LOGISTICS REPORT

Yellow's Rivals Are Getting a Boost From the Trucker's Demise

Tighter capacity has been lifting freight rates in the less-than-truckload market

By Paul Berger Follow

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Old Dominion Freight Line's average revenue per hundredweight excluding fuel surcharges, a key measure of pricing strength, rose 8.9% in the third quarter from a year earlier. PHOTO: RICHARD B. LEVINE/ZUMA PRESS

The collapse of one of the largest U.S. trucking companies is propping up competitors in a lean freight market.

XPO, ABF Freight and Saia are among the carriers reporting strong growth in pricing power, shipment volumes and other key measures during the most recent quarter in trucking's less-than-truckload sector, a high-stakes corner of the market in which carriers combine freight from multiple customers in a single trailer.

The results suggest the roughly 50,000 daily shipments once carried by Yellow, the nation's third largest LTL carrier, have been largely absorbed by other operators and that retailers and manufacturers are paying higher rates to keep their freight moving.

LTL truckers are loading up on some of Yellow's big volumes largely by adding shipments to existing networks, keeping capacity relatively tight so they can charge higher prices than Yellow.

"It shows that the LTL industry, among all the transportation segments, is healthier and in a better position for the next three years from a shareholder point of view," said Satish Jindel, president of transportation industry consultancy SJ Consulting Group.

ArcBest said average daily shipments at its LTL carrier ABF Freight jumped 20% in the third quarter from the second quarter while a key measure of pricing grew 16%. That helped ArcBest offset a decline in demand in its broader freight operations, although its overall third-quarter net profit was still down by more than half compared with the same period last year, at $34.9 million.

"With a large amount of capacity leaving the market, customers came to us to keep their freight moving," Seth Runser, ABF Freight's president, said on an Oct.

27 earnings call. "This helped in achieving a more optimal mix of freight in our network, which improved profitability."

Yellow, a 99-year-old carrier with 22,000 unionized workers, ceased operations at the end of July, weighed down by heavy debt, falling revenues and a standoff with the International Brotherhood of Teamsters union over cost-cutting plans. The Nashville, Tenn.-based company filed for bankruptcy in August and is liquidating its assets, including an extensive terminal network and equipment, under a court-supervised sale.

A long-shot effort to revive Yellow started taking shape in recent weeks after a group of U.S. lawmakers wrote to Treasury Secretary Janet Yellen on Oct. 6 asking the department to extend terms for repaying federal Covid-19 relief loan given to Yellow under the Trump administration. The lawmakers said that would "save tens of thousands of union jobs."

Reuters reported this week that Jack Cooper Transport, an automobile carrier with drivers represented by the Teamsters, had joined the effort. The Kansas City, Mo.-based company did not return a request for comment.

To move forward, supporters of the effort must convince major lenders who are already assured of recovering their money under Yellow's court-supervised sales to push back their claims.

The trucking market has already moved on, industry executives say. Yellow's "45,000 to 50,000 shipments, whatever it was, is now dispersed," Adam Satterfield, chief financial officer at Old Dominion Freight Line, said on an Oct. 25 earnings conference call.

Old Dominion's net profit fell 10.1% year-over-year in the third quarter, to $339.3 million, on a 5.5% slide in revenue. But a key measure of pricing strength, known in the sector as average revenue per hundredweight excluding fuel surcharges, jumped 8.9% from a year earlier and expanded from the second quarter, signaling carriers are getting higher prices even as freight volumes retreat.

Yellow's closure "was a much needed" boost for the sector, said John Luciani, chief operations officer at A. Duie Pyle, a privately held LTL carrier based in West Chester, Pa.

Luciani said his company's shipping volumes swung from a 4% decline earlier in the year to 11.5% growth in the quarter ending in September, the period when Yellow ceased operations. "We got the freight at our rate," he said, rather than the lower prices Yellow was known for.

XPO, which supplanted Yellow as the third largest LTL carrier in North America, increased its daily shipment count 7.8% in the third quarter. Chief Executive Mario Harik said Yellow's closure bumped XPO's contract rates up from what would have been mid single-digit increases to increases of about 9%.

Saia felt confident enough about expanding volume that it added 1,000 workers in the third quarter, bolstering its workforce by 8.9%. The Johns Creek, Ga., trucker also said it would raise rates an average of 7.5% in early December to offset higher costs.

—Liz Young contributed to this article.

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