



THE INCREDIBLE SHRINKING CANADIAN FREIGHT CARRIER INDUSTRY

For many years, industry experts have been predicting a consolidation in the Canadian freight industry. During and after the Great Recession, the decibel level of these warnings increased as most trucking companies faced the challenges of reduced freight volumes, sinking rates and the difficulty of managing a business during recessionary times. In fact, the industry did shrink by an estimated fifteen percent during the downturn, not through acquisition, but through companies closing their doors or parking equipment.

As one looks back over the past five years, the Canadian

creasing technological sophistication and regulatory changes, have made life much more difficult, particularly for small fleets with limited access to capital.

In addition, there were and still are willing buyers. Some of the larger trucking companies and conglomerates have been active buyers. With TransForce's acquisition of Contrans, we are now seeing a very large conglomerate devour a large conglomerate. What does this all mean for the Canadian freight industry?

The owners of the fleets being acquired are receiving some sort of retirement nest egg depending on the value of

to ten years, you will find some names that are missing, either because they have been merged with another entity, or they simply failed due to incompatible cultures, the loss of key employees, weak business models, or a host of other reasons.

What are the implications for shippers? The consequences of these M & A activities vary from segment to segment. While there has been consolidation in the truckload sector, and there will be more, this market is large and very diverse.


However, for the reasons outlined above, it is becoming increasingly difficult for the smaller fleets to survive. In addition to driver and capital issues, there is the matter of economies of scale. It is likely that we will continue to see more consolidation. This may result in fewer options and higher rates. To make this business more attractive for entrepreneurs, the regulatory and economic climate may have to change. Whether this will happen is questionable.

The LTL market is quite different. To properly serve this market, viable players must have terminal networks. Fewer than ten companies control this market in Canada. The same is true in the United States. TransForce's recent acquisition of Clarke Transport, Vitran's Canadian operations and QuikX/QuikTrax, within a very short time, has certainly changed the dynamics of this specific (east-west intermodal) market. It will

be interesting to watch if the three western Canada (intermodal) businesses are integrated into one consolidated business.

The point is that for national LTL freight distribution and major regional LTL shipping as well, the number of options is quite limited. If any of the large LTL carriers (e.g. Day & Ross, Manitoulin, TransForce's stable of LTL carriers) were to contemplate a merger with each other, one would have to wonder if this would be a tipping point for Canada's Competition Bureau.

The courier market is similar to the LTL market. To effectively serve this market requires sorting and processing facilities. Any further consolidation (e.g. the sale of Purolator to another big player) would certainly raise issues of competitive service options in Canada.

We can expect to see more M & A activity in the days ahead. Shippers must use due diligence in selecting modes and carriers. With capacity tight and expected to get tighter and with the industry consolidating, manufacturers and retailers must become very thoughtful and methodical in finding core carriers to support their supply chains. The rise of logistics service providers in the LTL space may be the best indicator that shippers are reaching outside traditional asset-based carriers to find companies that can creatively come up with competitive service and pricing solutions. 

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economy has been recovering, albeit painfully slowly. There has been some growth in GDP and in jobs, largely in the west. During this same period, the Canadian freight industry has been consolidating and continues to consolidate. This has been driven by a host of factors.

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The post-recession business climate brought a host of challenges. The driver shortage, coupled with rising costs of fuel and equipment, low margins, in-

their businesses. It is questionable if some of these companies would have survived if they hadn't been acquired. While some people are often released during or after an acquisition, many people were able to retain their jobs within a financially more viable structure.

Of course, a very high percentage of mergers and acquisitions fail. These can be visible or invisible to the shipping public. If you look back at the list of companies acquired over the past five



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