

## IT'S STILL A BUYER'S MARKET

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### YRC ON THE ROCKS

No, this is not the latest craze in beverages; it's a condition that most logistics professionals would have never imaged. YRC, the nation's largest trucking company, seems to have once again slipped away from the jaws of bankruptcy (at least temporarily). To meet \$83 million in payments due to the Central States, Southeastern and Southwestern Areas Pension Fund in the second quarter, YRC had to get the Teamsters to accept some of the company's real estate assets as collateral in lieu of a cash payment. YRC is in the process of convincing other Teamsters' multi-employer funds to participate in this agreement.

The teamster members will vote on an amendment to their national contract to defer pension payments for 14 months from June 2009. This would save YRC approximately \$500 million if approved. A favorable vote by the teamsters on this amendment will provide YRC with flexibility to use their current cash to operate their business. It will also avoid litigation with the pension fund and a default.

The economic recession certainly contributed to YRC's current situation. However the merger between Yellow Freight Systems and Roadway left the company over leveraged. Analysts indicate that the company is losing market share, they have too little business and are burning cash. As a result they are selling assets that will buy time and right size their business. However it may be too late. They are in a tough position. David G. Ross of Stifel Nicolaus said "It's the cut price to prop up volume death spiral that CF went through" prior to their shut down in 2002.

Shippers are becoming increasingly nervous about YRC's declines in volume which have been steeper than their competitors for the past year. YRC currently controls 20% of the LTL marketplace. A YRC bankruptcy could squeeze excess capacity out of the market which in turn could result in higher rates for shippers. YRC's Chairman, President and CEO William D. Zollars was recently quoted in a news service as stating that bankruptcy "is not on their radar screen"

YRC is certainly a carrier that shippers should keep on their radar screen to avoid the bankrupt surprises that have popped into the headlines in the recent past.

## **OIL ON THE MOVE – CAPACITY CONTINUES TO FALL**

The largest portion of supply chain expense is definitely found in transportation costs. The increase in oil from below \$40.00 to over the \$70.00 a barrel threshold is driving total transportation costs up again although base rates continue to remain soft.

Although motor carriers moved less freight in May compared with the same month a year ago, the contraction was the best year-over-year result in three months, and tonnage actually increased compared with April of this year. The ATA reported that compared with May 2008, tonnage contracted 11 percent. While still large, the decline was an improvement upon the 13.2 percent drop in April. However the inability of carriers to increase price is likely to continue until companies begin to rebuild inventories. This is likely not to happen until 2010.

According to Avondale Partners, 480 trucking companies went out of business in the first quarter of this year. The same firm estimated that it will take a 5% decline in truck capacity before capacity will match up with current demand.

Clients should be using this opportunity to lock in rates and negotiate favorable terms with their carriers now.

If the current recession has left your company short of resources to prepare and analyze carrier bids, use the Business Intelligence team from Data2Logistics to support this effort. Do not let this opportunity pass you by. Contact Karin Speaker 239 707-7204 or [Karin.speaker@Data2Logistics.com](mailto:Karin.speaker@Data2Logistics.com).