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# Trucking News

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## Study Examines Trucking Firms Providing LTL Service in Mountain-Plains Region

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Deregulation has changed the face of the trucking industry, compelling firms to change and compete. In North Dakota, South Dakota, Montana and Wyoming, many rural communities and small businesses continued to rely on less-than-truckload (LTL) carriers for moving freight in and out of the region. However, in the post-regulation environment, in which firms may choose to abandon rural areas deemed less profitable, these states may receive reduced LTL service.

Trucking firms in the four mountain-plains states were surveyed to gain a clearer picture of LTL service and what factors may impact it. How many and what size trucking firms are providing LTL service in the region? What level of technology do these firms use? Will technology and efficiency increase among trucking companies?

### Post-Deregulation Environment

After deregulation of the motor carrier industry in 1980, a new environment emerged — most prevalently, forcing into bankruptcy a large number of firms that failed to adjust to the newly competitive conditions. Yet, while deregulation hurt many trucking companies, many shippers have realized rate reductions due to increased competition.

Did deregulation change LTL service? One survey found that in 11 western states, 66 service points for LTL transport lost all LTL service. An additional 21% lost some service, while 13% retained all service. Clearly, there have been significant decreases in the numbers of full-service common carriers capable of delivering LTL service for some rural areas

Deregulation changed large portions of traditional LTL markets, and although opponents of deregulation argued that it would result in oligopoly power for LTL carriers, this has not happened. Instead, deregulation has in many instances plunged the LTL sector into competition with the truckload (TL) sector. An unanticipated result has been the move by many shippers and receivers toward an integrated logistics operation, resulting in substitutability between TL and LTL shipping — an important factor in looking at TL/LTL concentration in the industry.

### Size of Firms Providing LTL Service

Trucking firms of all sizes provide LTL service in North Dakota, South Dakota, Montana and Wyoming. Following are the major characteristics of companies surveyed:

- **Regional/National Carriers:** Fifteen respondents considered their firm regional, while 19 were national carriers.

- **Annual Revenue:** Respondents were mainly small (less than \$2 million annual revenue) or large (more than \$5 million annual revenue), with few intermediate-size firms responding.
- **Revenue from LTL Service:** More than 60% of respondents reported less than 20% of their annual revenues coming from LTL service. However, 20% reported more than 80% of their revenue from LTL service.
- **Revenue from Mountain-Plains States:** North Dakota had the highest average percent of revenue with 19%, while South Dakota had the highest number of respondents (30) providing LTL service. Wyoming had the least number of respondents providing service (20) as well as the lowest percentage of revenue (7%) for the respondents. However, the five largest carriers reported that less than 5% of their total revenue was generated in the mountain-plains states. These companies may be able to take advantage of national networks to overcome the lower revenues from hauling in the region.

### Technology Now and in the Future

Technological enhancements in the trucking industry may improve efficiency, potentially increasing the level of service provided to the region by LTL firms. In addition to determining the size of trucking firms that provide LTL service, our survey sought the levels of technology used by these companies:

- **Electronic Data Interchange (EDI):** Less than half of survey respondents (44%) reported using EDI, direct computer-to-computer communication to exchange information with customers, usually through networks or mainframes. Freight bills and invoices the most popular EDI features for those who use the technology.
- **Satellite Tracking:** Just 17% of respondents use satellite tracking for freight or communications. Of those respondents, 67% also use EDI, perhaps indicating that the technological sophistication of firms using EDI may be representative of firm size.
- **Intelligent Transportation Systems for Commercial Vehicle Operation (ITS-CVO):** Only 11% of respondents use ITS-CVO to meet safety and weight regulations, and fewer than half of respondents indicated this technology was available in their service areas. However, more than half of those surveyed (63%) thought ITS-CVO would become more prevalent in the future and would add efficiency in the trucking industry. Only carriers with 100 or more power units reported using ITS-CVO, a figure which probably reflects the high capital costs associated with the technology.

### Conclusion

LTL service is provided by a wide range of carrier sizes in the mountain-plains region, with many companies providing both TL and LTL services.

Levels of technology are clearly more advanced in larger companies, which are likely to adopt all types of technology available. Most trucking firms agree that ITS-CVO, while not used extensively in the region, will likely become more prevalent and does add efficiency to the industry — perhaps indicating enhanced LTL service levels for the future.

With most trucking firms receiving only a small portion of revenue from the mountain-plains region, companies appear to be linking with other carriers to deliver LTL service in rural areas deemed less profitable.

*A copy of the full report, "Less-Than-Truckload in the Northern Mountain-Plains States" (MPC Report No. 97-82), is available from the Upper Great Plains Transportation Institute. Contact: Mark Berwick (701) 231-9594.*