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## Analysis: Behind the Wave of Trucking Mergers and Acquisitions

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By Evan Lockridge

It's been a long time since we've seen the number and size of trucking mergers and acquisitions like we have lately. There's the merger of Knight Transportation and Swift Transportation, plus numerous acquisitions in the flatbed market by Daseke. Before that, XPO Logistics purchased Con-way, later selling off its truckload component to a Canadian company while keeping the less-than-truckload.

To get some perspective, I contacted Lana Batts. She's currently partner emeritus of Transport Capital Partners, a consulting firm specializing in transportation mergers and acquisitions. However, she is known for much more than that. Her 40-plus years in trucking includes being president of the Truckload Carriers Association and senior vice president of government affairs for the American Trucking Associations.

Here are the highlights from our conversation, which has been edited for length and clarity.



#### **HDT. Lana, what is driving all of this mergers and acquisitions activity?**

**Batts:** When you look at the Knight-Swift merger... it's the maturing of the truckload industry...and faith in the future. Nobody really has any market share to talk about compared to what you see in other segments of trucking. And the reality of it is, contrary to what we always thought prior to deregulation in 1980, there are in fact economies of scale in truckload. It's all the back office stuff, and a lot of that is driven by regulation. With the regulations the industry is facing, you've got to spread that out over enough trucks.

#### **HDT. What about the many acquisitions by Daseke, which is reportedly now the largest flatbed operation in the country?**

**Batts:** There wasn't a dominant player in the flatbed sector. And what Don Daseke did as an outsider with outside money, is nobody in the trucking industry could finance those deals. He's done very well and is a very smart man. He's got a game plan and he's exercised it well. I don't know if an insider would have seen what he saw. You know, sometimes it takes somebody from the outside.

#### **HDT. Could you elaborate on your description of these recent deals as the maturing of the truckload industry and faith in the future?**

**Batts:** The truckload industry was really born out of deregulation. Now, fast-forward since 1980. In almost 40 years, [nearly] all those young bucks who started those truckload [fleets have] died or retired. Now it's the second generation, an outsider generation coming in. It's totally different. That faith in the future means the economy is on a fairly strong footing,

or at least a different footing, because of the way the regulations are coming out and the rise of the third party logistics providers.

**HDT. Why aren't we seeing such mergers and acquisitions activity on the less than truckload side?**

**Batts:** Those already took place and the heyday for them was shortly after deregulation. What you've got left is some really strong national carriers and some really strong regional guys, some of which have become very strong national players. I live up here in northwest Montana and [Old Dominion Freight Line] bought a small company up here, and I think it's just hilarious to see Old Dominion in Montana. Nobody up here even knows what Old Dominion stands for.

**HDT: Where do you see the trucking mergers and acquisitions market headed the rest of this year and into 2018?**

**Batts:** I think there will be a lot. Now you've got a situation where...the sellers are willing to get out, the prices are realistic in terms of their net worth, but you know it's taken a long time to get out of that quagmire. What buyers are looking for by and large are well-run companies, with the freight up to date, with a management team that will stay after the owner leaves.

*This column originally appeared as Economic Watch, part of the Hotline department, in the June issue of HDT.*

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