

Special Edition

Trucking 2009

I have received emails and telephone calls from customers asking me for my “crystal ball” for the 2009 economy.

I am not a fortune teller. I can't predict the future, but I can provide you with facts.

These are the facts;

- The Federal Budget deficit will reach \$1.2 trillion this year, by far the largest ever, and this excludes the new stimulus spending.
- Social security and Medicare are “key targets” and the Administrative plans to tackle the record \$1.2 trillion gap.
- The current unemployment rate, which is approximately 7%, is projected to be 9% by early 2010.
- The Congressional budget office predicts that the recession that began in December of 2007 will extend well into this year.
- Plummeting home prices, which touched off the panic in financial markets last year, are likely to fall an additional 14% by 2010.
- Foreclosure rates are likely to remain high.

Due to the above, federal tax collections are expected to drop by \$166 billion;

- The Obama stimulus package is predicted to be around \$775 billion over the next 2 years.
- Manufacturers are cutting back and closing plants on a national basis.
- The auto industry is continuing to reduce operational costs wherever necessary, and;
- Banks who went through the “ringer” in 2008 are going to try to rebuild their “bottom line” – that means:
 1. Loans are going to be harder to get.
 2. Fees will continue to rise, and;
 3. Many banks may not even exist by the end of 2009.

If you review the bank “fall out” from 2008, 25 banks failed in 2008, up from 3 in 2007 and those statistics would have been much higher without the government's decision to provide financial support to the financial sector.

Bank of America recently raised additional money to cope with the U.S. economic turmoil by selling part of it's stake in China Construction Bank Limited, China's 2nd largest commercial lender, for \$2.8 billion.

That coupled with manufacturers throughout the U.S. and the world cutting back on production and large businesses downsizing and closing at record levels, tells the trucking industry what's ahead for the year 2009;

MERGERS • ACQUISITIONS • DIVESTITURES • OPERATIONAL REVIEWS • MANAGEMENT CONSULTING

THE AHERN ADVISORY

in this issue

Trucking 2009



Ahern & Associates, Ltd.

Accredited Member
National Bureau of Certified
Consultants Inc.

January 9, 2009

- Trucks need to move product.
- **There is not enough freight volume for the amount of truck capacity.**
- Large trucking companies, as well as medium and small trucking companies, have numerous trucks sitting up “against the fence” because there’s no freight, and;
- **The statistics indicate what the financial impact will be to our industry; but it doesn’t provide a plan for trucking to survive.**

I find it interesting that many so called “transportation experts” all believe that they “have a handle on the market”.
The reality of the situation is that there isn’t enough freight and therefore, desperate times call for desperate measures;

- **Does that mean that you should close your doors? – Of course not!**
- **Does that mean that you don’t have any alternatives? – Of course not!**

What this does mean; there is opportunity if you learn how to “think outside of the box” and look for strength in numbers.

Recently, Flying J filed for Chapter 11 reorganization. Flying J has been around for a long time and they’ve been a reputable company. Here is a major fuel vendor that’s **going through difficult times because they could not offset their cost quick enough to generate the “cash flow” necessary to service their debt.** Whether you have one truck or 10,000 trucks, we all have the same problem and that’s cash flow.

There are numerous ways that you can survive in a very difficult economy, and even grow, if you’re provided;

- The proper tools.
- The knowledge, and;
- The introductions to take your existing challenges and reduce your overhead.

Ahern & Associates has established a business hotline that you may call from 7:00am Pacific Time – 4:00pm Pacific time, Monday through Friday;

- You may discuss any issues that you have.
- You may discuss any challenges that you have.
- You may ask for recommendations and it’s free of charge to our readers.

So, if you’re challenged or you are suffering “cash flow” issues, family business issues, banking issues, lack of freight, back haul issues, driver compensation issues, you now have a source to go to in which there’s no charge.

In my next several issues, I will discuss specific programs that can be utilized to strengthen a company’s position in a difficult market.

QUOTE OF THE WEEK:

“In adversity, you must always look forward and if you look forward and move in a positive direction, you will make it through life’s difficult challenges.”