

## Special Edition

### What Lies ahead – 2010 Financial Outlook

I'm frequently asked if I have a crystal ball for the future. My answer is no! However, statistics provide important information when utilized properly.

Is 2010 going to be a "robust" year for the trucking industry? No! Are we headed for another Great Depression? **No!** Will some trucking companies struggle in 2010? **Yes!** Why? Too many economic challenges that need to move through their process before the economy can rebound.

The last several years have been economically stressful. As American's we witnessed the financial collapse of the global economy.

We also witnessed a major event in the history of capitalism – the end of the era of investment bankers. Additionally;

- The housing industry collapsed.
- Financial institutions collapsed.
- The automobile industry collapsed.
- Insurance companies collapsed.
- Wall Street suffered huge financial losses/scandals.
- Credit became very difficult to obtain.
- Current unemployment is hovering between 9.5% - 11%; in some areas, higher.
- The Federal deficit exceeds \$1.3 trillion, before the additional stimulus package.
- Manufacturers continue to cut back and close plants across the United States, which has had a dramatic affect on trucking;
- 81 financial institutions have failed to date in 2009, and there are more to come, and;
- Credit card companies and Commercial real estate is the next sector that will further redefine our economy.

Why are all these statistics important and how do they relate to trucking? Simple; less freight to haul; too many trucks and it takes time for the economy to adjust.

In February of 2009, we witnessed an overall decline in Japanese exports of 49% from the previous year. In other words, in just 12 months, Japan's most crucial economic activity (foreign trade) has been sliced in half. This is not a good indicator for the United States because the United States remains the single most important market for Japanese products. When you review the statistics, they indicate that;

- Imports from Japan were reduced by 58%.

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- Exports to Europe declined by 54.7%.
- Shipments to China plunged 39.7%.

That coupled with ocean freight lines docking their vessels due to freight constraints all impacted the transportation industry.

In 2010, trucking will continue to have challenges and will be forced to deal with issues such as; inflation, unemployment, plummeting retail sales, higher taxes, government regulations, fuel spikes, etc. As energy becomes a more and more expensive commodity, companies such as; cardboard manufacturers, fertilizer plants, aluminum plants, steel, glass manufacturers, as well as food processors, are all going to be directly affected. Those costs will also impact transportation.

Is this bad news? Not necessarily. I think the important thing to recognize is that money is like a tree; it's a renewable resource. It grows back. You really can't lose it. Time is more important than money because you can certainly bring back money, all you need is time, imagination, energy and effort.

In closing, we have witnessed one of the most financially challenging years for the trucking industry and one of the most catastrophic years for the economy. This has been a roller coast year for our industry.

- Supply does not equal the demand.
- Freight is scarce.
- Freight rates continue at depressed levels, and;
- Trucking continues to lose multiple movements due to the economy.

Although these statistics may sound like doom and gloom; they're not! The economy provides a roadmap of what we have to do to adjust. The fact that we're faced with all these economic challenges does not mean that the economy is going to collapse. It means that the economy will continue to constrict before it rebounds. For a trucking/logistics company, you need to be able to adapt to the economic environment and plan.

#### My predictions for 2010;

- Very modest growth, if any.
- Inflation will begin to rear its ugly head (but slowly).
- Unemployment should level off at approximately 11% (with the exception of certain states, like Michigan).
- Crude oil will continue to be volatile, but I doubt whether it will reach over \$100 a barrel by year end 2010, and;
- Retail sales will continue to "sputter".

#### For the trucking industry, what does all this mean? It means;

- Opportunity to capitalize on other companies weaknesses.
- Opportunity to eliminate excess overhead.
- Opportunity to make profits your first item of expense.
- Opportunity to change your business model to adapt to the economy.

Challenges make us stronger; challenges force us, as human beings, to be creative and challenge necessitates leaders to rise to the occasion;

- More trucking companies and freight brokers will close their doors "freeing up" some supply.
- Credit will continue to be difficult to obtain.
- Businesses will have to rethink their supply chain to obtain growth, and;

- Trucking companies will have to continue to reduce cost wherever possible.

**However, once the economy adjusts, which it will, the lack of credit that contributes to the constriction of our industry will “free up” some supply and those companies making the right adjustments will come out of this economy stronger and will prosper.**