

Refrigerated carriers report rising revenue, operating ratios show steady declines

By Gary Macklin

According to cotton farmers on the High Plains, the weather makes no judgments, raining or hailing with equal fury on the just and the unjust. Based on responses to requests for information for this Gross Revenue Report, the financial sun that appeared in 2003 and 2004 has continued to shine for many carriers, especially the large ones. However, a lack of response confirmed by personal contact seems to indicate that a number of carriers in the middle of the revenue range are still covered by clouds.

Rising fuel prices have continued to contribute to business failures and to encourage consolidation. This drop in motor carrier capacity has moved shippers to raise rates to protect access to adequate levels of service. Although tight motor carrier capacity indicates an uncertain business environment, the carriers that hold on should have reason to anticipate an even brighter future.

Gross revenue data for 2005 shows a notable increase for the 37 carriers responding to information requests from *Refrigerated Transporter*. Viewed as a group, these carriers reported much higher revenue than they reported for 2004. However, the growth rate of 14% is down slightly from annual growth of 19.3% published in the September 2005 Gross Revenue Report, but it is an increase from the 11% noted in the September 2004 Gross Revenue Report. The results this year and for the two previous year's report are a tremendous increase from the 2.4% average growth rate published in the 2003 report.

Wider profit margins

Profit margins for carriers responding to this survey continued to widen slightly in 2005 with the average operating ratio of these 37 carriers falling an entire point to 93.21 from 94.2. This is the second consecutive year that operating ratios have fallen by a point. Five of the six largest carriers responding to the survey all show an improvement in operating ratio.

A number of carriers have sought bankruptcy protection in the past three years, many simply ceasing operations.

Others have experienced marginal financial results and consequently have simply declined to release data. The Gross Revenue Report on 2005 data contains 37 carriers, four fewer than provided data for the September 2005 report on 2004 financial results. Although the business climate has improved from 2003 through 2005, many privately held carriers have remained more and more protective of their financial data.

Only two refrigerated carriers remain among the ranks of public stock companies—Frozen Food Express Industries and Marten Transport. Several large, publicly held dry van carriers operate refrigerated divisions, but these companies do not release data from their individual operating divisions. One public dry van carrier, Knight Transportation established a refrigerated operation in 2003, purchased a refrigerated truckload carrier in 2004, and now has more than a year of experience in the refrigerated market. For a profile of Knight Refrigerated, look at the cover article in the May 2006 issue of *Refrigerated Transporter*. In addition, a number of large carriers operate fleets dedicated to serving Wal-Mart grocery distribution centers; a second year entry to the Gross Revenue Report, Transport Industries, is one of these, and the parent company, Greatwide Logistics Services is the lead article in this. Greatwide has other dedicated fleet customers as well as Wal-Mart.

Dry fleet reefer operations

In a separate section of the Gross Revenue Report on 2005 financial data, *Refrigerated Transporter* lists those dry van carriers known to operate refrigerated service and provides revenue data for the entirety of those carriers. No attempt is made to determine what level of contribution refrigerated operations make to total truckload fleet revenue. At some carriers, such as Swift, the contribution is large, because the company has a large refrigerated subsidiary as well as numerous dedicated refrigerated fleets. At others, such as Werner, the refrigerated fleet is said to be relatively small.

In raw terms, the 37 carriers responding for this re-

(Text continued on page 28)

