IN IT FOR THE LONG HAUL

THE LESS-THAN-TRUCKLOAD landscape changed in the past couple of decades as mergers, acquisitions and company failures shifted market share. Traditionally long-haul carriers have seen the biggest change in market share because of the closing of Consolidated Freightways and the merger of Yellow Transportation and Roadway. Although the market share of long-haul carriers has declined, analysis shows long-haul freight remains a key portion of the LTL market despite claims in some sectors that long-haul LTL is a dying segment.

Long-haul LTL shipments, defined as having a transit time of three or more days, accounted for $11 billion of the $31 billion LTL market in 2011, and approximately one-third of the freight handled by public LTL carriers is long haul. The traditional long-haul carriers, namely YRC Freight and ABF Freight System, have seen volumes decline during the last decade, but long-haul freight is not disappearing; competitors are picking it up.

Old Dominion Freight Line is increasing its market share in the long-haul segment, as evidenced by the increase in the company's average length of haul over the past 20 years, through acquisitions and organic expansion into new territories. ODFL's average length of haul of 952 miles in 2011 is up from 869 miles in 2000 and 593 miles in 1990. Likewise, shipments delivered in three or more days account for 34 percent of ODFL's total freight. Consider ODFL's average length of haul in 2011 was only 100 miles less than that of ABF.

Con-way Freight also has expanded its long-haul business and has seen a more drastic increase in average miles per shipment than ODFL, growing 4.7 percent annually from 290 miles in 1990 to 760 miles in 2011. This number has been relatively flat since 2007, when the company combined its three regional divisions into one operating network, but shipments traveling in three-plus-day lanes still account for 20 percent of Con-way's LTL freight.

Saia is another carrier that has increased its long-haul market share by way of acquisitions and expansion. In 2011, 19 percent of Saia's freight was long haul, up from 14.5 percent in 2006. Likewise, 20 percent of Vitran's 2011 shipments moved in three-plus-day lanes, compared with 10 percent in 2006.

Roadrunner also has consistently gained market share in the long-haul segment. Roadrunner has an average length of haul of 1,600 miles, the longest of all LTL carriers and about 25 percent more than YRC Freight, and has increased revenue at 8 percent annually since 2005. Part of the reason for the strong revenue growth is the company's 2009 acquisition of Bullet Freight, but excluding the purchase, the company still has managed annual growth exceeding 3 percent a year.

FedEx Freight also holds a sizable share of the long-haul LTL market due in part to FedEx's 2006 acquisition of long-haul LTL Watkins Motor Lines. FedEx Freight still provides long-haul service and has started to use rail for line-haul moves, something the other long-haul LTLs have been doing for decades.

Other carriers, including UPS Freight, Estes Express, R+L Carriers and Central Transport also have expanded coverage and are handling long-haul freight. Another factor eating into the market share of long-haul LTL carriers, but not the market size of long-haul freight, is partnerships among regional LTL players, such as the Reliance Network.

As regional carriers expanded to provide national coverage, ABF took the opposite approach and looked to regional markets for market share gains. The carrier currently offers regional services nationwide, and 61 percent of its freight is in one- and two-day lanes. In 2005, regional moves accounted for 31 percent of ABF's freight.

Although ABF's concentration of shorter-haul freight has nearly doubled in six years, the company's average length of haul has shown a much slower decline, shrinking at 2.3 percent a year from about 1,200 miles in 2005 to approximately 1,050 miles in 2011. That suggests the company's regionalization initiative did more to speed up the transit times of freight in its existing network than it did to capture market share of short-haul freight.

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Similar to LTL, a substantial portion of ground parcel volume and revenue is from long-haul shipments. In 2011, packages destined to zones 6 through 8 accounted for about 23 percent of shipments and approximately 27 percent of revenue. The parcel market also has likely seen more regionalization from shippers than in LTL largely because of an increase in online retail sales, reflected by growth at Amazon, which ships 2 million packages a day through 34 distribution centers nationwide.

Long-haul freight is not disappearing; competitors are picking it up.

Even with growth in regional parcel volumes, long-haul shipments still represent $9 billion of the $33.5 billion ground parcel market, some of which is comprised of the hundredweight parcel services of UPS and FedEx. And, as in the parcel industry, long-haul freight still remains a key component of the LTL market. JOC

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