



CSI BELLEVILLE: Rob Haggarty, president of ITS, describes how the company executed its first ever acquisition.

Photo by James Menzies

For ITS, getting the lawyers out of the room helped pave the way for CSI Logistics acquisition

By James Menzies

BELLEVILLE, Ont. – It was 8 a.m. on Monday, Jan. 31 when Rob Haggarty and Craig Cottrell gathered to address the office staff at CSI Logistics at its headquarters in Cornwall, Ont. At the same time, Max Haggarty was summoning International Truckload Services (ITS) employees for an announcement at the company’s Belleville facilities, 256 kilometres to the west along Hwy. 401.

What was about to transpire was the culmination of months of boardroom bargaining and legal wrangling that occurs behind the scenes of any significant trucking industry acquisition.

Sometimes, the cat is already

out of the bag long before the paperwork is signed and the merger or acquisition is announced. Other times, as was the case of ITS’s acquisition of CSI Logistics, the deal is completely unforeseen.

How it started

Rob Haggarty is the president and COO of family-owned ITS, which he operates along with his father Max and sister Pam. The carrier was founded in 1987 and specializes in the trans-border delivery of commodities such as paper, aluminum, steel and automotive parts. The fleet operates 240 tractors today along with a fleet of 750 trailers, serving markets in Ontario, Quebec and into the US, with an average length of haul of

less than 1,000 miles.

The company learned a valuable lesson from the recession of the past few years: that it was too reliant on certain segments of the industry and on cross-border freight.

“Five years ago, we were 90% trans-border,” Haggarty told *Truck News* in a recent interview at the fleet’s Belleville headquarters. “In dealing with the US, it’s always challenging. You have border issues, CSA (a new US truck enforcement regime) is coming, you have the ups and downs of the currency exchange, the economy in the US and the cost of insurance. So, we decided over the last couple years that we wanted to reduce our dependence on the US

market. Not to decrease the business we're doing there, but just to increase our domestic business."

At the same time, the North American manufacturing sector was being hammered and ITS came to the realization it was too reliant on this uncertain sector of the economy.

"ITS was more industrial, historically," Haggarty said. "Those commodities we hauled (paper, aluminum, corrugated steel and automotive parts, to name a few) were hit the hardest in the recession and with the US going through difficulties and the Canadian dollar rising, that was putting challenges on exporters of all those products."

Noticing a serious decline in its revenue about two-and-a-half years ago, Haggarty said it began growing its retail business.

"That is what carried us through the recession," Haggarty said. "We see with retail, less fluctuations. You get spikes during Christmas or special holidays, but you know they're coming, you can plan for them."

As the economy started showing signs of life last year, ITS began considering acquisitions as a way to further diversify its fleet. The company was quietly shopping for possibilities when Haggarty ran into his old friend Cottrell, who owned CSI Logistics, a 62-truck fleet out of Cornwall that served many of the same markets as ITS but with a heavy focus on retail. Cottrell hired Haggarty at his first trucking job some 25 years ago and the two had stayed in touch ever since.

"We'd see each other at conventions and shows and say hello," Haggarty recalled. "In the fall, he stopped in to say hello. I asked him if he had any interest in selling and he said 'no, maybe in a few years.' He phoned me three days later and said 'we'll talk now'."

Whatever caused the sudden change of heart, the wheels for an acquisition were now in motion.

ITS and CSI Logistics were both new to the acquisitions game.

"We had never purchased a company and of course, he had never sold his company, so we were both rookies in dealing with how to move forward," Haggarty said. "But because we knew each other, there was a bit of comfort there. It gave us a trust and that trust helped us get through those unknowns."

Taking the next step

Having realized CSI Logistics would complement ITS's existing business nicely, the two principals began some preliminary number crunching. Each company brought a lawyer and an accountant to the table to establish the net worth of CSI's assets.

Other business units belonging to Cottrell, including a trailer leasing business and a maintenance shop would not be included in the deal. It was also decided that Cottrell would remain on as v.p. of sales for a period of time to maintain his accounts and ensure a smooth transition.

Talks were kept quiet to keep rumours from surfacing, which wasn't easy, especially for a family business.

"We were able to keep it very quiet," Haggarty said. "There were only two or three people here who knew."

Despite a long-running friendship and a mutual respect, Haggarty admitted there were times during the negotiations when tensions arose and the deal began to look like it may not get done.

"There were a couple moments that were a little tense," he admitted. "I think it got more so between the lawyers."

With that in mind, Haggarty and Cottrell decided to ditch the lawyers and try to get a deal done without them. On a quiet Sunday, Cottrell and his wife Linda met with Haggarty and his father Max at ITS headquarters. A deal was signed that afternoon, sans lawyers.

"At the end of the day, we decided to keep the lawyers out of it," Haggarty said. "We knew best. Lawyers are lawyers, they're going to go back and forth."

With a deal in place, the next significant challenge was to inform the staffs of both companies about the deal.

Announcing the deal

Rob Haggarty and Cottrell decided they would make the announcement to CSI Logistics staff together on Monday, Jan. 31 while ITS patriarch Max Haggarty would inform its staff at precisely the same time.

Haggarty and Cottrell drove to Cornwall on Jan. 30 and spent the night. The next morning, they made the potentially unsettling announcement to CSI Logistics staff.

"There is a shock value for them for sure," Haggarty said. However, he was able to put their minds at ease when he expressed a commitment to continuing operations in Cornwall.

"We were looking for a base down there," Haggarty said of the Cornwall region. "We do a lot of work in Eastern Ontario so we were able to say to those people: 'Don't worry, we're not going to cut you and take your business.' We're going to take all the staff at their current salaries, keep them and honour the vacation arrangements they had with CSI."

That was key to the deal, Haggarty said.

"Craig has a great deal of compassion for his employees. He wanted them protected and he knew that ITS would give that protection," said Haggarty.

ITS has renewed the leases on CSI Logistics' facilities and is already shopping for more land in the Cornwall area. That commitment to the region helped stem any panic at CSI Logistics, but there was still another group of people who needed to be brought up to speed: its customers.

Calling customers

With the deal announced to the staffs of both CSI Logistics and ITS, Haggarty and Cottrell hopped into Haggarty's car and headed west along Hwy. 401. They stopped at ITS headquarters for a quick coffee and to meet with employees there.

Then, it was back on the road, with Haggarty behind the wheel and Cottrell furiously working the Blackberry, calling and e-mailing customers and arranging meetings in the Toronto area.

Customer meetings began in Toronto right after lunch, face to face whenever possible.

"We wanted Craig to be the guy to tell them because they were his accounts," Haggarty said. The biggest challenge was to assure customers that it would be business as usual from their perspective.

"The key with the transition is to do nothing," said Haggarty. "We're not changing a thing. We'll learn over the spring and summer if there are some things we should tweak, like empty miles. But initially for the first three to six months, we want to leave it as is."

Cottrell agreed to say on for three years, which also provided peace of mind for customers. After a long day of meeting with customers and suppliers, Haggarty spent the night at Cottrell's Caledon home and had dinner with his family. The next morning, they were back at it, meeting with customers and explaining the deal.

"We spent two days on the road together, just trying to get the word out properly," Haggarty recalled.

Amalgamating systems

With everyone informed of the acquisition, the next big challenge was to begin implementing some of the necessary changes on the back end. While Haggarty insisted operationally, nothing will change, there are legal obligations



SEAMLESS: ITS COO Rob Haggarty says the transition will be seamless for customers as CSI Logistics is brought into the fold. *Photo by James Menzies*

involving an asset sale, such as putting ITS decals on CSI trucks and bringing those units under ITS's insurance coverage. The fleet has to safety-check its new equipment and begin harmonizing its billing processes. Most of the operations had to be streamlined by the March 1 closing date.

It's a cumbersome process, Haggarty admitted, requiring multiple conference calls per day and countless lists. Haggarty was quick to credit the ITS team for sharing the company's vision and helping make the transition as painless as possible.

As ITS brings CSI Logistics into the fold, Haggarty said the company is wasting no time in upgrading the CSI fleet. Each CSI Logistics tractor, for example, will have PeopleNet systems installed in the cabs and the company will get new computer systems and be migrated to the ITS operating system.

Having taken on a carrier a third of its own size, Haggarty said ITS is well aware of the risks of growing too quickly. However, he said he's confident the company can better maintain service levels through rapid growth via

acquisitions than by simply adding capacity as it did in the early 2000s.

"We do have to be careful of excessive growth," he acknowledged. "CSI is a third of our size, but all their staff is coming. We went through some periods in the early 2000s where we were growing 20% a year and it was really hard. We kept up and we got through it, but it was crazy and we don't want to have to do it again."

That being said, Haggarty said further acquisitions are likely in the company's future, "once we get this one digested."

"This is a pretty big acquisition, so we'll have to digest it," he said. "But I was kidding with my staff; I told them 'Think of it this way, you'll be totally educated for the next time we do this.' They didn't laugh." □

*Reprinted from
Truck News
April 2011
with permission*