

Special Edition

Capacity Begins to Tighten

I recently attended the TCA and had an opportunity to meet with many of the “movers and shakers” in the industry. Many of these companies have been friends of mine for many years, so they were kind enough to share their thoughts on the capacity issue. The major concern;

- Is the pendulum starting to swing?
- Is the supply versus demand starting to change?
- Does the industry expect freight volumes to rise?

I took the opportunity to speak to every segment of the market, and a common response was that---capacity is starting to tighten!

- Some carriers are experiencing as much as a 20% increase in freight demand.
- Some carriers have been able to obtain (slight) rate increases, and;
- Shippers are going to have to start rethinking their thought process, if they believe that our industry is going to continue to haul cheap freight.

However, with that stated, don't start buying more trucks because, even when the pendulum does swing, you have to remember that we're a cyclical business. We all have to remember that trucking is a dollars business;

- The supply and demand pendulum continues to shift, and;
- The last recession should be a good lesson for all of us.

I was amazed hearing some carriers' state that they're starting to activate more equipment and buy more equipment. That's the “kiss of death”!

- Focus on your customers.
- Focus on their needs, and;
- Focus your energies on the customers that worked with you through the very difficult times
- Start re-evaluating your shipper base and where you want to commit your equipment to achieve the highest rate of return.

The tone of the TCA meeting was upbeat.

However, at the same time, the TCA had Bob Costello, the Chief Economist for the ATA, panel a discussion with shippers. Bob indicated:

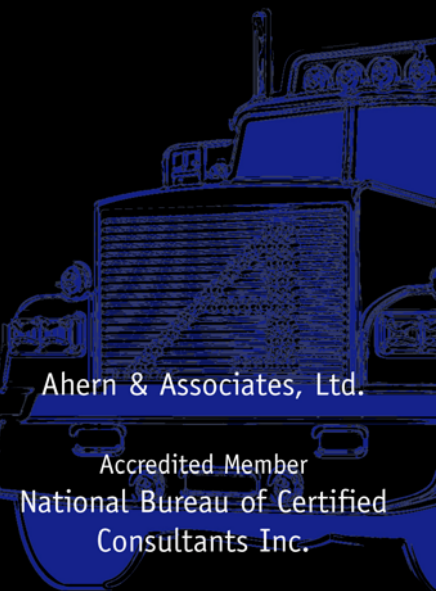
- He is starting to see some increase in demand, but stressed;
- Don't get too excited, because;
- The ATA believes that the market is going to continue to suffer for a period of time.

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As an analyst, I will agree that we still have many financial challenges to deal with!

- The United States (still) has a substantial amount of financial problems that they need to resolve.
- The world economy, (still) has not adjusted, although imports into the United States are increasing, but;
- **All in all, it's going to take time.**

It was also interesting that there were a group of shippers, on the panel, with Bob Costello who indicated that:

- It's very difficult for them to provide loyalty to trucking companies, when they're dealing with cost, and;
- **Shippers are going to continue to drive down cost, wherever possible, regardless of the relationships.**

To me, that sent a very important statement; they just don't get it! I recognize that, in a competitive environment, you need to be competitive, but when you've had a relationship with a trucking or logistics company for 30+ years and you leave them, (simply for money), **in my thoughts process, that's the "kiss of death". You don't penalize someone, for being loyal to you for a long period of time.**

Unfortunately, today, that's becoming prevalent as the American way. However, it's certainly not the Ahern way and it's certainly not the way of many of my customers. **Shippers need to change their mentality, if they want to survive a very difficult time in the future;**

- As capacity continues to shrink;
- **The shippers that have continued to pummel the trucking industry, are going to be the ones that are going to be affected the most.**

From a trucking companies perspective and from the industry's perspective;

- Relationships are (still) important in our industry;
- We all recognize that price is an important component, but;
- So is service, and so is a relationship.

In closing, the conference (in my personal opinion) was a success because it sent a positive statement to the industry, that there are better times ahead. However, as stated; **Be very cautious, because the industry is still struggling** and it's going to be a long time before we're "out of the woods".

QUOTE OF THE WEEK: "Appreciation is like an insurance policy; it has to be renewed every now and then". (Dave McIntyre)