

Several weeks ago, I wrote an article entitled “Take Advantage While You Can” and the response was overwhelming. I received many positive comments from various readers and the comments were:

- Many believe that the trucking industry is going to do well for the next 12 – 24 months, some don’t, and;
- Others believe that the economy is turning the corner, others don’t!

It’s important to recognize that, when I write an editorial, it’s my opinion, based upon economic conditions as I view them;

- I am an optimist, but;
- I’m also a realist.

The entire purpose of my newsletter is to provide transportation companies with ways to increase profitability and reduce operating expenses. However, it’s hard to please everyone when you talk about the economy. For example;

- The weak economy and fresh tax cuts approved last month will help drive the Federal budget deficit to nearly \$1.5 trillion this year.
- This is the largest budget gap in history, and;
- One of the largest as a share of the economy since World War 2.
- This year’s deficit will be the highest on record and will equal about 9.8% of the economy; slightly smaller than the 2009 budget gap, which at \$1.4 trillion, amounted to nearly 10% of Gross Domestic Product.

Analysts have predicted that the American Economy is on track to have a budget deficit well above \$1 trillion in 2012, which will be the fourth year in a row. I’m not trying to be a pessimist, but you can’t ignore statistics that are relative to managing a business.

Statistics indicate that there is going to be a day of reckoning; if you plan your business properly and you control your expenses, you’re going to survive and thrive.

There is another staggering statistic that you can’t ignore and that’s the Social Security Fund. Recently, Washington announced that Social Security will run a deficit this year and will keep on running in the red until its trust funds are drained by 2037.

This year alone, Social Security will pay out \$45 billion more in retirement, disability and survivor benefits than it collected in payroll taxes. For much of the past 30 years, the Social Security program has run big surpluses, until the government decided that they could borrow SS funds to spend on other programs. If you or I did that, we would be facing serious consequences. The point I’m trying to make is that; when operating a business, particularly a trucking business, which is a “cyclical business” and “a pennies business”, you need to try to anticipate what’s going to happen to the economy, because it directly affects your business.

THE AHERN ADVISORY

in this issue

Controversy



Ahern & Associates, Ltd.

Accredited Member
National Bureau of Certified
Consultants Inc.

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Recently, I received an email from Douglas B. McAdams, who is the President and Chief Executive Officer of Transport Investments and American Transport, Inc. I've known Doug for approximately 20 years and I've done business with his firm in the past;

- Doug is a good friend.
- He operates an extremely profitable trucking and logistics business, and;
- He wrote me a letter that I believe sums up many readers concerns.

Normally, I don't print the entire content of a letter, but Doug's comments are compelling. I was impressed by Doug's frankness, and his realistic view point of where the economy is at; not where we perceive it to be.

Doug's comments don't necessarily reflect the entire opinion of Ahern & Associates, Ltd, but his comments reflect what many readers have said over the last several months. With Douglas B. McAdams permission, enclosed is an email that I received from him on Monday January 24, 2011.

From: Douglas B McAdams [mailto:dbmcadams@transportinvestments.com]
Sent: Monday, January 24, 2011 8:51 AM
To: 'Ahern & Associates'
Subject: RE: Take Advantage While You Can!

Hi Andy. Hope all is well. I always enjoy your new letters but thought I would respond with a few comments on the most recent one. I believe businesses will hope for the best and plan for the worst. With the 2 year extension in the Bush tax cuts that means short term decisions will be based on the current law and in times of uncertainty caution prevails, and businesses will make long-term strategic decisions with a presumption of higher taxes in the future.

I am probably a lone voice, but I don't object to higher taxes. Those with more disposable income have the means and, I believe, a moral obligation to shoulder a larger share of the tax burden to preserve, protect and defend this country. After all, we have the most to lose in the event of revolution from within or invasion from without and we quite logically should bear a larger portion of the costs to defend our economic and political system. My objection is never to paying higher taxes, but how our government spends the money.

It is amazing that the Deficit Reduction Commission had not officially released their report before both parties took actions counter to the Commission's recommendations. Incidentally, this was a balanced commission consisting on some of the finest minds from both side of the debate, from academia and business. The Commission recommended and recognized that sacrifices will need to be made on all sides if we are to ever make progress in deficit reduction, and that the window for action is quickly closing. Those that can, would pay more taxes. Those who have historically been the beneficiaries of government largess would receive less. Sounds pretty fare to me. Sacrifices on both sides. Instead, what happened in Washington? Depending on your frame of reference, taxes remained status quo or they didn't increase. Either way there was no increase in government income. And to boot, they then proceeded to tack on new spending including an extension of unemployment benefits. The combined actions further exacerbated an increasingly dire future for our country. All this, while they all screamed about the evils of increasing government deficits! What hypocrites!!! The report of the Deficit Reduction Commission was DOA and will gather dust in the Library of Congress because no one has the guts, in government or out, to make the tough decisions and tough sacrifices.

But no problem, we will just keep postponing the difficult decisions until the resolution of them becomes impossible. Meanwhile, we all need to go home and apologize to our children and beg their forgiveness. We need to confess that we have spent our inheritance and theirs and that we are, shamefully, the first generation in United States history to leave our country in worse shape than we received it.

Quote of the week: Determination and perservance mold the world; thinking that others will do it for you is a sure way to fail (Marva Collins)