

1980-1989 Trailers for sale or rent: Deregulation and new specs aid growth

When the trucking industry in the U.S. was deregulated in 1980, shippers and those wanting to enter the industry as carriers were obvious winners. But trailer rental companies of the period, including TIP, benefited as well.

Prior to deregulation, the authority to transport certain goods along certain routes was trading for hundreds of thousands of dollars, as regulatory hurdles made acquiring new authority almost impossible.

The Motor Carrier Act of 1980 created an environment in which “anyone could go out, secure a truck and a trailer and a contract with a company to haul their freight,” recalled Barry DeSantis, who joined TIP in 1977 and retired from the company in 2003. In 1980, there were 18,000 regulated trucking companies — a number that had been stable since 1945. More than 42,000 were operating by 1989. But many of these new companies couldn’t afford to buy trailers. Rental was the answer.

“Deregulation was a boon to the trailer rental and leasing industry,” DeSantis explained. “It was the biggest occurrence in the transportation industry in the years I was involved.” The extra demand that deregulation caused, combined with TIP’s continuing growth — the company had 130 branches by 1988 — resulted in a formidable annual need for new trailers. Division managers would give their requisitions to Laurie Weisheit, who became president and chief operating officer in 1982, and he would consolidate the purchasing requests. “No one manufacturer could have supplied the equipment we needed,” Weisheit, now retired, recalled. His negotiation argument with manufacturers was that they could keep their factories open by building trailers for TIP, and make their profits by selling equipment to smaller companies.

Trailer specifications were also beginning to change, and by the mid-1980s, the 48-foot trailer replaced the 45-foot trailer as the asset of choice. John Gallow, a current GE Remarketing manager in the Southeast who joined TIP in 1977, remembers when the company acquired its first 48-foot trailer in 1983. The smooth-sided van trailer could carry more cargo, and was lighter and more fuel-efficient than trailers with corrugated sides. Gallow recalled it was also easier to repair, and customers’ logos looked better on it — all major improvements.

Fifty-three-foot trailers became the norm around 1990,

and the company announced it was renting oversized, 57-foot trailers — legal in eight states — in 1989. Every time one trucking company started using larger trailers, its competitors had to adopt the new size in order to keep up, Weisheit explained. But because they couldn’t afford to buy a bunch of new trailers, they rented them. When a new size trailer was introduced, TIP bought thousands to meet demand. “We would buy huge numbers of trailers every year; 20,000, I think, was our peak,” Weisheit recalled. In an average year he says the company bought about 10,000 units. Because TIP was involved in many markets, it purchased a variety of trailers, including flatbeds, doubles and refrigerated units.

As conditions changed, TIP adjusted to address the new market dynamics. For instance, to deal more effectively with outdated inventory coming in from rental and lease deals, TIP launched its first formal remarketing trailer sales operation in 1980, said longtime executive Tony O’Brien, currently the Remarketing Services vice president.

TIP produced strong revenue for parent company Gelco, Weisheit recalled, but the story was not as good for another Gelco acquisition, CTI Container Corporation, at the time one of the largest sea-going container businesses in the world. That transaction resulted in financial losses that TIP’s profits were ultimately unable to offset. In 1986 and 1987, Gelco reported losses of \$6.4 million and \$4.9 million, respectively. To recover, Gelco sold TIP Europe in 1986 to a management and investor consortium. Then, in December 1987, GE Capital Services, a unit of Fairfield, Conn.-based General Electric, bought Gelco for about \$414 million.

At the time, Gary Wendt, president of GE Capital, told The New York Times the purchase was complementary to the company’s plans to grow its rail-car, aircraft, auto and container leasing businesses. But while the other Gelco divisions were rolled into existing parts of the portfolio, TIP was brought in as a stand-alone division of GE Capital.

As the 1980s came to a close, GE began to take closer notice of the trailer rental business. TIP had earned several GE awards for return on investment, growth and profitability. “They came to like what they saw, and wanted to put more money in the business,” DeSantis said. GE Capital’s practice at the time, of “expansion through acquisition,” would send TIP through a new kind of whirlwind growth spurt in the next decade.