

ECONOMIC DILEMMA-“THINKING OUTSIDE THE BOX”

2008 FINANCIAL OUTLOOK

For years, Stock Investors have been lead to expect average annual returns of 8%-10%. Similarly, many people have assumed that their homes would appreciate by roughly 10% a year. Both assumptions, though, rest on 2 decades of outsized returns that were inflated by low interest rates that fueled “bubbles” in the values of stocks and real estate. Now, many financial analysts are predicting a prolonged period of below average returns on both stocks and home equities.

If you are a “baby boomer”, what does that mean? It means that Americans need to face a very sobering fact: they are not likely to have as much money for retirement as they had projected. In fact, some economists believe the economy is headed for a period that will more closely resemble the Bearish 1970’s than the vibrant 1980’s and ‘90’s. For some of you that don’t remember, the ‘70’s were quite bleak. In 1973, in the Bear market, the Dow fell 45.1% over 482 trading days. From 1966 through 1982, not counting dividends, the Dow’s performance was essentially flat. The economic slow down is causing Americans to rethink their retirement plans. More than 25% of workers, ages 45 to 64 state that they have postponed plans to retire because of the “sputtering” economy.

What does this mean to the trucking industry? It means that this current economic cycle is going to be with us for some time. In fact, recently President Bush was snubbed by the Saudis for oil help. This is the second time in 5 months that the Saudis rebuffed President Bush’s request for significantly stepped up oil production to ease rising oil prices. The Saudis indicate that they have made it quite clear that they see no great world demand for increased production and they are not about to give in to the United States, even though we are their largest consumer. The reason is that the Saudis, who produce 1/10 of the world’s oil, have no incentive to assist the United States. The reality is the market isn’t being driven by us. It’s being driven by China, India and the rising Asian demand, which guarantees a market into the long term and since oil is the mainstay of the Saudi economy, the Saudis are going to continue to achieve the highest rate of return that they can, regardless of who we are. It’s a sad fact for the United States. In Saudi Arabia cities such as Riyadh, a gallon of gas costs approximately 46¢, yet the average price of US gasoline is \$4.30.

Although these statistics are sobering, it does illustrate the reality of our situation and if you want to stay in business; it’s going to force you;

- To focus on your operating cost:
- To review your cash flow requirements.
- To reduce costs wherever possible and;
- To be creative and think “out of the box”, which is what this country has been built on for hundreds and thousands of years.

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2008 FINANCIAL OUTLOOK CONTINUED.....

For a trucking company:

- You need to utilize every alternative cost saving measure;
- You need to focus on reducing operating expenses, and;
- Reducing cash flow requirements.

From an insurance standpoint, if you are required to provide a 25%-30% insurance deposit on your insurance, find a way to change that process. If you have a worker’s compensation carrier that requires you to place a large insurance deposit in order to “bind” the insurance coverage, immediately enter into a leasing program with a PEO that provides worker’s compensation coverage and is a W-2 employer. If you can’t track the cost of purchased transportation and you can’t track your average fuel surcharge per customer, per lane, per day and you can’t track your average revenue per mile, per customer, per lane, per day, find a software program that will allow you to track these costs so that you can start planning your loads. **Forget about significant rate increases because it’s not going to happen with shippers. Not now!**

If you are experiencing:

- “Cash flow” problems;
- Load planning problems;
- Empty mile problems;

Then enter into an agency program with a larger carrier that will provide automobile and cargo liability and become the “bank” by advancing you on your receivables and allow you to haul under their authority, while reducing your overall operating expenses.

All of these programs are available through Ahern & Associates, Ltd., and these are the types of programs that many trucking companies need to utilize in such difficult financial times.

For additional information you may contact:

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“Quote of the Week”

The man who is too old to learn was probably always too old to learn.