

As we're "winding down" the 2011 year, there might be some questions, such as: What should I do?, How do I develop a business plan?, What lies ahead?, Where is oil going?, I'm having problems with my lenders, etc.

I suggested; the first process for any company that's looking to protect themselves from employee lawsuits is to distance themselves from various regulatory and various legal compliance issues by outsourcing to a Professional Employer Organization. For companies that not cash flowing their debt service or having problems with their customers paying them on a timely basis, they should consider an Agent program. There are some that are better than others, but Agent programs and partnership programs (as I refer to them) are designed specifically for trucking companies and freight brokers that are experiencing insurance, cash flow, back haul, equipment, personnel or operational issues. It's also designed for trucking companies that are looking to build their business while improving cash flow, reducing operating expenses and, in many instances, build a brokerage division or create a new one.

If you're having any of these challenges and you chose the right partner, it can improve your cash flow, stream line your operations, and decrease your operating cost. However, with some partnership programs, it takes a "Philadelphia lawyer" to understand "the process" so you have to be careful.

As we all know, cash flow is "king". Since the industry has been plagued with financial turmoil, many companies are suffering severe cash flow problems and are looking for any way to reduce their operating cost. For example; if you're factoring your receivables, a partnership program can provide better cash flow than a factor. For example;

- When you factor receivables, the factor will normally advance 85% - 95% of your receivables.
- Under normal circumstances, you do not receive any advance funds on dispatch, and;
- When you turn in your paperwork, you receive funds from the "factor".
- If, after 90 days you haven't collected the money from the shipper, the factor charges you back against your line of credit and puts you in a diminished cash flow position.

Utilizing a partnership program:

- Many partners will advance 30% - 50% of the load, the day you dispatch the truck.
- They will pay the balance when you turn in the paper work.
- They will do the credit checks, and;
- Depending on the partner, if the credit is approved and that shipper goes out of business, they will either quota share the loss with you or they will absorb 100% of the loss.

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Another very important advantage is a partnership program will also provide automobile liability insurance and cargo legal liability insurance. They will provide, either fuel cards or they will load your master COM Data card so that you can provide a specific dollar limit to your drivers on a daily basis, and all of these charges are taken out of your settlements at the end of the week.

In reference to insurance, most trucking companies are required to provide a 25% - 30% insurance deposit for auto liability and cargo. In some instances, you may have a rolling deposit, but then you're paying 125% of your insurance premium. If you're in the right partnership program **the automobile liability insurance and the cargo liability insurance is automatically included** in your weekly settlements **and the coverage is better. In other words, you don't have an insurance deposit to contend with.** For some partners, if you have a substantial lay up on equipment, they will not charge you for those particular units during the layup period.

If you're interested in building a brokerage division or expanding your brokerage division; a partnership program can be very valuable because they provide the cash flow to build that business;

1. When you broker a load the carrier expects to be paid, whether the shipper has paid you or not, and;
2. If you're in a partner program, they will pay the carrier and you immediately, so it doesn't impact your cash flow and it keeps your carriers loyal to you.

Additional advantages of a partnership program are that you can use their agents and salespeople across the country to cross sell and load trucks. Many of Ahern's partners have 4,000 – 12,000 carriers in their system;

- They provide the direction of DOT, as well as safety compliance.
- They do the logs and the audits, and all of that is included in their servicing fee.

In addition, one of our partners will now provide trailer financing and possibly truck financing and that's very beneficial for a company that wants to expand their operations or wants to upgrade their equipment. Obviously, there is a charge for these services. **However, when you consider all the benefits of the program, it allows a company to;**

1. Focus on their business and operations.
2. Reduce their operating expenses, and;
3. Increase their cash flow.

Ahern has helped sponsor numerous partnership programs throughout the country and we've worked with many clients in providing them with agents and partners. We're always cautious when we refer any particular client, **but one of the company's that provides some equipment financing, as well as all of the above services, is Sargent Trucking Company, Inc.;**

- Sargent has been in business since 1983.
- In 2007, they merged with Road Runner Transportation, and;
- Are now part of a publicly traded transportation business; I would encourage anyone interested to contact;

Mr. Bruce Sargent
President and Chief Executive Officer
SARGENT TRUCKING
64 Main Street
Mars Hill, ME 04758
Bus: (800) 444-9753

- Mention Ahern & Associates name and Mr. Sargent will speak to you, directly.

During the 2012 year Ahern will provide various services that we believe our readers should consider. We take our recommendations very seriously;

- We thoroughly research each company.
- We review their past track records, and;
- In most instances, Ahern has had a very long term relationship with the vendors that we recommend.

In conjunction with the above, in future articles I will be discussing; how to set up a business plan, how to adapt to current market conditions and how to create more value in 2012.

In order to survive and grow in the trucking industry, you have to be willing to change. Change is an inevitable part of progress. We certainly don't do business the way we did 20 years ago, 10 years ago, 5 years ago or 3 years ago. **My organization is a fine example.** **When I started Ahern's readership, I had 300 quarterly readers and we now have in excess of 350,000 weekly readers.** Our readership is growing by leaps and bounds. I attribute that to the use of the internet and also the amount of work we've done in the industry.

In closing, change is inevitable so embrace change and you will do well in 2012. Don't embrace change, bury your head in the sand and it's going to be another difficult year. Although the economy is in terrible shape, it's an excellent opportunity to capture substantial earnings in the trucking industry, because of the supply and demand issues. **This is not going to last forever, so take advantage** while you can!

QUOTE OF THE WEEK: "Wisdom consists of the anticipation of consequences" (Norman Cousins)