

**Happy Holidays**

**Happy Holidays & Happy New Year!**



## Holiday Greetings

**As the holiday season approaches, we would like to personally thank all of our past and present clients for their continued support. Without clients such as you, Ahern would not exist. Your business is greatly appreciated. Thank you!**

American Global Transportation & Logistics  
Ace Doran Hauling & Rigging, Inc.  
Alabama Motor Express, Inc.  
American Transport, Inc.  
Anderson Trucking Services, Inc.  
APT Transportation  
Ardwin Freight Inc.  
Baldwin Distribution Services, Inc.  
Barber Trucking Co.  
Beamon & Lassiter, Inc.  
Bennett Motor Express  
Benesch, Friedlander & Coplan  
BFL Inc.  
Boyd Brothers Transportation, Inc.  
Builders Transportation, Inc.  
Carnes Transportation  
Celadon Group, Inc.  
Charter House Group  
Christenson Transportation  
Circle W. Trucking  
Com Trak, Inc.  
Commodity Express, Inc.  
Core Trans  
Cox Transfer, Inc.  
CPX Trucking, Inc.  
CRST International, Inc.  
D & D Transportation  
Dallas/ Miller Management, Inc.  
Dallas/Mavis Specialized Carriers  
Dedicated Logistics, Inc.  
Dependable Highway Express, Inc.  
Digby Truck Line, Inc. of Tennessee  
Dollar Trucking, Inc.  
DuPre Transport, Inc.  
East Coast Transportation  
Estenson Logistics, Inc.  
Everhart Transportation, Inc.  
Fenway Partners  
First Choice Transport  
Foodliner, Inc.  
Freight Management, Inc.  
Freightway Express, Inc.  
Gardner Transportation Group  
Gemini Traffic Sales  
Gilbert Express, Inc.  
Glen National Carriers  
Gregory Logistics  
Griffin Transport, Inc.  
H.A. Transportation  
Haney Truck Lines  
Hardy Brothers, Inc.  
High Country Transportation  
Hogan Transport, Inc.  
Intermodal Cartage Company  
J & R Schugel Trucking, Inc.  
J.P. Donmoyer, Inc.  
Jefferson Randolph Corp.

Koch Transportation, Inc.  
Lakeland Motor Freight, Inc.  
Land Air Express, Inc.  
Lawrence Leasing Co., Inc.  
Market Transport, Ltd  
Maverick Transportation, Inc.  
McCain Foods, Ltd  
McNeill Trucking Company, Inc.  
Mesilla Valley Transportation  
Midcoast Investments, Inc.  
Nationwide Express, Inc.  
Network FOB  
NYK Logistics, Inc.  
Ohio Pacific Express, Inc.  
Old Dominion Freight Lines, Inc.  
Overnight Express, Inc.  
P.A.M. Transportation Services, Inc.  
Panther II  
Paschall Truck Lines, Inc.  
Pegasus Transportation  
Peoplease, Inc.  
PGT Trucking, Inc.  
Power Source Transportation, Inc.  
Pullen Brothers, Inc.  
R & L Carriers, Inc.  
R.F.K. Transportation, Inc.  
Rediehs Transportation  
Roy Moffitt Heavy Haul  
RT Systems, Inc.  
Sammons Trucking, Inc.  
Sargent Trucking Co.  
Smithway Motor Xpress, Inc.  
Sodrel Truck Lines, Inc.  
Southeastern Logistics, Inc.  
Southwest Freightlines, Inc.  
Suhler Trucking Co.  
Swift Transportation Co.  
Tandem Transport Corp.  
Teton Transportation, Inc.  
Thayer Capital Partners  
The Bama Companies, Inc.  
The Custom Companies  
Timberline Express, Inc.  
Titan Transfer, Inc.  
TMC Transportation  
Total Logistic Control, LLC  
Transport Industries, L.P.  
Tru Line Corp.  
Turner Trucking Co.  
U.S. Xpress, Inc.  
Universal Truckload Services, Inc.  
US1 Industries  
USA Truck, Inc.  
VHL Logistics, Inc.  
Vitran Corporation, Inc.  
Wooster Motor Lines, Inc.

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# THE AHERN ADVISORY

in this issue

Ahern & Associates, Ltd.

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## Review of the Year 2008

Last year in my Christmas Edition, my Editorial stated “what’s happened to our country?” I stated that;

- Between 1996 and 2006, the US dollar lost half of its value when compared to gold.
- I provided statistics that indicated that the US trade deficit for 2006 was approximately \$423 billion and I indicated that we consume \$423 billion more than we produce.

In simplistic terms, this means that if a family earns \$5,000 a month, they are spending \$6,000. In my article I cautioned that;

- Our country was losing control.
- Politicians were governing our fate.
- They were creating debt to solve immediate problems, but;
- In actuality, they were creating havoc to our financial systems.

I further addressed the challenges of: Medicare/Medicade.

Medicade, and I addressed the devaluation of the dollar. When President Nixon changed our dollar from an asset to a liability, that change created very big problems that I stated we were going to pay for in the future. When that change took place, the change in currency in 1971, that meant that savers became losers. We have a currency, an IOU from a government. I stated that, in this country, there were 6 financial aspects that we want to control and those were:

1. Income.
2. Expense.
3. Assets.
4. Liabilities.
5. Management, and;
6. Insurance.

I further indicated that if we don’t control these factors, we’re in for a very serious economic collapse. I discussed the automotive industries, specifically General Motors and I stated that you don’t have to be a rocket scientist to look at their numbers to understand that they were headed for financial collapse.

I don’t believe anybody could have predicted what happened this year, but the signs were there we just chose to ignore them. In one year;

- Wall Street collapsed!

- Banks collapsed!
- The government incurred the single largest debt in history.
- The stock market crashed! and:
- The mortgage industry collapsed, and:
- The auto industry collapsed and if they're not bailed out, will create one of the largest financial hardships we have experienced since the Great Depression.

**Bear Stearns, Indy Mac, Fannie Mae, Freddie Mac, Lehman Brothers, Goldman Sachs, Morgan Stanley, and the list goes on and on.** We could spend several months discussing the chaotic conditions of the world market. **That coupled with the fuel crisis has had a dramatic affect to the world economy.**

**Every single financial aspect of our economy has been affected:**

- Over 2,650 trucking companies went out of business the first 3 quarters of 2008.
- **Millions of people lost their homes due to the collapse of the mortgage industry.**
- Foreclosures reached an all time high and reduced the average property value, in many instances, to a negative net worth for many home owners.

**All of this was created by greed;**

**Greed has sent our world economy into a tail spin, in which I believe, will take many years to correct.**

Last year I indicated that;

- The government had \$72 trillion in off balance sheet obligations prior to 2008, and;
- That's more money than all the money in the bond and stock markets in the world.

**As of the year 2000, the value of all stocks in the world was approximately \$36 trillion and the value of all bonds in the bond markets of the world was about \$31 trillion.** In essence, I stated last year, that the government owed the people more than all the money in the stock and bond markets combined. **Now that the US dollar has collapsed;**

- The world economy has collapsed.
- People's savings have collapsed.
- The stock market has collapsed.
- Wall Street has collapsed.
- The auto industry has collapsed.
- **Our debt only becomes greater – in other words, we're creating more money, we've created another IOU that we can't possibly pay back** and some analysts believe "we're near the end". The end of what?

**The interesting thing about statistics is they don't lie. Our economy is in trouble.** Our debt is higher than it's ever been, and to make matters worse, in the next several years, **the first of 75 million baby boomers will begin to retire and many of them will have inadequate funds in which to retire.**

**Even countries such as India, which were growing economies, have suffered the financial consequences as well:**

- Recently, China had to inject approximately \$580 billion into their economy to keep it afloat, and;
- The indications are that amount could go over \$1 trillion.
- Japan, and India, are facing the same economic dilemmas and the bottom line is the world is beginning to collapse – what does this mean?

**For the trucking industry, it means that the supply will not equal the demand for some time.** As the economy and the unemployment rises, spending decreases. Less products are manufactured, which means there's less products to ship. Fuel will continue to spike. It is at a relatively all time low, **but rest assured, Opec will change that and we will be faced with another dilemma.**

**Is it possible that we can see \$200 - \$300 a barrel crude oil in the next 5 years? I personally believe it is possible.** Is there light at the end of the tunnel? In a way, there is, because the federal government has stepped up to the plate and has demonstrated that they're going to do everything necessary to not let the economy collapse. **If you follow history, had they done that during the Great Depression, the Great Depression may not have occurred.**

**Why is all of this history important? Because it provides some indication of what could possibly happen in the future.** Since the government decided to bail out the world, and not since the 1930's, has so much money been created so quickly;

- Banks will have unprecedented amounts of money to lend - if they lend.
- If they start lending, they should be able to lend money at much lower interest rates, and;
- If the Fed Funds continue to drop banks will have access to virtually free money.

**For trucking, what does this mean? Well, it depends upon how our economy does in the next 12 – 18 months;**

- The first possibility is all of the new money will never find its way into the economy because the banks will be concerned that we're headed into a Great Depression. However, I think that's unlikely since the federal government has created loans to these banks.
- The other theory is we can expect a turn around within the next 12 – 18 months, and if that happens, it will create inflation and inflation can help win the battle and the economy could start seeing some resiliency. If we enter into an inflationary period, it's going to be as dramatic as the events of this year.

**What I believe history tells us is that you can't panic.** In the trucking industry;

- You need to stay focused.
- You need to think "out of the box".
- You need to plan your expenses to your profits.
- You have to be able to define your cost of purchased transportation, and;

- You have to be patient.

**Additionally, you have to be prepared for the unexpected. Do not be surprised if:**

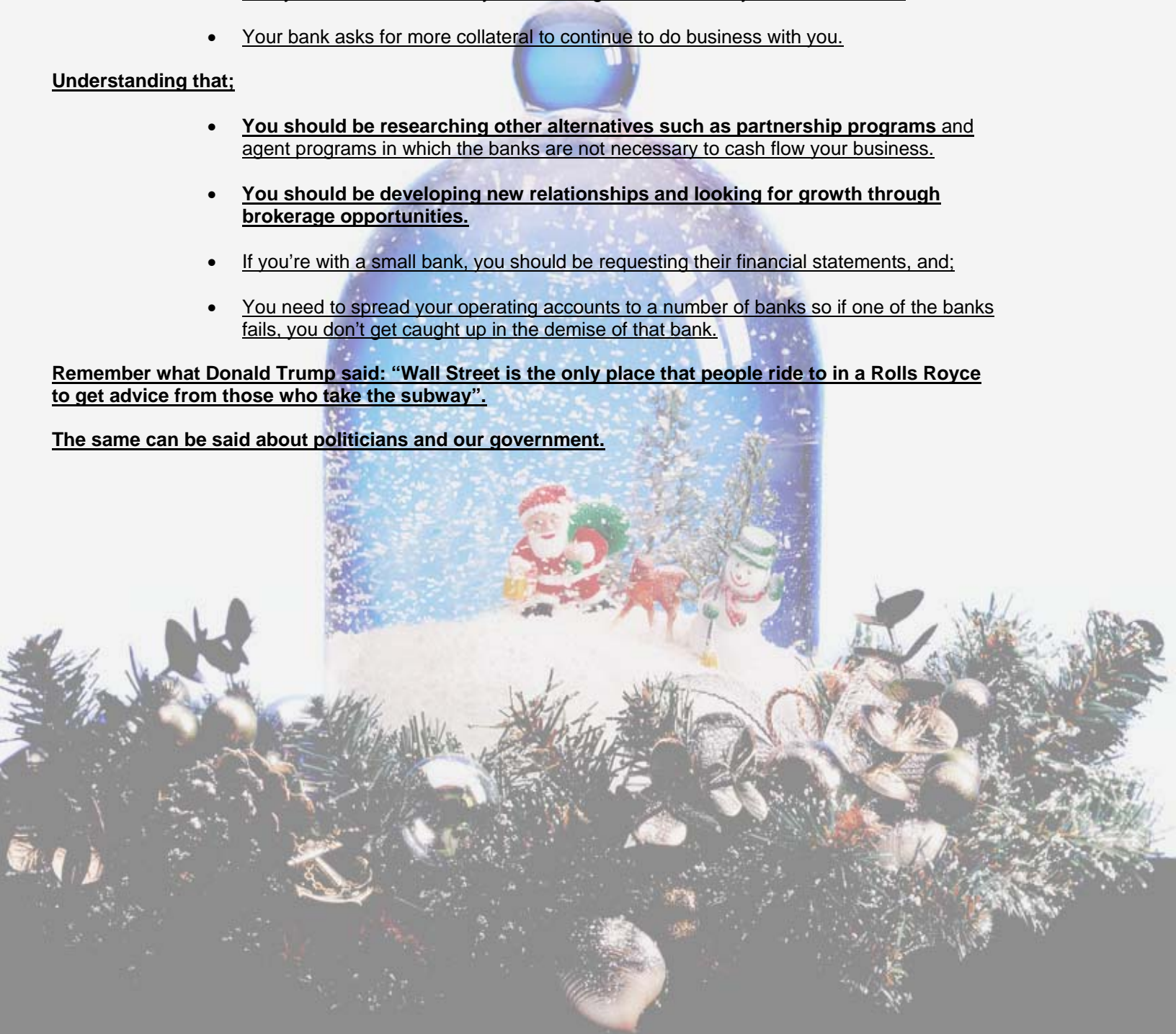
- If your bank reduces your credit line.
- Or if your bank decides that you're no longer a credit worthy customer, and/or;
- Your bank asks for more collateral to continue to do business with you.

**Understanding that:**

- **You should be researching other alternatives such as partnership programs and agent programs in which the banks are not necessary to cash flow your business.**
- **You should be developing new relationships and looking for growth through brokerage opportunities.**
- If you're with a small bank, you should be requesting their financial statements, and;
- You need to spread your operating accounts to a number of banks so if one of the banks fails, you don't get caught up in the demise of that bank.

**Remember what Donald Trump said: "Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway".**

**The same can be said about politicians and our government.**



It's official - US Recession

The National Bureau of Economic Research (NBER) declared that the US Economy has been in a recession since December of 2007. How come the government didn't bother to advise the American people of this problem? At 12 months and counting, the current recession is already longer than the 1991 and 2001 recessions; both of which lasted for 18 months.

The recent economic news underscores the severity of the current recession. Specifically, the US Department of Labor reported that;

- Non-farm businesses/Payrolls dropped by an alarming \$533,000 in November.
- This is the largest sequential reduction since December of 1994.
- US Employers have cut jobs in each month this year for a total of 1.94MM, and;
- The unemployment rate climbed 6.7% in November; it's highest of more than 15 years.

For hirer, trucking employment fell for the 7<sup>th</sup> time in 8 months as motor carriers shed 11,700 jobs in November. Year to date, trucking employment has decreased 53,800.

The Institute for Supply Management announced that it's purchasing manager index decreased for the 5<sup>th</sup> consecutive month in November, falling an additional 2.7 percentage points. Consequently, the PMI currently stands at a 26 year low of 32.6%. A PMI reading below 50% is a sign that the manufacturing economy is contracting.

In a separate manufacturing report, the US Department of Commerce said that new orders for manufactured goods plunged 5.2% in October, which is the largest month to month reduction in over 8 years. Compared with a year earlier, total factory orders were down 5.3%, marking the first year over year drop since September of 2007. That coupled with a soft demand for freight in October and November; indicate an overall decline in shipping volume and revenue's.

(Excerpts taken from the ATA economics group)

**Quote of the week**

**"People are known as much by the quality of their failures as by the quality of their successes"**