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MASSIVE ASIA-EUROPE CAPACITY INCOMING

By William B. Cassidy

YRC FREIGHT'S NEED FOR SPEED

Carrier will convert eight terminals to DCs and improve driver management to improve flow and free up capacity

SHIPPERS WANT FASTER door-to-door service from less-than-truckload carriers, and YRC Freight is obliging with the most extensive change to its terminal network in years. YRC will add eight distribution centers, without breaking ground on a single new building.

The LTL carrier plans to unlock underutilized capacity by converting eight existing terminals to distribution centers, effectively adding 837 doors of “transfer capacity” to its network, allowing the Overland Park, Kansas-based company to handle an additional 7,000 shipments a day.

The carrier will go further than that. YRC plans to introduce 118 “meet-and-turn” relay operations involving 236 drivers from 20 terminals. The company will eliminate 195 layover trips and 267 overnight hotel stays each night, helping drivers get home faster and more often.

These steps will translate to a 15 percent overall increase in capacity by the time the network enhancement is completed in October, as YRC Freight repurposes existing facilities, changes how it manages drivers, and adjusts freight flows, President Darren Hawkins said.

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Changes to YRC Freight’s US network of 260 terminals will be matched by changes in its driver workforce. The company told the Teamsters union, which represents YRC Freight’s 7,000-plus drivers, it plans to create 84 “utility employee” positions for truck drivers.

Utility drivers will be able to drive and work on the dock, and they will work in shorter-haul lanes than traditional linehaul drivers. That means they’ll be home most nights. These drivers will operate within a 175-mile radius of the carrier’s 31 distribution centers.

“We believe we’re going to need that (capacity) to handle the demand that’s coming over the next several quarters,” Hawkins said. He expects a steady increase in industrial freight and surging e-commerce demand to continue to boost LTL volumes and pricing this year.

Those higher volumes, along with other steps toward efficiency gains and improved pricing, helped push YRC Freight back into the black in the second quarter after two quarters of losses. The carrier reported a \$28 million second-quarter profit, after a \$10.5 million first-quarter loss.

“And then we’ve got the ELD (electronic logging device) mandate coming” on Dec. 18, Hawkins said. “The LTL carriers won’t have any issue with that, but any truckload carriers running into delays getting ELDs in place could create additional demand for LTL capacity.”

YRC Freight’s network enhancement comes as greater demand for LTL service overall tightens capacity and encourages several LTL carriers to expand terminal networks. Eleven straight months of manufacturing growth is piling shipments onto LTL docks.

At YRC Freight, higher volumes strain the network at certain key times. “The constraints that exist within the current structure cause the company to regularly incur severe freight backups at seven of the present distribution centers,” YRC Freight wrote the Teamsters union in July.

E-commerce, however, may play an even more important role by fundamentally changing distribution needs in ways advantageous to LTL carriers. “With the way many large retailers are positioning their own distribution centers, we’re seeing higher demand for LTL,” Hawkins said.

Those retailers are building smaller distribution or fulfillment centers closer to consumers, emulating Amazon. “In the past, inbound traffic to the DC would be truckload,” he said. “Now, with a shorter length of haul, many retailers are more inclined to use LTL.”

Where LTL carriers such as YRC Freight really stand to benefit from e-commerce isn’t the final mile but the “middle mile,” Hawkins said. “The middle mile often gets overlooked,” he said, but LTL terminal networks are designed to handle that leg of the freight movement.

As the length of haul from vendors to a retail distribution center gets shorter, rapid replenishment and the cost of inventory mean orders get smaller and more frequent, favoring an increase in the number of LTL shipments. That’s helping to tighten LTL capacity.

When it comes to truck capacity, 2017 has been an unusual year, Hawkins said. “In times past, we’ve typically seen truckload

capacity tighten first, and LTL follows. This year, LTL capacity tightened before truckload. You can credit that to strong industrial demand," he said.

"Now truckload capacity is firming up, and that should create some benefit for LTL."

The roots of the YRC Freight network enhancement plan go back to last year's launch of the carrier's "Accelerated" service, which is a faster version of the company's standard service offering. Accelerated is a direct response to the impact of e-commerce demand on LTL.

"Customers wanted a faster LTL service that had a price point between our standard and premium service," Hawkins said. "Accelerated is now our second-largest service by volume. We knew we'd have to do a network enhancement at some point to handle the increased volume."

The eight YRC Freight terminals that will be converted to distribution centers to speed that freight are in Orlando, Florida; South Bend, Indiana; Hagerstown, Maryland; St. Louis, Missouri; Omaha, Nebraska; Columbus, Ohio; Richmond, Virginia; and San Antonio, Texas.

These facilities won't require extensive remodeling, Hawkins said. "We've had to expand the yard space at some of the facilities, but that's not an expensive project," he said.

The greater expense likely comes in establishing the systems needed to better track and speed freight. Since last year, YRC Freight has been rolling out new pickup and delivery technology from Quintiq, a supply chain software company that provides network optimization systems for a wide range of industries, including maritime, freight forwarding, and trucking clients.

"The pickup is the start of the relationship with our customer; you've got to be very exact," Hawkins said. Quintiq's system gives YRC Freight full visibility into the location of drivers, pickups and deliveries, and freight in transit, and helps optimize routes, he said.

The pickup and delivery technology also tells YRC Freight how much capacity is available within trailers as loads are built and dispatched, allowing the carrier to man-



age capacity while trailers are on the road. "You don't want to back into the dock and not have enough room," Hawkins said.

Quintiq is now at 50 terminals, and new terminals are being added to the software platform each week. The system should be fully in place across YRC Freight's network next year, Hawkins said. The technology and network reorganization will combine to speed freight.

When the network reorganization is complete, "the transfer time in shipments (at DCs) will be half of what it is in existing DCs," Hawkins said. He expects a ripple

effect. "Unlocking capacity in our network that is currently not being utilized will free up capacity in other facilities as well."

If e-commerce and industrial output continues to grow, YRC Freight will need that capacity. "We're a reflection of the economy," Hawkins said, and when he studies that reflection, "I like what I'm seeing. Demand seems firm. Pricing seems firm. I'm encouraged." **joc**

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