

LTLs' Steps to Surviving Recession Include Monitoring Expenses, Assets

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TAMPA, Fla. — For less-than-truckload carriers, surviving the worst recession in decades required attention to every part of the business, from asset management to equipment purchasing to pushing drivers to deliver more freight, company officials said.

Executives from fleets in New Jersey, North Dakota and several places in between outlined their survival steps at the Distribution & LTL Carriers Association meeting here on March 1.

They made their comments about an industry whose largest carrier, YRC Worldwide Inc. lost \$899 million before taxes as its revenue fell 41%. During 2009, just one publicly traded LTL carrier was solidly profitable, and three major fleets have failed in the past two years — Jevic Transportation, Alvan Motor Freight and Mid-States Express.

"We are all here because we did what we had to do to survive a year that was challenging for everyone," said Marlin Kling, president of Midwest Motor Express, Bismarck, N.D. "The wild card this year is what happens to the economy at the national level."

Drawing on lessons that were learned during a Teamsters union contract dispute and strike during the 1990s, Kling said Midwest does audits of its assets to cull unproductive ones.

"If it didn't contribute to current operations, we got rid of it," he said. "We are very careful in focusing our investments. We focus on our equipment, which makes us the money, and our people."

Midwest also benchmarks its performance against statistics that are disclosed in publicly traded carriers' reports. In addition, the North Dakota company examined its costing system and revised its approach to allocating pickup and deliv-

ery costs.

Todd Gilbert, president of Valley Cartage, Hudson, Wis., said his company examined terminal as well as pickup and delivery costs at regular meetings. Valley also used Dun & Bradstreet credit information to avoid problems with receivables.

Kenneth Weinberg, vice president of sales at Carrier Logistics Inc., Tarrytown, N.Y., agreed about the value of accurate costing.

"People need to get back to basics," Weinberg said. "Carriers have been too focused on revenue. People need to have information available to see their costs and know them. Look at actual costs per shipment and productivity on the street, like stops per hour."

Some cost-saving moves involved trade-offs, some executives said.

When the fleet needed updating last year, Midwest bought late-model used tractors with as few as 90,000 miles, rather than new equipment, a saving of 55%. Kling said that move would require the company to manage how the fleet ages in the future.

"We have to think carefully about how to cycle through this equipment situation," Gilbert said, because trade-in cycles are being extended at the same time lessors are buying fewer new tractors that eventually reach the used market.

"At some point, the used trucks are not going to be there," he said. "Then, we are going to have some issues on our hands."

In another example of trade-offs, Evan Meyers, president of Meyers Transport, Ltd., Peterborough, Ontario, said the company managed to cut deadhead miles to 7% from 9%.

However, he noted that improvement carried a cost because the company had to take more and more marginal freight to fill the trucks.

"If you try to haul all the freight in the world, it catches up to you," Meyers said. "Put the trucks up on blocks, and don't operate them."

Kling also encountered trade-offs when he assigned two

workers to watch broker load boards to find backhaul freight.

After Midwest found some success with that approach, he said, some brokers started looking for freight from customers on his headhaul routes.

Robert Kortenhaus, president of Bilkays Express, Elizabeth, N.J., offered several ideas from different sectors of his business.

One was tax-oriented: Kortenhaus said he advised carriers to take advantage of tax law changes that permit carriers to reduce their taxes by using 2009 losses to cut the tax burden from earlier profitable years.

"Batten down the hatches," he added. "Hold onto the cash."

Another effective approach, Kortenhaus said, was for port drayage carriers to buy their own chassis instead of relying on ocean carriers to provide them.

Owning chassis boosts the trucker's productivity by cutting down on the time that's wasted in port terminals while truckers hunt for chassis to match with containers, he said.

Referring to the driver, Kortenhaus said, "Give him more freight than he thinks he can deliver. If he has less freight, then it will take him the same amount of time."