

Opportunity knocks for some in downturn

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For years, regional **LTL** (</topics/truckload-less-than>) carrier A. Duie Pyle found expanding its network of terminals in the northeast to be one of its major challenges. Land was not only hard to find, but expensive – especially in the pricey boroughs of New York City, one of its major hubs – and the construction costs for terminals could be exorbitant as well.

Then the U.S. economy melted down and everything changed with A. Duie Pyle able to purchase seven terminals throughout its service territory at a fraction of the cost, solving many of its network issues for years to come.

“We’ve been able to buy facilities at strategic locations to fill out our portfolio for the future – not just to solve present needs, mind you, but for decades to come,” Steve O’Kane, A. Duie Pyle’s president, told FleetOwner.

For instance, he pointed to the carrier’s recent acquisition of a 78-door terminal in Maspeth, NY, in the borough of Queens. “A few years ago, a bid we made in that same area for a much smaller facility got rejected, and we offered a much higher price than what we paid for the Maspeth one we just bought,” O’Kane explained. “Our chances even a year ago of replicating a facility of that size in that location were slim to none because no one wants a freight terminal in their neighborhood.”

That’s but one example of why, for those carriers with little debt on their balance sheets and money in the bank, the recent economic downturn is offering a silver lining of sorts.

“We have seen evidence that many truckload carriers are barely viable and are plagued with weak balance sheets, aging fleets and dramatically shrinking revenues. We expect the challenging truckload market to yield opportunities to continue to capture market share over time,” noted Kevin Knight, chairman and CEO of TL carrier Knight Transportation, in the company’s second quarter earnings report.

With \$498.6 million of stockholders’ equity and \$79.4 million in cash and short term investments, all alongside zero debt as of June 30, Knight stressed that his company, at least, could make some significant gains despite the downturn.

“We believe we are well positioned to navigate the challenges of the current environment and thrive as the market improves when truckload capacity decreases and/or freight demand modestly increases,” he said. “Our plan during this environment continues to be ... ratcheting up our already intense focus on controlling costs, and to evaluate strategic opportunities that can create value for our stakeholders without undue risk. [And] we have significant financial flexibility and a strong balance sheet to do so.”

According to Richard Breen, CEO at expedited LTL Daylight Transport, carriers that are caught short financially can be forced to cut service levels, which can mean slower transit times, late deliveries, or inconsistency. “Our debt-free status and cash reserves not only impact service, they allow us to innovate,” he said.

One of the challenges Breen pointed out, however, is a paradox within trucking market: “Our LTL rates have to be lower than competitors’ who are slower and less consistent. Believe it or not, we’ve found ways to make this model sustainable,” he said.

“[We] have been able to sustain this counter-intuitive rate/quality equation through a combination of business structure, streamlined systems for efficiency, and a proactive culture,” he said. “We use our financial strength to help customers get more for their dollar.”

“By being a relatively conservative company historically, we had a debt-free balance sheet and money in the bank when the downturn occurred,” noted A. Duie Pyle’s O’Kane. “While the downturn forced many companies to cut back and shed costs, it created opportunities for a player with strong finances. We have the same challenges everyone else does, but the difference is in our balance sheet and our long-term perspective in the business. The American economy may be grim at the moment, but it always recovers – and we want to be ready when it does.”

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