

**For the last several weeks, I've discussed planning expenses to profits.** I suggested that you make profits your first item of expense. **I further indicated that, in order to survive in a very difficult economy, you need to track your previous expenses to your profits** and focus on establishing expense controls. Particularly with fuel continuing to spike, it's playing havoc on our industry and it's impacting many carriers. **Over the last several weeks, I've received numerous emails and telephone calls from clients and readers of my newsletter indicating;**

- Are you sure I should sell?
- Are you sure the economy is not rebounding?
- Are you sure, are you sure, are you sure?

**To be quite honest; as a transportation analyst, I'm not sure about many things.** However, I am sure that the economy is not where it is suppose to be. **I've continually stated that;**

- The United States has too much debt.
- The world economy is struggling, and;
- **Although trucking is experiencing a rebound, it's simply because of the supply and demand dynamics.**

**In some instances, I've received emails from other analysts or publishers indicating that;**

- I'm providing a "doom and gloom" overview to my readers, and;
- I should be more optimistic.

**However, I am optimistic, but I'm also a realist! Last week, in the Arizona Republic, the headline was "US Stunned by Wall Street Alert on Debt".** What the article stated was; if law makers don't reign in the nation's nearly \$14.3 trillion of debt, the S & P is going to modify the United States "AAA" rating. **In fact, S & P changed its outlook on the United States from stable to negative. That's right--negative!**

**What does this have to do with trucking? Why should we be concerned about this?** Well, the AA A rating identifies the United States as one of the world's safest investments, and it's helped the United States borrow at extraordinarily cheap rates to finance its government operations, **including two wars and an expensive Social Security for retirees.**

# THE AHERN ADVISORY

in this issue

Economic Update



Ahern & Associates, Ltd.

Accredited Member  
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**A downgrade would drive up the cost of borrowing and throw into question the global role of the Treasury bond. You don't have to be a rocket scientist to know that this could dramatically impact the overall economy.** If it impacts the economy, it directly impacts trucking.

**I've been questioned, by other industry analyst, saying that I have not been fair in my reporting of the lack of government assistance to the trucking industry. Each time, I've been accused of slanting my position I ask a very simple question; what has the government done for the trucking industry?** The answer is nothing!

- The government bailed out the financial institutions.
- The Government bailed out the auto industry.
- The Government bailed out the insurance industry.
- The Government bailed out Wall Street, and;

**All of these industries are experiencing record profits; yet, the trucking industry is struggling with: fuel cost, driver shortages, CSA 2010 implementations,** environmental issues; and struggling with this, struggling with that and it's just mind boggling.

**Trucking is as "Middle America" as you get. Depending upon who you talk to, trucking moves between 70% - 87% of all product in the United States.** Trucking is made up of many hard working men and women. Yes, there are some very wealthy people in the trucking industry. **However, in general, trucking is Middle America.**

**When I assess the situation, it's not about any particular administration. It's the fact that politicians do not run the government like a business;** if politicians ran the government like a business, they would do what every business does; **cut back, reduce and consolidate.** However, during terrible economic times;

- The government adds more employees.
- They add more IRS agents.
- They dip into the Social Security surplus, creating a deficit, and;
- **The resolution to the problem is always; let's increase taxes to solve the problem, because that's all we know how to do.**

**Last week, my article was entitled "What do your financials tell you"?** My article indicated that financials represent the profitability or loss of a business, over a period of time. **Why doesn't the government use the same "benchmarks" as a business?**

- When the economy started collapsing;
- What did many businesses do? They cut back;
- They consolidated, and;
- **Everyone had to take pay cuts, but at least they had a job!**

**This process didn't take place in the government; the government created more jobs, creating more debt; and kept borrowing to fill the "piggy" bank.** Now, we're finally coming to a day or reckoning.

Last week, I wrote that; when you operate a business, particularly when you're looking for working capital, there are certain key financial ratios that lenders look for and I outlined 8 categories. Several of the critical areas were;

- Liquidity ratio.
- Debt to equity ratio.
- Operating profit margins, and;
- Return on investments.

I indicated that the real condition of a business is always cash flow; that's what keeps a business running. What's most interesting, is; when a business is experiencing financial problems, it's very difficult to borrow money. As entrepreneurs, we must find a way to create the cash flow necessary to (not only sustain the business but to keep our employees employed). Yet, the government simply prints more paper, dilutes earnings, borrow funds that really don't have a right to borrow, and then want to know why the economy is in the toilet.

If the government was to be run like a business, or if the government was, to be run by a Berkshire Hathaway, the government would make money and taxes would be a thing of the past. Will that happen? No. Is it important to follow the economy in the trucking industry? Yes. Are there certain things that you can do to make sure that you don't become another statistic? Yes!

In closing, these are very difficult economic times. I recognize that the trucking industry is rebounding. I recognize that shippers are willing to pay higher rates to have their freight delivered. However, please, don't go out and create a lot of new debt. Regardless of what that shipper tells you, (today), the pendulum in our industry is going to change. When it changes, you certainly don't want to be another statistic.

If there's anything we've learned, or should have learned; it's that history (in some cases) does repeat itself. Trucking is a cyclical business, it's a pennies business and it's a business that you can never take your eye off of. Is the trucking industry ever going to receive government recognition? No. Should we? Yes!

However, unfortunately, politics does not like the trucking industry. If you understand the economy and you understand the dynamics of politics, these elements are very important to operating a business. Whether you like what's happening or not, you need to be able to adjust to current market conditions, in order to capitalize on the window that the trucking industry has.

In closing; yes, yes, yes, yes, yes, yes! If you have something to sell and it's a major part of your retirement, sell now, while you can! Nobody, including myself, can predict the future!

QUOTE OF THE WEEK: **"If you expect somebody else to guide you, you will be lost".** ( James Earl Jones)