https://www.wsj.com/articles/trucking-failures-surged-last-year-under-pandemic-11612827527

LOGISTICS REPORT

Trucking Failures Surged Last Year Under Pandemic

Smaller truckers faltered as business tailed off in early days of lockdown while larger, well-capitalized operators powered through

Some 3,140 fleets shut down in 2020, a 185% increase from the year before, according to industry data firm Broughton Capital.

PHOTO: ROBIN RAYNE/ZUMA PRESS

By [Jennifer Smith](#)

Feb. 8, 2021 6:38 pm ET

U.S. trucking company failures nearly tripled in 2020 from the previous year as fallout from the pandemic deepened pressure on smaller operators while well-capitalized bigger truckers held on and found stronger financial footing as the economy reopened.

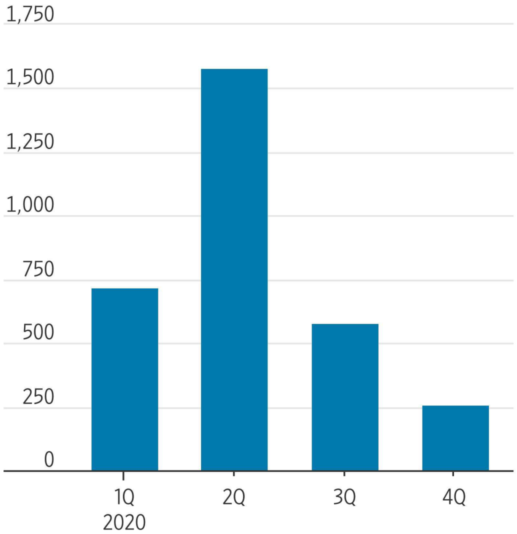
Some 3,140 fleets shut down last year, a 185% jump from 2019, according to transportation industry data firm Broughton Capital LLC. Roughly half of the 2020 failures came in the second quarter, when freight volumes plummeted amid widespread shutdowns aimed at limiting the spread of Covid-19.

"We had a record number go out of business in the second quarter and a record number in the month of May," said Donald Broughton, Broughton Capital's managing partner.

Smaller trucking companies were particularly hard hit, according to the firm's data. In 2020 the average size of failed fleets was 40% smaller than in 2019, when the shutdowns included Celadon Group Inc., a large national truckload carrier that operated some 3,300 trucks.

Idling Trucks

Trucking company failures in 2020, by quarter



Source: Broughton Capital

Independent truckers and small trucking companies make up the majority of U.S. freight carriers, with 91% of fleets operating six or fewer trucks and 97% operating 20 or fewer, according to the American Trucking Associations, an industry group.

Those smaller operators typically have slimmer margins than big truckers, which can use economies of scale to lower purchasing costs for items from tires to employee health insurance. Small trucking companies also tend to get more business from the spot market, where shippers book last-minute transportation and prices tend to be more volatile than in contractual arrangements with steady customers.

That left some U.S. truckers already buffeted by slackening freight demand in 2019 heavily exposed as the coronavirus pandemic jolted supply chains. Many of those hardest hit were one-truck carriers or operators with only a handful of trucks, said Todd Spencer, president of the Owner-Operator Independent Drivers Association, which represents independent truckers.

“The market can be pretty brutal,” Mr. Spencer said. “When the pandemic hit…it created almost overnight a tremendous overcapacity. The trucks were all there, but what they had to move was cut by about half,” he said.

The average cost to hire a big rig on the spot market plunged 12% in April from the previous month, to $1.64 a mile, and bottomed out in May at $1.60, according to online freight marketplace DAT Solutions LLC.

That squeezed small truckers like Tony Singh, owner of Richmond, Va.-based Sam Trucking LLC.

"April was really tough," said Mr. Singh. At one point he feared he might have to close the business as diving shipping rates left him struggling to cover the pay for drivers, fuel and other costs for his seven-truck fleet.

Some finance companies gave him a break on payments for a few months, and in July he got a $140,000 Covid-19 relief loan through the Small Business Administration, helping the company hold on until business started picking up in September.

The pandemic wasn't the only factor weighing on truckers. Some fleets that shut down last year blamed rising insurance rates, or the downturn in the oil-and-gas sector, which hurt oil-field service carriers and regional operators in places such as Texas and Oklahoma.

"It was a combination of several things at once," said Mike Stone, president of Beaver Express Service LLC, a Woodward, Okla.-based less-than-truckload carrier that closed in late March after more than six decades as a family-run business.

The company provided expedited service through its 250-truck fleet, delivering medical supplies, heating and air-conditioning equipment and other goods to small and medium-size businesses in rural areas.

Beaver's business slowed in 2019, and the family had been looking to sell to a larger operator. Heading into 2020, the company's health care costs were set to rise by nearly 6% and liability coverage by 8%, and then the pandemic lockdowns began in March and business dropped off.

"Revenue was going down, then Covid hit," Mr. Stone said. "We got together and we said, 'We can't keep losing money.'"

Write to Jennifer Smith at jennifer.smith@wsj.com

Appeared in the February 9, 2021, print edition as 'Pandemic Drove More Trucking Operators Out of Business in '20.'