

# AHERN ADVISORY

## Economic Update

Each week I try to provide information that will help a trucking business or logistics business improve their profitability. I continually stress that;

- This is the first time, in a long time, that our industry is starting to make money, but;
- You should be extremely cautious, because the economy is very fragile.

Each time I discuss the economy, I receive several emails that state “we enjoy your newsletters, we find them informative, and we use your ideas in our business practices; but please don’t be negative on the economy”.

Any time I discuss the U.S. economy it’s not meant to be negative; it’s to prepare my readers for a cycle of events. It astounds me how quickly we forget what happened to our industry over the last 2 ½ yrs.

- 260,000 trucks were taken out of “the system”, and;
- Almost 10,000 trucking companies went out of business.

Now that Shippers are faced with capacity issues, they are encouraging trucking companies to buy more equipment because they need their products shipped.

I have continually stated, and I will continue to state, don’t get caught up in this hype. Trucking is a “pennies” business; it’s a cyclical business, and it is going to change again, as it has in the past.

On May 17<sup>th</sup>, in The Arizona Republic, the headlines were: “U.S. tops legal debt limit”.... “The nation may default on loans if Congress doesn’t lift its ceiling”. As I began to read the article it stated that;

- The Federal Government is hitting its \$14.3 billion debt limit; that’s what I said - \$14.3billion.
- The Treasury Department is starting a complex juggling act to postpone the date when the government can no longer pay its bills.
- Some of their devices would be to tap federal employee pension plans for loans, but;
- That would only buy 11 more weeks for the White House and law makers to strike a deal to increase the debt ceiling.

Is there going to be compromise? – Probably. Will the U.S. begin defaulting on interest payments owed to holders of government securities? – I doubt it!

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# THE AHERN ADVISORY

in this issue

Economic Update



Ahern & Associates, Ltd.

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**But, what would happen if there was a partial government shutdown?**

- The government would stop paying its employees;
- Stop paying its contractors, and;
- The beneficiaries of Social Security and other programs would also not be paid, and;
- This would impact the economy and trucking.

**In the history of the U.S. government, they've never defaulted on its payments. Congress has always voted to raise the legal limit on federal borrowing 75 times, since 1962. But the point is that,** sooner or later the government is going to have to make some serious and sweeping changes, **which will impact you and I.**

- Do I believe that the government is going to default? – No!
- **Do I believe that the economy is in very serious shape? – Yes!**
- Do I believe the economy will ultimately impact trucking income?—yes!

**Apparently the Government Accountability Office estimated that a 7 day delay in an auction of 2yr securities during a debt ceiling impasse in 2002, caused the Treasury to pay \$19 billion in additional interest on them each year. Did you know that?**

**My point, make the best of what you do know;**

- Trucks and drivers are a valuable commodity; use that to your advantage.
- **Shippers, in certain geographic areas, are willing to pay almost anything to get their products shipped. That is not in all cases, but;**
  1. Start balancing your lane.
  2. Start paying attention to the freight that offers the highest rate of return.
  3. Start monitoring your fuel on a daily basis using the Fuel Index, and;
  4. Keep your debt low
- **Adjust and continually adjust.**

**Over the last several weeks I've written several articles on Profit Performance Management, and I did it for a reason; you need to keep changing the way in which you do business in order to continue to perpetuate your business.** You can't do things the same way day in and day out and expect your business will continue to grow and prosper.

**In difficult economic times, you need to learn to step "outside of the box" to achieve extraordinary results. In order to be successful you need to embrace change as opportunity. You have to make the right decisions and recognize that the decisions you make will have a significant impact on your company's ability to survive and grow.**

**It is also important to understand that even though there is a tremendous demand for trucks and drivers, you can't caught up in the cycle and over extend yourself expecting that the market is not going to change – because it will.**

**It is also important that as you are operating your business, you continually embrace change because it creates opportunity.** Dramatic changes open the door for dramatic improvements. **I am convinced that the difference between success and failure is the function of how we respond to change. In short, we should pursue change with enthusiasm** and believe that in every circumstance we can find new potential to experience greater success.

**When you are in the transportation industry, you have to be willing to try something new. That means, in order to continually succeed you need to learn new skills and you need to learn them fast! Anybody that survived the last 2 ½yrs is a success not a failure, but please don't be a victim to the pressures of shippers;**

- Maintain a positive outlook.
- **When setbacks occur, recognize it is very easy to fall into the trap of feeling like a victim.**
- When you are faced with a challenge, try to understand what went wrong and what you could have done differently.
- Then accept the experience and the lessons that have resulted.

**There is something to be said about continually reinventing your business.**

**In closing, we all experience twist and turns throughout our business careers. The thing that you need to recognize is that even if you make a wrong choice or you take a bad turn,** you will likely still have another chance to get on the right track. If you continually make the same mistakes – shame on you.

**As you encounter change in your life or business embrace it. My grandfather told me,** *“that life may be a rollercoaster, but without the up and downs it wouldn't be much of a ride.”*

**QUOTE OF THE WEEK: “It's good to have a comfort zone, but you also have to push yourself”.**

(Kathleen Brown )