Special Edition

How to Survive in a Difficult Economy

During the last several weeks I've discussed the economic conditions and how it applies to the trucking industry. We all know that;

- The economy is challenged.
- Unemployment is on the rise.
- Our government deficit will exceed $1.2 trillion, and;
- There is a tremendous lack of freight volume particularly over the last several months.

This has put a tremendous strain on the transportation industry because manufacturers have cut back and without products to ship and the housing industry in turmoil, we lose multiple movements.

Over the next several weeks, I will focus on various programs that can assist a company's cash flow position and reduce it's operating cost. We call this "thinking outside of the box". Recently, Ahern developed several "partnership" programs with large service companies and trucking companies that can have an economic impact to the bottom line profitability of a trucking company.

Today, cash flow is king;

- You can have an excellent management team and staff.
- Your trucks can be filled.
- **You can be covering all your loads, and one or two customers go "belly up" and it changes the whole financial condition** of your company.

Additionally, shippers are taking longer to pay. Unless you have an excellent bank line of credit or you're factoring your receivables, there is a tremendous cash flow disadvantage that you operate under because you are forced to operate using your own money for as much as 45 – 60 days before you get paid.

Partnership Programs:

- Eliminate a substantial amount of administrative expense.
- Increase a carrier's cash flow.
- Provide working capital.
- **Advance money the day that you dispatch a truck.**
- The balance of the load is paid within a 7 day period, even though the shipper hasn't paid, and;

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- Approve the credit worthiness of a shipper, depending upon the program; they will absorb 50% - 100% of the loss – in today's economy, that's huge.

For smaller carriers that are fighting fuel and insurance cost;

- **A partnership program will provide insurance** for auto liability, cargo and (sometimes) workers compensation.
- Fuel cards.
- Direction of DOT.
- Billing.
- Collecting, and;
- **Some partners will purchase trailers or finance new trailers** and the benefit's go on and on.

For larger trucking purchase companies (that are $20MM and over), we have several "special" programs that will provide additional services at a fraction of normal partnership program cost. In this marketplace, knowledge is power. The more knowledge you have, the better opportunity you have to survive.

There are all types of programs available today with all types of different "twists". However, based upon your particular challenge or your particular needs, there is always a way to solve a problem if you're willing to be creative.

In closing, for companies that are fighting equipment issues, IRS issues and other types of problems, there are solutions to those problems. It's very important to recognize that from a lenders standpoint, if you have an equipment loan with a lender, all they want to do is get paid;

- If you can provide an alternative plan that will eventually get them paid, and;
- **You present in the "right format" – 9 out of 10 times, that lender will work with you.**
- **The lender does not want the equipment back!**

In most cases, equipment is "under water", due to the conditions of the market; there's a surplus of tractors and trailers in the marketplace. Today, you're lucky if you can receive orderly liquidation for equipment and lenders have taken such big "hits" on equipment that they don't want the equipment back unless there is no other alternative.

In reference to IRS 940 and 941 violations, they do have to be addressed – don't run away from these problems! There are ways to work with IRS so that you get into compliance and pay your debt over time. **In many cases, an accounting firm or a law firm cannot provide you the proper guidance.** This does not mean they're not qualified, but there are specific companies that do nothing but negotiate 940 and 941 IRS issues that are specifically trained for these needs.

In our next news article, I will discuss alternative programs that can benefit a trucking industry.

Quote of the Week:

"There may be obstacles, but keep going because the struggle is continuous."