

# Special Edition

## 2009 Outlook

It's been said that we're settling in for a nuclear winter in the first half of 2009:

- Some industry analysts are predicting that 2009 may be the worst year for freight transportation volume in 3 decades or more.
- As a result, companies and industries ranging from trucking to railroads, to ocean shipping are scaling back significantly.

Ocean freighters are docking vessels and putting off delivery of new ships. Rail-car production is expected to plummet as railroad box cars in storage, rather than buy new ones.

US trucking companies are projected to buy just 101,000 tractor trailers next year, down an estimated 22% from 2008 and 64% from 2 years ago. The US business is so bad that Fed-Ex Corp. and United Parcel Service, Inc. cancelled their annual predictions of how many packages they would handle in the peak shipping days before Christmas.

UPS reported a 9.9% decline in third quarter profit and Fed-Ex substantially cut its earnings outlook for the physical year ending May 31<sup>st</sup>.

Trucking company, Conway, announced an 8% work force reduction in its freight division eliminating approximately 1,450 positions, and across the United States, the trucking industry volume fell 6.3% from July – October.

### Staggering Statistics:

The real question, however, is; are we headed towards another Great Depression? As you know, when the stock market crashed in 1929, the biggest challenge was a weak economy. The real question is whether the Great Depression could have been avoided and whether we can avoid one this time around.

I always believe that history and statistics substantiate facts. The difference between 1930 and today is the major fiscal and monetary policy differences between 1929 – 1930 and today.

Although President Hoover, at the time, initiated a proposed work and stimulus program, which were later carried out by President Roosevelt, the stimulus package being planned today makes the programs in the past seem miniscule. Adjusting for inflation, the cost of those programs amounted only about \$20 billion. Even if we take into account the difference in population, the amount was still a pittance compared to today's package and far too little to combat the slowing economy at the time.

Many analysts believe that the Great Depression could have been avoided if greater stimulus and looser monetary policies had been applied. It's interesting to note that the Great Depression finally ended when America entered into World War II. In preparation for that event, the Feds ramped up the monetary base considerably.

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# THE AHERN ADVISORY

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**Spending related to the War effort also created a sizeable economic stimulus.** The aftermath, once the war ended, was prosperity.

**Naturally, inflation rose considerably during the war. Inflation is a natural result of economic stimulation. However, in time, the government axed its involvement in people's lives** and the country returned to more of a free enterprise system.

**Sound familiar? You can easily imagine our future unfolding in a similar way. Whether you like government intervention or not; government stimulation is necessary (now) to avoid a Depression.** As Americans, we must do whatever it takes to avoid the necessity of doing even more, later on to get the economy moving. **While I personally dislike government involvement in my life,** the only way I can see our children living in a free society in the future is if we:

1. Work out of our current economic mess, and;
2. Use our renewing resources to build an alternative energy infrastructure.

**Both of these will take extensive government involvement.** However, once they are complete, we should be able to enjoy economic prosperity and freedom similar or greater than that of the 1950's.

**In closing, we end one of the most financially challenging years for trucking and one of the most catastrophic years for the economy.** At the same time, I believe we have something to look forward to in the future. **If the stock market bottoms out and the tremendous market slide is over, the next 6 – 12 months could be surprisingly good for stocks.** If that happens, it means the economy is starting to rebound. Longer term, however, we are still far from out of danger. **Most likely we will see high inflation and continued turmoil.** At the same time, we should see some improvement. **Will we ever see the days of 2006 and 2007? – I doubt it.** I personally believe that things will continue to be rough for the next 3 – 5 years.

**It is important to remember that money is like a tree; it is a renewable resource. It grows back! You really can't lose it. Time is more important and valuable than money because you can certainly bring money back. All you need is time, imagination, energy and effort.**

#### **Quote of the Week:**

"Failure is only post-pone success as long as courage coaches ambition. The habit of persistence is the habit of victory."