

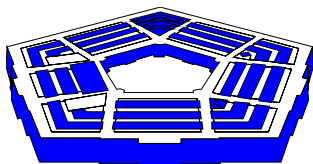


## Was Bush Right For The Wrong Reasons?

History is full of ironies. The Iraq war is perhaps the most ironic in recent memory. After “celebrating” the second anniversary of the Iraqi war, we know now the U.S. invaded that nation for reasons that have proven to be totally false. Iraq had no weapons of mass destruction. It harbored no nuclear weapons and was light years away from making them. It had either no ties to Al Queda or very tenuous ones at best. The notion that Iraq, with its economy more akin to the 1950s than the 21st century, was any real threat to the U.S. is absurd in retrospect.

*"After "celebrating" the second anniversary of the Iraqi war, we know now the U.S. invaded that nation for reasons that have proven to be totally false."*

Yet, President Bush with the full support of the hordes in the Executive Branch, Congress and the Pentagon, ordered the U.S. mighty military machine into combat against a rag tag Iraqi army. Prematurely declaring “mission accomplished,” little did he nor anyone else in the government or among our citizenry realize that the physical capture of the country was only the start of a bloody, brutal campaign against a fanatic guerilla insurgency. Now, two years later, with almost 1,600 American and 100,000 Iraqi lives lost, the overwhelming question becomes, “was it worth it?”



*"The legacy of the Bush Administration will rise or fall on the war and its aftermath's success or failure."*



It's a tough question. It eludes an easy answer. Before the Iraqi elections, most Americans in poll after poll, declared the war and its aftermath were not worth the cost in blood and treasure. With the seeming success of the Iraqi elections, however, the first truly democratic balloting in an Arab nation in more than 50 years—opinion is swinging toward justification of the war. The overthrow of Hussein and the free elections seem to have broken a log jam in the Middle East that was considered frozen in time just a few years ago.



Leaders involved in the seemingly interminable Israeli-Palestine conflict have made at least tentative starts toward some kind of peace agreement.

Egypt is talking about a start toward free elections. Even Saudi Arabia, the most implacable theocracy of them all, has announced municipal elections in the “near future.”

Can a person, or nation, be right for the wrong reasons? It's a question philosophers have struggled with for thousands of years. The only honest answer, to my mind, is “let's wait and see.” The early signs are promising but the Middle East is like a scorpion's nest. A victory today can turn into a disaster tomorrow. At least, one conclusion can be drawn from the Iraqi war. The legacy of the Bush Administration will rise or fall on the war and its aftermath's success or failure.

### Announcements

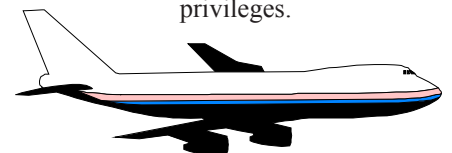
#### Inside This Issue:

Bush Right For Wrong Reasons?	pg 1
The Maverick, Continental	pg 1,2
Mexican Cargo Volumes Decrease	pg 2
One Hand Giveth, Another Taketh	pg 2
Branson & Virgin Blue	pg 3
For the Golfing Fans	pg 3

## Continental Airlines Continues Its Maverick Ways:

While the nation's business and trade press is full of stories about airline personnel; from pilots to aircraft cleaners, taking massive pay cuts, very little is emanating from carrier Boardrooms. A few airline CEOs have taken pay cuts, but carrier Board of Directors seem to retain all their sizable perks like stock options, very substantial fees for attending Board meetings, free transport, etc.

Continental Airlines, which is very much the maverick among the “legacy” carriers (and about the most successful), decided to at least make a start in reducing or even eliminating Board Directors' perks and privileges.



## Continental Airlines Continues Its Maverick Ways-cont-:

They've gotten Board members to cut their retainers and base meeting fees by 30 per cent and forego entirely their 2005 option grants.

Middle and senior management also have accepted pay cuts and will have no options this year. The airline, which under recently retired Gordon Bethune, rose from the ashes of bankruptcy primarily through making its personnel genuinely feel part of the airline. With \$500 million in employee concessions, Continental wants to ensure that if employees aren't entirely happy, at least they know people in corporate headquarters and the Board Room are sharing some of their pain.

## Mexican Cargo Volume Decrease Should Strike A Cautionary Note:

China is the factory to the world. China's foreign trade increased 500 per cent during the past decade to become the largest in the world. Everyone is buying Chinese products. Ships and planes are full carrying Chinese merchandise. Will this trade boom last forever? Manufacturers, distributors, shipping lines, air carriers and freight forwarders all seem to think so. Airlines can't wait for the U.S. government to award new cargo routes. Shipping lines are building enormous container ships primarily for the Chinese trade. Freight forwarders, normally very conservative when actual dollars are to be spent for new physical facilities, are opening offices in far-off China as if they were around the corner. When we turn our eyes south of the border down Mexico way, it should give our industry pause. It's hard to realize now, but when the North American Free Trade Agreement (NAFTA) was signed about 12 years ago, Mexico was U.S. manufacturers' promised land. There was boundless optimism in the 1990s that Mexico would become an industrial powerhouse with products of every description for business and consumers made south of the Rio Grande. Even before NAFTA, Mexico had used its proximity to U.S. markets to attract investments in assembly-for-export

maquiladora plants along that country's northern border. NAFTA was the catalyst for an explosion of new and expanded plants from the California border to Texas, 1,500 miles to the east. Freight forwarders followed this industrial bonanza, opening dozens of offices on both sides of the border.



What is today's reality for Mexico since the heady days of the nineties? The reality can be summed up in one word—China. The

Made In China label has made all the free trade talk of NAFTA just that—talk. Maquiladora plants are either shrinking or shutting down entirely. Hard won wage increases of Mexican workers have become meaningless as many of these same employees, 270,000 of them, have been laid off. Forwarders who opened offices along the Mexican border with great fanfare, now are quietly shutting them. Capital inflow from the U.S. to Mexican industry has practically ceased. What country largely has replaced the Mexican-U.S. supply chain? We all know the answer. Currently, China is riding high. But is the "factory to the world" going to operate indefinitely 24 hours a day, seven days a week? Will Chinese girls just off the farms work in factories forever at \$1 per hour? Can the Chinese government permanently hold down the value of its currency, the yuan, making its exports extremely cheap? Or will its currency finally rise to reflect market forces? No one really knows the answer as to "when." But nothing in our global society remains constant. Sooner or later, the Chinese balloon will "pop." Its economy will cool. Its competitive advantage, now fueled by cheap labor and cheap money, will erode. U.S. manufacturers, forever searching for the cheapest global manufacturing site, will find a new country to move their production and capital. Shipping lines, air carriers, freight forwarders; all should recall a proverb learned in childhood; "don't put all your eggs in one basket." Mexico is an apt reminder of this truism.

## What One Hand Giveth; The Other Taketh Away:

A few months ago, Air New Zealand announced with great fanfare a "new" round the world cargo service with Auckland and Melbourne as key tops. What was obscured in the announcement was the information that Lufthansa and Air NZ already had a joint operating agreement to provide round the world service. This joint service had offered three flights per week using MD-11s. These flights now have ended with Lufthansa dropping out of the agreement. Instead, Air NZ now is offering two flights per week as a single carrier using Boeing 747-400s leased from Atlas Corporation. Thus, forwarders now face an actual reduction in lift with two flights per week instead of three—although the 747 has greater cargo capacity than the MD-11. The routing is Auckland, Melbourne, Shanghai, Frankfurt, Chicago, Auckland.

What forwarders require for their customers is not sleight of hand by the airlines serving the South Pacific, but genuine increases in lift. As we are only too painfully aware, lift remains tight despite a sharp increase in cargo volume. Helped by the declining value of the U.S. dollar, U.S. exports to Australia and New Zealand are growing at a solid pace. The U.S.-Australian Free Trade Agreement also is boosting trade between the two nations. New Zealand literally has its own fish to fry. The nation remains primarily agricultural and wants new markets for the country's fresh produce. Greater lift would allow New Zealand to compete more effectively in Asia and the U.S.. Let's persuade the airlines to provide that lift.

---

*"What forwarders require for their customers is not sleight of hand by the airlines serving the South Pacific, but genuine increases in lift."*

---

## The Strange Case Of Virgin Blue & Sir Richard Branson:

Sir Richard easily is the most publicity hungry of all the executives in the airline business. Whether he is flying around the world in a balloon or hosting a reality TV show to compete with Donald Trump, Branson manages to generate press coverage on a grand scale. But behind the PR facade, just how profitable are the businesses controlled by Branson? Are they money makers or are they awash in red ink? No one really knows because his companies are private and Branson keeps a tight lid on financial results

---

*"But behind the PR facade, just how profitable are the businesses controlled by Branson?"*

---

If Virgin Blue, Branson's low cost Australian airline is any example, Sir



Ever wonder why your favorite sport is growing in popularity? Why people who never have held a club in their lives go to tournaments and/or watch them on TV? The following might shed some light:

Golf is an honorable game. The overwhelming majority of players, being honorable people, never need a referee. Golfers don't have some of their players in jail every week.

Golfers don't kick dirt on, or throw bottles, at other people.

Professional golfers are paid in direct proportion to how well they play.

Golfers don't get per diem nor two seats on charter flights when they travel between tournaments.

Golfers don't hold out for more money or demand new contracts because of other players' deals.

When golfers make a mistake, nobody is there to cover for them or back them up.

Golf doesn't change the rules to attract fans.

Golf doesn't have a free agency.

Golf courses don't ruin a neighborhood; they enhance them.



Richard's "empire" is purely a cardboard one.

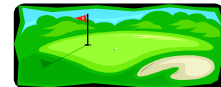
Started three years ago when Australia's leading domestic carrier, Ansett, fell into bankruptcy and was liquidated, Virgin Blue started with a bang against little or no competition. It quickly generated 30 per cent of Australian domestic traffic. Then the professionals moved in. Last year, Qantas entered the domestic Australian market with its low cost subsidiary, Jetstar. Since then, Qantas Domestic has been "cleaning the clock of Virgin Blue," with that carrier's share of the market rapidly shrinking.

Branson is a great user of other people's money. When Virgin Blue started, he prevailed upon Patrick Corporation, a major Australian company operating ports, railroads and cargo companies, to acquire 45 per cent of the airline's stock. To counter current competition, Patrick

is unwilling to pour more money into Virgin Blue unless it can own 100 per cent of the airline. But Branson is putting on his usual grandstanding act and wants an enormous amount for the stock. He believes Patrick will pay more, but I predict Patrick won't be buying. At year's end, Virgin Blue could be in real trouble as its market share continues to erode. There are no blue skies for Virgin Blue.

To my way of thinking, and despite his knighthood, Branson is a fraud. The only difference between him and Ken Lay and Bernie Ebbers is that he hasn't been caught yet. Many financial analysts in Britain strongly suspect Branson's businesses are flying on air, not solid financial results. I predict sooner rather than later, Branson will be exposed as the fraud he is. And what about Virgin America, Branson's supposed U.S. domestic carrier? Since a huge announcement, nothing but silence.

## Now For All You Golfing Fans:



Professional golfers don't demand that taxpayers pay for their courses on which they play.

The PGA, which is far less wealthy, raises more money for charity in one year than the NFL in two.

You can watch the best golfers in the world up close at any tournament including the majors, all day every day, for \$25 or \$35. The cost for even a nosebleed seat at the Super Bowl costs \$300 and up. If you buy them from scalpers, expect to pay \$1,000+.

In golf, you cannot fail 70 per cent of the time (like the best baseball hitters batting averages) and make \$9 million a season. You can hear birds chirping on the golf course during a tournament.

Tiger hits a golf ball twice as far as Barry Bonds hits a baseball.

Golfers have to adapt to an entirely new playing field each week. Golfers keep their clothes on while being interviewed.

You can bring a picnic lunch to a

tournament golf course, watch the best in the world and not spend a small fortune on food and drink. Try that at one of the taxpayer funded baseball or football stadium. If you bring a soft drink into the ballpark, they'll give you two options—get rid of it or leave.

In their prime, Palmer, Norman and others would shake your hand and say they were happy to meet you. In his prime, Jose Canseco wore T-shirts that read, "Leave Me Alone." (So he could take his steroids.)

At a golf tournament, unlike at taxpayer-funded sports stadiums and arenas, you won't hear a steady stream of four letter words and nasty name calling while you're hoping that no one spits on you. Here's a slice of golf history you might enjoy. Why do golf courses have 18 holes—not 20, 10 or an even dozen? During a discussion among the club's membership at St. Andrews in 1858, a senior member pointed out that it takes exactly 18 shots to polish off a fifth of Scotch. By limiting himself to only one shot of Scotch per hole, the Scot figured a round of golf finished when the Scotch ran out.

Sincerely,



Julian A. Keeling