

Computer Helps McLean Boost Profits

by JERRY ADAMS
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WINSTON-SALEM — Trucking has become, of all things, a romance industry.

CB radios have given drivers their chance to talk their way into everyone's attention, without stopping.

But for all the popularity of reaching up to 15 static-filled miles with a transmitter in the cab, it is more sophisticated technology back at the terminal that is helping McLean Trucking Co. dramatically improve profits.

The computer, says Joe B. Eldridge, McLean's executive vice president for administration and treasurer, has allowed the company to capitalize on the general economic upturn of the past year.

And McLean, the nation's fourth largest motor carrier, has capitalized to the point that in the next few days the company's annual report for the year ended June 30 will show its best profits ever. McLean has been operating since 1934.

The record profits came despite problems at the outset of the fourth quarter—a three-day work stoppage when the labor contract lapsed, then a nine-day lag before new rates allowed by the Interstate Commerce Commission could take effect.

For the nine months ended March 31, McLean had already earned \$4 a share, up from a dismal \$2.22 a share for the same period in recession-laden 1975 and almost even with the \$4.14 earned in all of 1974.

"Unless there is a disaster," Eldridge told an interviewer recently, "this will be a record year." No disaster struck, and the annual report will be out soon.

Other figures through the end of March were these:

—Operating revenue for the quarter was \$94,610,900, compared with \$73,623,430 for the same period of the year before.

—Net profits for the quarter were \$4,093,576, way up from the preceding year's \$1,714,992.

—Profits per share for the third quarter more than doubled over 1975, from 61 cents to \$1.46.

—For the full nine months, operating revenue was \$270.7 million, up from \$238.7 million.

—And net profits were \$11.2 million, up from \$6.2 million.

Recently, McLean bought the First Center Building here and will use it for a new headquarters.

In an announcement outlining its recovery, the company noted its freight tonnage in the third quarter rose 27% over 1975. McLean modestly observed, "Motor freight tonnage is recognized as a leading barometer of general economic conditions."

Technology Paved Way

But Eldridge firmly contends that McLean had to get technologically set before it could take off with the economy.

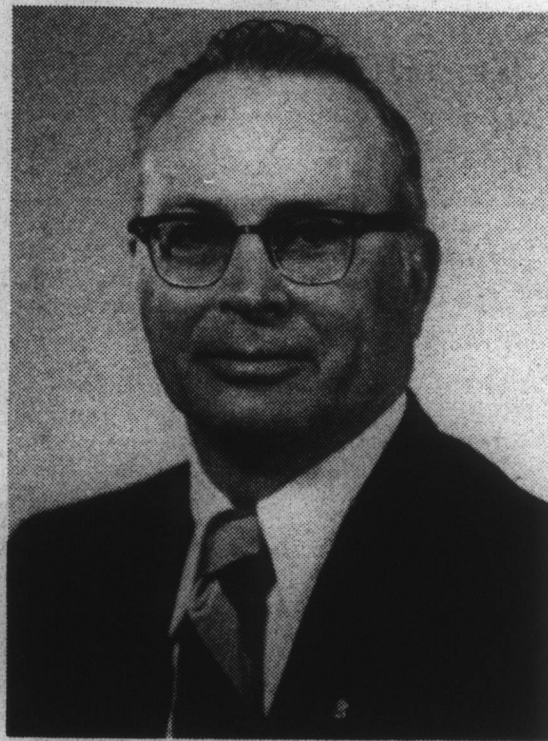
"I think it's a combination of two things," he says to explain the company's recovery.

"The economy has recovered tremendously. We saw a turnaround in May.

"Tied with that, in the last 12 months, we're beginning to get the benefits of some programs we began two-and-a-half years ago.

"Some of the changes that we made internally two-and-a-half years ago include a computer application that linked all our terminals around the country to the central computer here in Winston-Salem."

The computer system, Eldridge says, allows



JOE B. ELDRIDGE

"equipment control and a line-haul dispatch assistance program. We can track the movement of each piece of equipment.

"And each terminal manager can better forecast his manpower requirements, his need for empty trailers."

Maximizing the use of the company's rolling stock is a goal for every trucker, and the computer has made the difference at McLean, Eldridge says.

"That doesn't mean that we didn't try to do all this before," Eldridge adds. "It's just quicker, more efficient now."

But there has been a third effort along with the installation and programming of McLean's computer technology. Eldridge says there has been "a very strong marketing effort in the last two years.

"Some of the others were laying off salesmen, cutting back. But we felt at that time (in the depths of the recession) that if we ever needed them, that was the time."

The way Eldridge remembers those days, they were worst in the South.

"I don't think you could convince the people around Detroit about this, but I think the Southern area was the most depressed in the country, because of textiles primarily," he says.

Carboro Native Makes Good

Talking to Eldridge, one gets the impression he personifies much of the trucking industry. While discussing a company that did \$320.4 million worth of business last year, he remains as unpretentious as his first name.

Eldridge is one of the very few people in North Carolina who has gone on to relative fame and fortune from Carrboro. Of course, some would tell you that just about anything is famous and fortunate after Carrboro, which Chapel Hillians are convinced was put there so the railroad wouldn't run through their town.

Eldridge laughs about his town's image and adds that he joined the Navy "right out of high school." After service in World War II that was "mostly stateside," Eldridge went across the tracks to get a bachelor of science degree in commerce with a major in accounting.

After a short time with the state auditor's office in Raleigh, he joined McLean. Now 49, a rather small man with thin gray hair and horn-rimmed glasses, Eldridge has spent 24 years with the company.

The cover for McLean's 1975 annual report showed the United States, from Maine to Florida and from Kansas to Kannapolis, broken up like so many pieces of a jigsaw puzzle. There is a hole where south Georgia should be.

McLean's recent acquisition of Crescent Motor Lines of Spartanburg, S.C., which will take at least a year to clear through the ICC, was partly aimed at filling that hole.

Eldridge says, "We were primarily interested in Georgia. There's a lot of south Georgia that we don't have, and this give us all of Georgia."

Crescent, Eldridge adds, "was doing a little better than \$1 million a year. We expect to do a heck of a lot more than that. We're after the territory, obviously."

The history of McLean has revolved around a series of acquisitions since patriarch Malcolm McLean founded the company. The series was extended after McLean sold his interest in the company and went on to build a containerized shipping giant.

In 1973, 15 years after it was the first in the trucking industry to trade its stock on the New York Stock Exchange, McLean acquired its own refinery, Forth Worth Refining Co. (now Winston Refining Co.).

The cost was a little more than \$8 million. But by last June, McLean chairman Paul P. Davis and president Amory Mellen Jr. were reporting record revenues "with the increase attributable to Winston Refining Co."

Alarmed By Deregulation

Davis and Mellen, in their report, also sounded the alarm that "new attempts are being made to deregulate the transportation industry. We are concerned about them, but we do not believe that total deregulation, as chaotic as it would be, will occur."

Eldridge, too, brings up the subject in the interview, saying "The trucking industry, its a utility." Before regulation, he says, "Service was atrocious, rate wars common."

A major effect of regulation is that "you take the bad with the good," meaning, as it does for telephone companies, that small, off-line towns must be served even if such service is not profitable. That's what buys the right to serve the big, profitable cities.

"There are 15,00 trucking lines out here," Eldridge says, waving out the window and defending the big companies' view. "Granted, some of them are pretty small, but they're all performing.

"Why take a fence down until find out why it was put up in the first place?"

Advocates of deregulation contend it would eliminate, or at least substantially reduce, the 4.5%-5% of "empty miles" (trucks traveling empty) that regulated truckers must bear. Eldridge disagrees.

"There's not any way they can cut that," he says. "Certain areas are consuming areas, producing little or nothing to ship back out. You've got to leave Washington empty."

Another example, Eldridge says, are the specially built trucks which carry new automobiles.

"How in the hell are they going to carry commodities back?" he asks. "Deregulation is not going to solve those problems at all."

For now, at least, deregulation is not a pressing problem for McLean. Urgent problems seem to be lacking for the company.

Eldridge says it would not be proper to disclose the figures that will show up in McLean's annual report in the next few days. But he smiles broadly.