckload sector, in which truckers combine loads from multiple customers in a single trailer. That industry segment counted about $58.7 billion in revenue in 2022, according to SJ Consulting, and operates as a kind of circulatory system for the U.S. economy, handling about 720,000 shipments daily in fast-paced operations that connect factories, distribution centers and retail stores.

The service relies on a hub-and-spoke network of truck terminals similar to the airports that airlines use to get passengers to towns and cities through connecting aircraft. In the same way airport gates allow airlines to bring in more flights and haul more passengers, LTL carriers use terminal doors to bring in freight and trade shipments between trucks to get them heading to their final destinations.

"Location matters and the door count matters," said Webb Estes, Estes Express Lines' president and chief operating officer.

Those facilities are added in only small numbers each year because of the cost and complications of building industrial real estate. Saia, a rival LTL carrier with 193 terminals and ambitious expansion plans, for instance, is looking to add 10 to 15 terminals annually over the next few years.

FedEx Freight, the country's largest LTL carrier by revenue, operates about 400 terminals.

Webb Estes, a fourth-generation owner of the trucker, declined to comment on the bid process for Yellow's real estate. But he said terminals are integral to a carrier's success.

Estes operates 215 terminals. Webb Estes said finding land in the right location, close to a highway and zoned for industrial use, is a challenge. Trucking companies also face increasingly onerous zoning requirements because of scrutiny from local communities concerned about traffic, noise and pollution.

Estes said his company recently pulled out of a contract for a planned terminal in Eastern Pennsylvania because of "ridiculous" conditions from a local township. "By the time it was done, we weren't sure we could even have a trailer in the yard," Estes said.

The company's bid for Yellow's real estate is $400 million above the portfolio's appraised value at the start of the bankruptcy process. The pledge was the culmination of a bidding war between Estes and rival LTL carrier Old Dominion Freight Line.

Estes Express Lines' success at the real-estate auction scheduled for Nov. 28 isn't guaranteed. The portfolio could go to a higher bidder or it could be carved up into bundles and sold to several bidders.

ODFL declined to comment on the auction, but the company's executives have said they are keen to expand their network of 256 terminals.

Chief Executive Marty Freeman on an earnings conference call in July said that investments in terminals have been key to helping the company double its market share over the past decade. "We make every effort to stay ahead of our growth curve with these investments," Freeman said.

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