TABLE 1
Net income of major U.S. trucking firms
(billions $)

	3rd quarter 1989	3rd quarter 1988	Year to date 1989	Year to date 1988
Yellow Freight	$10.8	$26.9	$43.6	$49.4
Consolidated Frtway	16.0	19.9	47.0	40.0
Roadway Express	12.5	20.5	43.7	49.2
Overnite Transport	15.1	17.2	42.1	42.7
ABF Freight	−2.3	5.2	−6.1	7.1
Carolina Freight	0.7	5.5	4.5	7.0
ANR Freight	−5.1	0.0	−8.6	−4.5
Preston Trucking	−0.1	1.6	1.7	8.7

Trouble ahead for trucking industry

by Anthony K. Wickrent

Trucking companies are now caught in a deflationary spiral of cutthroat price wars, which threatens to sink some of the largest outfits. Ken Mayhew, president of the sixth largest trucker Carolina Freight Carriers Corp., says there "is a squeeze on our profits, just like there is generally in the trucking industry today. Our rates generally are about 1% higher than they were in 1984. That just won't nearly cover the effects of inflation" (see **Table 1**).

Transcon, Inc., and ANR Freight System, Inc., two of the most financially troubled trucking outfits, announced plans to merge, creating the fourth-largest trucking company in the United States. The two companies lost $26 million in 1989.

P-I-E Nationwide, Inc. has been struggling ever since it was formed in 1983 by the merger of Ryder Truck Lines, Inc. and Pacific Intermountain Express, Inc., with a loss of $90 million in 1985, and smaller losses since. The operating loss was $6 million in 1988. In the first week of December 1989, however, P-I-E asked its employees to defer receiving their paychecks one additional day each week, thus losing one paycheck for the year, while company executives give up 10% of their salaries.

Shambles left by deregulation

Before deregulation in 1979, there were 14,600 trucking companies. After deregulation, anybody who could afford to buy a truck and insurance could become a carrier. By 1987, there were 37,600 trucking companies. That number is now rapidly dropping, as a wave of bankruptcies sweeps through the industry. According to Margaret Strickland, president of Byrd Motor Line in Lexington, North Carolina, "The price wars that have been a consequence of increased competition created by deregulation have forced many solid and dependable companies out of business. Many comparatively small, cutthroat operators have temporarily slashed rates in order to get a share of the market. These carriers cannot haul freight at the same unreasonably low rates for a long period of time and still operate in a safe manner."

This has rapidly increased the strain on the system and equipment, as manufacturers and retailers seek to cut costs by switching to "just in time" inventories—i.e., raw materials and semi-finished goods shipped just in time for production or sales requirements. **Table 2** shows an industry projection of this trend, based on a survey of a number of carriers.

TABLE 2
Percent of volume shipped just-in-time by trucking industry

Industry	1987	1990*	1995*
Food	25.5%	31.3%	34.4%
Chemical	10.9	20.0	26.9
Pharmaceutical	7.2	15.0	22.2
Automotive	16.9	35.8	41.9
Paper	15.8	20.0	27.5
Electronic	23.2	27.2	31.3
Clothing/textile	29.5	41.8	49.0
Other manufacturing	23.5	28.7	34.8
Merchandise	6.3	10.4	12.1
Total response	19.2	26.8	31.1

*Projected
Source: *Transportation Executive Update.*

In effect, by cutting out storage areas for inventories, the transportation system itself must now serve as a warehouse on wheels. And there is significantly less tolerance for a breakdown of the system. A delay in shipping can cause a very costly interruption and perhaps even cessation of the manufacturing process, or loss of sales.

The most recent survey of the in-service truck fleet completed by the Regular Common Carrier Conference shows that the smaller companies have significantly older equipment (see **Figure 1**). One of the most important factors in transportation safety is the age of the equipment currently in service.

The collapse in new truck sales also means that vehicle age will increase rapidly in the next few years. For the past three months, sales of heavy Class 8 trucks have been around 20% below those of last year. Sales of medium-sized Class 6 trucks have collapsed by double-digit figures for the past four months (see **Table 3**).

Mack Truck has been unable to maintain a liability-to-net-worth ratio of less than 160%, and is desperately seeking a waiver from creditors so that its lines of credit will not dry up. But as one analyst said, "The bankers are going to try to squeeze every drop out of this." With probable losses of $155 million this year, Mack is also trying to obtain an additional injection of funds from its 45% owner Renault Véhicules of France. Renault already ousted Mack's chairman back in October, after a loss of $87.5 million was posted for the third quarter. Production at Mack has been halved this year, and 21% of the workforce eliminated.

Navistar International Corp. announced its first quarterly loss in three years, $13 million in its fiscal fourth quarter. Navistar expects demand for medium-sized trucks in 1990 to be 2-4% less than 1989, while demand for heavy trucks will be down 8-18%.

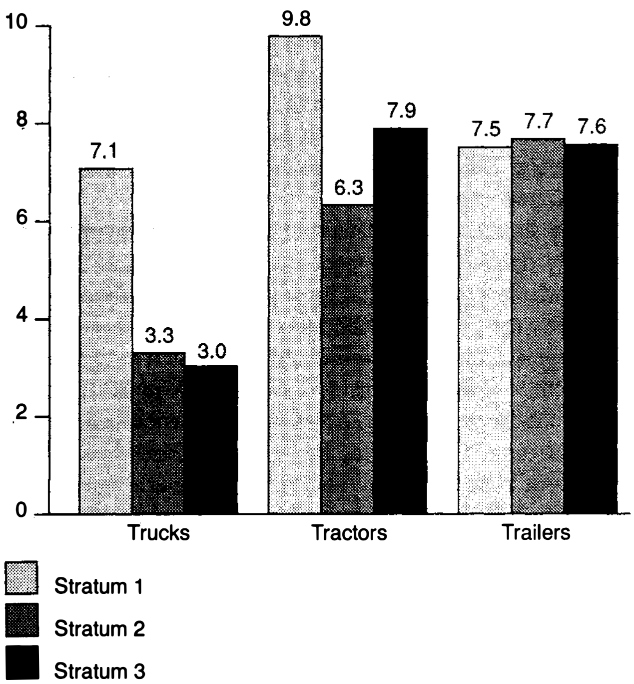
The collapse of sales was the final blow for K-H Corp., formerly known as Fruehauf Corp., the largest maker of truck trailers in the United States. Already crippled with over $100 million a year in interest payment alone after 70 top managers rescued Fruehauf from the clutches of corporate raider Asher Edelman, K-H quietly died on Nov. 29, 1989, and became a subsidiary of Toronto-based Varity Corp.

Meanwhile, in the latest move toward fascist-enforced "controlled disintegration," the Justice Department is targeting the organizational structure that establishes rates charged by truckers for carrying freight, by seeking to prosecute the Rocky Mountain Motor Tariff Bureau for "unregulated cartel conflict." The RMMTB is one of the largest and most important of the industry's pricing associations, which establishes the rates subject to approval by the Interstate Commerce Commission. The Justice Department is asking the ICC to revoke the RMMTB's immunity to discuss and set rates, so that RMMTB can be prosecuted under the anti-trust laws.

TABLE 3
New truck sales in the United States

	1989	1988	% change
Class 8 (over 33,000 lbs.)			
Aug.	10,809	9,919	9.0
Sep.	11,284	13,191	−14.5
Oct.	11,709	14,423	−18.8
Nov.	9,672	12,540	−22.9
Class 7 (26,001-33,000 lbs.)			
Aug.	8,388	9,386	−10.6
Sep.	6,936	8,385	−17.3
Oct.	9,197	8,820	4.3
Nov.	6,164	7,275	−15.3
Class 6 (19,501-26,000 lbs.)			
Aug.	3,653	4,354	−16.1
Sep.	3,336	3,828	−12.9
Oct.	3,557	4,018	−11.5
Nov.	2,454	3,774	−35.0

FIGURE 1
Median age of equipment by stratum*
(in years)



*Stratum 1 carriers have an annual revenue of $250 or over; Stratum 2 have revenues from $25 to $250 million; and Stratum 3 revenues from $5 to $25 million.
Source: *Transportation Executive Update.*