

Online Haul of Fame: McLean Trucking



Craig Fuller, CEO at FreightWaves  • Thursday, January 09, 2020



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Key Takeaways:



This is part of our ongoing weekly feature called the “Online Haul of Fame.” FreightWaves will feature companies that have had a lasting impact on the trucking industry, past or present. Check out the Online Haul of Fame series posted each Friday on FreightWaves.


McLean Trucking is one of the pioneers of the less-than-truckload (LTL) trucking industry. The company's founder eventually became one of the pioneers of the global logistics and trade industry.

At one point, McLean Trucking was the fourth-largest motor carrier in the United States. The company was founded in 1934 in Raleigh, North Carolina by Malcom McLean. Eventually, the company's headquarters moved to Winston-Salem, North Carolina, in an effort to be closer to one of McLean's largest customers. McLean would come to be known as one of the pioneers of less-than-truckload (LTL) shipping.



For the first decades of McLean's operation, the Interstate Commerce Commission was strictly regulating routes and rates for all trucking companies. Because of this, a large part of

McLean's history and growth came from acquisitions. The 1945 acquisition of American Trucking Co. was the first of these. Other notable acquisitions in the 1940s included Pee Dee Express in 1947 and Simpson Motor Lines in 1948. McLean's first service area was essentially a straight line between points in North Carolina and a small area in the Northeast and southern New England. After World War II, the company began expansion into more areas in the Northeast and pushed into more markets in the South. In the 1950s, McLean focused on expansion into the Midwest. This was achieved by the company's acquisition of Carolina Motor Express Lines in 1952.



What happened next will be one of the biggest moments in the history of modern capitalism and trade. Malcom McLean, the father of the standardized freight container, dreamed of creating an intermodal network. FreightWaves' Managing Editor of Copy, Scott Mall, covered the history of the "Box" in 2019:



Gary Morton Collection

In 1952, Malcom McLean's original idea was to create a standard-size trailer that could be loaded onto ships. He thought he could improve his business by taking his trucks off the ICC-controlled roads and move them by ship along the Atlantic Coast. He planned to move them from the company's base in North Carolina to New York, with trucking hubs co-located with strategic ports. This would mean his trucking fleet would be used only for shorter, intrastate deliveries, which would fall outside the ICC's jurisdiction.



McLean Trucking Company Annual Report 1981

For the Fiscal Year Ended June 30

However, he realized that the original concept of "trailer ships" would not be very efficient. Only a certain number of trailers would fit on a ship, and other cargo space on board a vessel would be wasted. McLean modified his idea so that only the containers, not the chassis, would be loaded onto a ship. The concept of a trailer ship became the "container ship" or "box ship."

During that time period, U.S. law did not allow a trucking company to own a shipping line. McLean believed in his idea of a standardized shipping trailer or container. Undaunted, he sold McLean Trucking for approximately \$6 million and began a new company, McLean Industries.

McLean Trucking continued to operate as a stand-alone company, growing along with the U.S. economy. The company thrived for almost two decades, but the fortunes of McLean Trucking changed in the 1970s. The U.S. and global economy became subject to an OPEC oil embargo in 1973. Over six months, oil prices quadrupled. The cost of fuel dramatically increased the operating cost of trucking companies. The oil embargo ended in 1974 and oil prices receded, albeit at higher levels than pre embargo levels.



A few years later, in 1979, a nationwide Teamsters strike and an industry-wide lock-out completely halted all McLean operations for 12 days. At that point, it was the longest national Teamsters strike in history, and profits took a considerable hit as freight sat motionless at company terminals. In 1979, McLean reported revenues of over \$483 million, but only recorded profits of \$8 million. This was compared to the previous year when McLean brought in nearly \$440 million in gross revenue and \$15.5 million in net profits. McLean executives were aware that deregulation was coming, and braced themselves for the change.

Though McLean's operating revenues increased 30% to \$725 million in 1980, the company dealt with several other financial challenges. The relaxation of regulations by the ICC with the passage of the Motor Carrier Act created a serious imbalance in McLean's operations, causing an increase in empty miles and loss of revenues. New entrants into the market increased competition, and rate-cutting was prevalent across the industry. These factors led to a net loss of over \$2 million for McLean in 1980. Unwilling to give up, McLean Trucking continued efforts to adapt to the new environment, and opened 10 new terminals that year. In 1980, McLean was the fourth-largest Class 1 motor

freight common carrier of general commodities in the United States. The company employed 13,000, served 42 states and Washington, D.C. from 206 terminals as well as the Canadian province of British Columbia.



The company lost \$12.4 million in 1982 and could not find a way to recover. In 1983, the company lost \$35.2 million, and the following year, \$39 million. So loved was the company that in 1985, employees took a 15% pay cut in order to keep the struggling company afloat. Unfortunately, it was too far gone. In 1986, the company filed for bankruptcy, and approximately 10,000 people lost their jobs.

At its largest, McLean operated approximately 3,800 tractors and 9,600 trailers out of its 300 terminals in 45 states.

FreightWaves take: McLean Trucking's legacy is more about the evolution of the freight market throughout the 20th century and less about the trucking company itself.

Most pre-deregulation carriers, especially unionized ones, suffered greatly in a post-deregulation world. The fact that McLean was among these is not surprising. Most unionized carriers that enjoyed rent seeking could not survive in a world where non-regulated market forces took control of the freight market.

Before deregulation, trucking firms and their employees thrived, often at the cost of the shipping community and public. Shippers paid much higher rates and suffered from inconsistent and slow services compared to today's trucking environment. They were often left at the mercy of trucking monopolies that owned specific lanes.

It is likely that Amazon and e-commerce wouldn't be around in a regulated freight market. We also wouldn't have modern freight brokerages or dynamic load matching.

McLean's legacy, however, is not just about trucking. The company's founder, Malcom McLean., will go down as the most influential figure in logistics history, having created the first intermodal container network. The intermodal company he founded, Sea-Land, was inspired by his successes and frustrations of being a trucking CEO and a vision to create far more efficient way of delivering global trade.



McLean also had a vision for making the world a better place. In an American Shipper story, written by Chris Dupin back in 2012, he quotes a Sea-Land executive in saying the most important decision Malcom McLean ever made was "to give up all the patents, the hundreds of patents that Sea-Land had on the container system."

The executive further stated, "He decided it was better to give up those patents and grow the industry rather than keep them as a proprietary item. He saw that if he gave up the patents and it became universal, we would have intermodal trade, and we would have something that was good for the customer... Intermodalism prospered and so did Sea-Land," he said.

Each Friday, we will post another article from our Haul of Fame series. Check FreightWaves each week as we feature other legendary companies from our industry, past and present.

✓ Haul of Fame coverage:

Consolidated Freightways



Craig Fuller, CEO at FreightWaves

Craig Fuller is CEO and Founder of FreightWaves, the only freight-focused organization that delivers a complete and comprehensive view of the freight and logistics market. FreightWaves' news, content, market data, insights, analytics, innovative engagement and risk management tools are unprecedented and unmatched in the industry. Prior to founding FreightWaves, Fuller was the founder and CEO of TransCard, a fleet payment processor that was sold to US Bank. He also is a trucking industry veteran, having founded and managed the Xpress Direct division of US Xpress Enterprises, the largest provider of on-demand trucking services in North America.

