AHERN ADVISORY

Business 101

I've stated that the trucking industry can anticipate what economic challenges are coming based upon;

- Federal regulations;
- Cost of fuel;
- Supply and demand;
- The general economy;

I also predicted that the economy is not going to rebound as quickly as we would like; but I believe it is going to be a good year, for the trucking and logistics industry.

- The supply does not equal the demand, and it is going to get worse;
- There is a "real" driver shortage- each month there are less drivers to handle the demand;

All of these are indicators that freight rates will go up. Eventually, shippers will have no alternative, but to pay a higher price to get their freight shipped from point A to point B.

Unfortunately, truckers will spend less time behind the wheel, if the Feds have their way. The Department of Transportation wants to cut per – day limit to 10 hours, down from 11 currently. The weekly maximum would be reduced from 82 hours to 70. Regulators and safety advocate groups say that the current limit leads to too many accidents **---a claim that is absolutely absurd. However, one thing is clear;**

- Fewer hours will raise the costs for trucking companies;
- Trips that would take one day, will take 2 under the new proposed laws.
- Driver shortages will get worse, bringing higher freight rates, "down the road".

In reference, to the rail industry; upgrades to tracks and corridors will boost freight handling capacity;

- Routes between Portland, Seattle, Chicago and St. Louis, as well as in New England, added track and bypasses, plus better traffic management will help freight and passenger trains peacefully co-exist.
- California, where new projects are scheduled to commence in the "fall of 2012", with high speed passenger services is expected to hasten goods delivered , by freeing up current rail capacity for freight trains.
- The same holds true for the state of the art "bullet trains" as the 84 mile line, which is scheduled to operate between Tampa and Orlando, Florida, will start in 2015.

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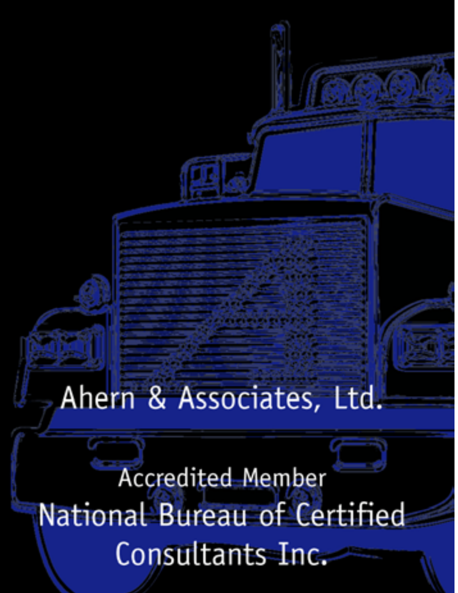

March 23, 2011

The track now in use between these cities cannot carry the 200mph "super trains".

Another positive statistic for the trucking industry is also good news for the auto industry, especially for American workers and their communities.

- **The shift on cars made in the U.S.A. is on the rise! Last year, approximately 76% of cars sold were made in North America, which is a 2 point increase from 2009.**
- Together, Ford, GM and Chrysler gained ½ point, while foreign cars manufactured here, snagged a full percentage point toward sales.
- **2/3 of North American production is in the U.S.;**

The more products manufactured, in the United States, means more freight to transport by truck.

On a more sobering note, big name U.S. retailers are increasing "hunting" for growth overseas, as American consumers continue to guard their wallets, and purchase cautiously. Especially apparel stores such as: Gap, Victoria Secrets, American Eagle Outfitters, and others, as well as Crate & Barrel, and other home related outfits**, are stretching their wings, reaching to South America, Asia, and elsewhere to enhance sales in the coming years.** They are taking a variety of routes.

- Some open flagship stores in metro areas and sell licensed merchandise through local retailers.
- Some just "beef" up their online presence abroad and arrange easy and affordable shipping.

In reference to crude oil, that's a tough question. The top analysts were predicting that crude oil would trade in the neighborhood of $85-$95 a barrel. The Kiplinger report predicted that crude oil prices would remain elevated, but below $100 a barrel. Well we know what happened to the projection. Unfortunately, gasoline prices continue to rise. **It has not caught up yet, with the increase in oil prices, but the advent of warm weather will bring a hike in demand, pushing the national average to over $3.50 a gallon – some states are already approaching $4 a gallon.**

In closing, although trucking is beginning to rebound, it is important to focus on continuing to drive down cost, increase efficiency, and monitor truck productivity on a daily basis.

- Diesel prices have risen consistently since the first week in January.
- **The cost averages 96.7¢ above the comparables from last year,** and;
- Diesel is at the highest level, since October 2008;

After "bottoming" out at $80.44 a barrel on November 17, 2010, crude oil has been on a steady climb reaching $105.44 on March 7, 2011. This means as fuel costs increase so does a trucking companies operating costs. **Make sure that**

- You monitor your fuel costs and surcharges on a daily basis.
- Continue to reduce operating expenses, and treat each truck as a profit center, and;
- As shippers continue to fight on fuel surcharges, look to the customers that you can achieve the highest rate of return.

There is no easy solution to fuel costs. You can "index" all day long, but the shippers still control many small trucking companies' costs.

However, the trucking industry, in general, should have a very good year.

QUOTE OF THE WEEK: **"Never quit. It is the easiest copout in the World. Set a goal, and don't quit until you attain it. When you do attain it, set another goal and don't quit until you reach it. Never quit!"**
(Unkown)