Consolidators International, Inc.

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EXTRA!!! The Times EXTRA!!!

News & Views

Bangkok's World Cargo Symposium 2009:

Early last month, IATA held its annual World Cargo Symposium in Bangkok. I had been invited to speak at the Symposium and was asked to give my thoughts on the current and future status of air freight.

The Conference Hall was hardly one of unrestrained good cheer. The almost unimaginable drop in air freight volume during the past few months weighed heavily on everyone's mind and pocketbook. Attendance reflected this gloomy outlook. Almost no forwarders were in attendance. Airline attendance was spotty with some airlines like Air New Zealand not even showing up while other carriers had six deep in management attending the Symposium.

Here is a brief digest of my talk, unfiltered and uncensored.

The great majority of combination carriers are guilty in not making air cargo a serious component of their structures. Barring a few airlines, during the past fifteen years most carrier CEO's have taken a bludgeon, not a scalpel to their air cargo divisions. Air freight is unrecognizable from twenty years ago. Sales and service personnel have been slashed and in many instances cargo handling is outsourced to independent contractors even at large airports like LAX.

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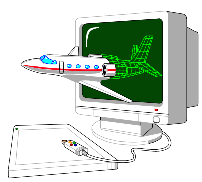


I find it indeed ironic that IATA is promoting Cargo 2000 and urging complicated supply chain systems when many of its forwarder members are returing to the "stone age" in their operations. It's back to basics for most operators today. Forget all those ivory tower academic theories; it is a matter of survival for most of us.

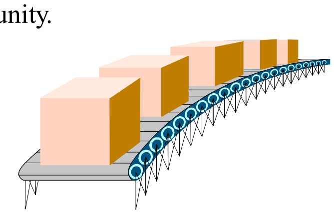
Announcements

Inside This Issue:

On the one hand, we have most of the IATA airline members who don't care a fig about cargo while on the other, forwarders/shippers never have enjoyedsuch low rates over long periods of time. I suppose it's about getting what you pay for. We never will witness air freight returning to its once periods of strong growth until and unless airlines take freight seriously with an upswing in investment and a compensation rate structure to match.

CII Screening Program On Track:

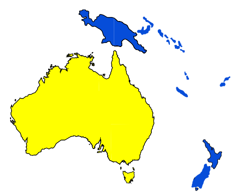
Screening is to be done for the 50 per cent of cargo carried on passenger aircraft and will increase to 100 per cent come August 2010. I am pleased to report our "Operation Screening" program is on track. When our screening program takes effect, many of our customers will be small to mid-sized forwarders. I want to emphasize that confidentiality will be rigidly adhered to. CII strictly is a third party in our screening procedures. We look forward to serve the forwarding community.



New Entry In The Aussie-U.S. Market; Will It Be Victory Or Defeat?

As Australia is CII's single biggest market, I always am interested in major new airline developments there. One of the most interesting pieces of news emanating from "down under" recently was the entry of a new carrier serving the Australian-U.S. market—particularly the Sydney-L:os Angeles run. The new carrier is called V Australian Airlines and is the brainchild of our old friend, Sir Richard Branson. In reality, V Australian Airlines is not a new airline but a division of Virgin Blue, the low cost domestic Australian carrier. It cannot be called Virgin Blue because of an agreement with Singapore Airlines which owns 49 per cent of Virgin Atlantic Airlines.

Whatever the name, the new airline couldn't have faced tougher conditions in moving passengers and freight than today. Even in more prosperous times, Australian flag carrier Qantas has beaten off some of the world's largest airlines attempting to fly the Sydney-Los Angeles route including American, Continental, Northwest and its geographic sister, Air New Zealand. Even the airline's CEO, Brett Godfrey concedes that starting V Australian Airlines during the worst global recession since the 1930s "is an act of madness."



"Even the airline's CEO, Brett Godfrey concedes that starting V Australian Airlines during the worst global recession since the 1930s "is an act of madness.""

Will the airline succeed? The odds are against it but Branson is a consummate showman and may yet pull the proverbial rabbit out of the hat. From my perspective, I'll be looking at the airline's cargo load factors instead of how many passengers they are boarding.

Is Everyone Out Of Step Except Cathay Pacifc?

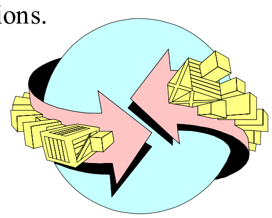
There's the old story about the soldier marching to his own beat while everyone else is marching correctly. When this was pointed out, the soldier replied, "everyone is out of step but me." The same can be said for Cathay Pacific, based in Hong Kong. While fellow Asian carriers like Singapore Airlines, China and Eva Air are trying to find suitable places in the desert to park a good deal of their freighter fleets because of lack of demand, Cathay Pacific is bucking the trend by expanding its global freighter network. It recently announced new and expanded freighter flights to such diverse destinations as Miami & Houston in the U.S. and to Shanghai, Hi Chi Minh City, Jakarta and Paris.

Perhaps Cathay Pacific's crystal ball is predicting the future with greater accuracy than most. Perhaps Cathay Pacific is crazy like a fox. Its management must believe the recession may end sooner than most expect. If the airline is correct, it will be in a strongly competitive position with an expanded route structure already in place. If the airline is wrong, red ink will flow and heads will roll. Let's hope they are right.

Times Are Tough But Some Positive Factors May Emerge:

Yes, we're in tough times but even in the worst decline in 70 years, a few plants peep out of transportation soil. If we know where to look for them and have the discipline to stay on course. Here are a few of these postive signs:

* Companies are getting back to basics. They are concentrating on their core businesses and not spending their time watching the stock market or looking for acquisitions.



* Fuel prices have fallen. While they will bounce around during the next year or so, no one is predicting a return to $150 a barrel. No more heart attacks at airlines, shipping companies or truck firms because of the price of fuel.

* The recession has jump started investments in the transportation infrastructure. New and improved highways, upgrading of existing bridges and tunnels and an updated air traffic control system. All these developments are positive news for the transport industry.

* Cargo congestion has eased at airports. This is of real benefit to shippers and forwarders as freight now moves smoothly and with little delays.

* Lower transport costs, although resisted by ocean, air and surface carriers will help shippers ride out the current economic storms. Aided by lower shipping costs, companies will remain in business to generate future freight when times inevitably get better.

* Bad economic times reveal who your friends are and who are not. When good times return, you will do business with people who helped you. You will forget about those who were inflexible when dealing with your company.

Tuna Fish, America's Favorite Sandwich & CII's New Market:

The tuna sandwich is the single most popular sandwich in the U.S. and the tuna industry is becoming one of the most important new markets for CII. Most tuna fishing now is done in the South Pacific with hundreds of thousands of tuna caught each year to be made into sandwiches that fill school kids' lunchboxes.

CII is tapping into supplying parts and equipment of all kinds for the tuna industry. The hundreds of tuna fishing boats setting out from South Sea ports like Pago Pago, The Marshall Islands or the Federal States of Micronesia require a huge number of supplies to keep them fishing without interruption. These include stores of every kind, electrical equipment, nets and other paraphenalia. Onshore, the tuna processing and canning plants also require a steady flow of parts and equipment to keep them busy filling all those little cans. From zero business a year ago, CII's tuna business including activity now accounts for 15 per cent of all business out of our Los Angeles office.

Hard times mean never ceasing to search for new business. Companies who allow their current business to shrink without making every effort to find new customers are waiting for a disaster to happen. CII's new business efforts is a non-stop affair and we already are seeing results. CII is winning 100 per cent support from the dominant players in the tuna industry. Our much expanded tuna operation shows how tenacity, ingenuity and the basic will to survive pays off in business as well as in life.

Up to date information on CII's tuna operations can be found on our new web site, www.tunasupport.com

Tuna Support
Critical Logistics for the Tuna Industry

JFK, Sad Story In Air Freight:

JFK, once the air gatway to the world, has fallen on hard times. Many who have watched the decline in air freight of this once booming and vibrant center for air cargo blame the recession almost wholly for its demise. They are mistaken. Yes, the recession has hit freight activity at JFK, but reasons for its decline go far deeper. It is a sad tale of arrogance by the quasi-government agency who controls the airport, the selfishness of labor unions whose members work at the airport and general indifference among the airlines who operate out of JFK.

"Many smaller and mid-sized forwarders, the heart of JFK's cargo operations, are tired of fighting all of the negative factors at the airport. They are merging, being acquired or just shutting their doors."

Of all the major airports in the U.S., JFK 's cargo decline has been the greatest. Many smaller and mid-sized forwarders, the heart of JFK's cargo operations, are tired of fighting all of the negative factors at the airport. They are merging, being acquired or just shutting their doors.. Traveling around the airport grounds, it is not hard to see signs of decay everywhere. The hangar and parking lot at JAL, once humming with activity, now resembles a ghost town. Its sister Japanese airline, ANA, has pulled out of JFK completely. Cargo equipment lie around unattended.

The Port of New York/New Jersey operates the airport like a medieval fiefdom, barely listening to the complaints of its tenants even in these tough times. Why should airlines land their cargo at JFK when a package to be delivered to a town in New Jersey less than thirty miles distant cost $70 in tolls alond? Little wonder the international airlines are landing their cargo in Chicago and trucking their freight eastwards. It's much cheaper and often faster.

Can JFK regain its title as the air gateway to the world? Only with a new spirit of cooperation between the Port, airlines and forwarders will this occur.

The Secret Is Out; 3PLs And 4PLs Generate Hefty Fees:

There's nothing like a good, old fashioned business downturn when money is tight, for shippers to put on their green eyeshades and look at every expense through a financial microscope. I believe shippers finally will wake up to the fact that"old fashioned" forwarders can move their freight faster, more efficiently and above all, cheaper. As that noted sage, Ben Franklin once observed, "a penny saved is a penny earned." No truer words ever were spoken in this environment.

Occasionally, an executive will let slip a damaging statistic without fully realizing what he is saying. Such was the case at a recent trade show when a 3PL executive told his audience that fees for 3PL and 4PL companies now are absorbing 35 and 40 per cent of total transportation costs. How ironic that in the midst of a severe recession, shippers are paying through the nose for often unnecessary and needlessly complicated distribution systems. While 3PL executives continue to boast they are saving customers money with their "advanced" technology and supply chain systems, they never mention the huge fees charged to unlucky clients.

Sincerely,

Julian A. Keeling