

I'm a firm believer that challenges always lead to opportunities. I'm a firm believer that;

- If you do your homework;
- If you understand what the challenges are;
- You can overcome those challenges if you're properly prepared.

The trucking business is a cyclical business; it's a pennies business and sometimes, unfortunately, we lose focus on the fundamentals – controlling cost. Controlling cost is a fundamental basic of operating a business. It would be safe to state that trucking is one of the most difficult businesses to quantify because there are so many external influences that we have no control over;

- You can't control public opinion.
- You can't control fuel prices; Monday fuel spiked .10¢ a gallon
- You can't control inflation;
- You can't control the economy, the economy is what it is, but;
- You can control your destiny.

However, all of the above has a direct effect on the trucking industry.

There has been a lot of controversy about inflation. There have been numerous comments about a "toxic environment". There has also been a lot of finger pointing on why the economy is where it's at and who's responsible. However, the reality of the situation is;

- Challenging times means you have to embrace change; you have to be prepared!
- Challenges offer opportunity, if you are properly prepared.

In economics, inflation is a rise in the general level of prices of goods and services in an economy, over a period of time. When general price levels rise, each unit of currency buys fewer consumer goods. Consequently, inflation also reflects an erosion in the purchasing power of money – a loss of real value in the medium of exchange and unit of account in the economy. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (normally the consumer price index) over time.

Inflations effect on the economy is various and can be both positive and negative. Negative effects of inflation include a decrease in the real value of money and other monetary items over time. Uncertainty over future inflation may discourage investment and savings and high inflation may lead to shortage of goods, if consumers begin hoarding, out of concern that prices will increase in the future. Positive effects include ensuring central banks can adjust interest rates and encourage investments in non-monetary capital projects.

THE AHERN ADVISORY

in this issue

Challenges = Opportunity



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You may ask; why do I discuss all of these issues? The reason; it's important to understand where the economy is at, so that you can implement a business plan for success.

It's better to look at the economy as it is, not as how you perceive it to be. When I openly discuss challenges, it's not intended to be negative but it's simply addressing the situation to seek solutions. **So, let's talk about inflation; should we worry about it next year? Probably not.** The slow economy will keep a damper on demand through 2012 and ample supplies of resources.....from workers to raw materials.....**this means little pressure on wages or prices for at least the next year or two.**

However, come 2013 or soon thereafter, hold on to your britches – watch out! Analysts are predicting annual inflation of 5% - 6% or more, even if the economic growth remains pokey. **If the pace picks up, inflation will climb even higher. Worse; the trend may continue for years.**

According to the Kiplinger letter, we're in a "toxic economy" and we have a "toxic cocktail". A toxic cocktail is in the works. **A powerful brew that makes a strong upward cycle of prices nearly inevitable. The main ingredient;**

1. The government's crushing debt load.
2. Washington's inability to control their debt, and;
3. Throwing in the faltering economy and the Federal Reserve's reluctance to raise interest rates, (for the fear of throwing the country into another recession) is a recipe for inflation.

There are always two sides to every story and there are skeptics who say that inflation comes from too much money chasing too few goods; however, that's clearly not the case in today's economy. An overheated economy isn't the only route to inflation. If it were, Zimbabwe's 1,000 - + percentage inflation rate would have meant hot growth. **Apparently, that didn't occur.**

You have to recognize that, with the enormous quantities of debt involved – \$5 trillion in maturing Treasury's that must be rolled over each year. That means expectations of inflation push up interest rates on long term Treasuries as investors demand higher returns to compensate for erosion in their holding values. The long and short means;

- Good and services and the labors to produce them, start to cost more.
- Consumers fear that products they want or need will only carry a higher price tag tomorrow, will opt to spend more and save less today.
- **Therefore, there is a greater demand and even when prices rise that means there are more commodities to ship.**
- Since 80% of all products are shipped via trucks, it can have an upside to the trucking industry, but a down side to the overall economy.

In essence, borrower's will win and creditor's will lose. Debtors, including Uncle Sam, will pay back loans and dollars that aren't worth as much as when they borrowed them. In Layman terms, assets including homes will be worth more – which is a help to homeowners who are under water with their mortgages. **However, in real terms, there is little or no gain.**

The purpose of going through this process is so that you can plan your business properly;

- Any time there are challenges, there are opportunities;
- **There is not enough supply to equal the demand for trucks and drivers today.**
- **That is your "ace in the hole". Take advantage while you can!**
- **You should use that knowledge to your benefit** and start implementing an action plan that will drive strong profits to your business in 2012

Don't worry about the economy; it will take care of itself. Don't worry about your next door neighbor, but;

- **Focus on your business.**
- Focus on your plan, and;
- **Focus on execution.**

Don't forget that our industry has CSA and Hours of Service to deal with. To make matters worse, the administration is starting to roll out new work place rules. **These work place rules are going to expand injury reporting standards and revamp "whistle blower" protections.** The Occupational Safety and Health Administration changes will put new burdens on employers – surprise, surprise!

One rule alters the threshold for disclosing injuries requiring hospitalization. If it's adopted, firms will have 8 hours to file a report if one employee is injured. The existing standard requires a filing only if 3 or more workers are hospitalized.

Companies with 10 or fewer employees won't have to comply. Also, exempt; electronics and appliance stores, publishers, insurance and advertising firms, hobby shops and other businesses that are classified as low hazard employees. **However, I don't think that's going to apply to trucking. We have never been exempt from anything – except bailout money from the government – that money was provided to Wall Street.**

OSHA will hire and train more investigators for "whistle blower" cases and provide them guidance, including new procedures for improving settlements.

In closing, with all of the above challenges it also offers much opportunity for profit. Those who are consistent, persistent and manage their expenses, will do very well in a very challenging economy. Trucking companies that have no business plan or are simply waiting for something to happen and believe that change is inevitable, will not survive. **There's an old proverb that goes something like this; "a closed mind is like a closed book; just a block of wood". Next week I will discuss how to develop a business plan.**

QUOTE OF THE WEEK: **"Adversity is the spring board to great achievement"** (Unknown)