

Trucking Industry Sales Are Revving Up

By Mary Ellen Biery, December 19, 2011

While other parts of the U.S. economy stagger along the road to recovery, the trucking industry is cruising along, performing better than the economy at large. Sales at privately-owned general freight and specialized freight trucking companies are up more than 14 percent over the last 12 months, according to a financial statement analysis of privately held companies by Sageworks Inc. The increase, which follows a steep sales drop in 2009 and a rebound last year, compares with U.S. GDP tracking in the low single digits.

Industry experts say a number of factors are contributing to the current environment for trucking, which is often seen as a leading indicator of economic activity. A pickup in manufacturing has led a pretty decent recovery in volume since 2009, said Noël Perry, managing director and senior consultant at consulting firm Freight Transportation Research Associates, or FTR Associates. Fuel prices have flattened out since late 2010 and early 2011, and that has also helped, he said.

We know that in 2011 the industry's fundamentals have strengthened," Perry said. "Fourth quarter looks to be a little above trend, actually.

Indeed, despite fears that the U.S. is slipping back into a recession, trucking data doesn't show that, said Bob Costello, chief economist of the American Trucking Associations, a federation of trucking-related groups and councils:

Trucking continues to point to an economy that is not growing very fast, but it's still growing.

Even retail is helping, though it generates less volume for trucking companies than industrial production:

The holidays are starting off OK, maybe even a little bit better than OK, and that will help some trucking companies that service those retailers.

Among companies examined by Sageworks, those in general freight trucking posted a 14.73 percent increase in sales over the last 12 months. Specialized freight trucking companies saw a 14.04 percent sales increase. The U.S. Department of Transportation's Freight Transportation Services Index, a broader measure of changes in freight shipments via trucks, rail, air and pipelines, was 6.9 percent higher in January than a year earlier. Meanwhile, trucking capacity is relatively constrained, which is helping pricing, Costello and Perry said.

Hurt by sharp slides in volume in 2008 and 2009, trucking companies have been conservative about adding drivers and capacity. And having worked through a glut of trucking capacity, most carriers are spending on replacement equipment rather than on new trucks for growth. Finally, anecdotal evidence indicates it's still tough for some carriers to find financing, Perry added. Perry forecasts a roughly 3 percent increase in freight tonnage in 2012 and price increases of between 5 and 8 percent.

Results from publicly traded firms, including Con-Way Inc. (CNW) and LandStar System Inc. (LSTR), also reflect industry trends, as both companies posted better-than-expected sales and earnings in recent months. But statistics for public-company carriers cover less than 20 percent of the industry, Perry said. Virtually all of the

public-company carriers are tied to boxed freight, also called “dry van,” a category that generates only about 45 percent of trucking industry business, and virtually all of the specialized freight trucking companies, including operators of refrigerated trucks, tankers and flatbed trailers, are privately held, he added.

For the full story featuring Sageworks’ private industry data, please visit [Seeking Alpha - Trucking Industry Sales Are Revving Up](#).