



A Fond Almost Farewell To Catalina After Twelve Years:



One of our most senior, trusted and well-liked employees, Catalina Topete, is leaving our Los Angeles office after twelve years at her post at 8900 Bellanca. Catalina joined us barely after CII started back in 1993. She was the first person hired after Peter and I opened shop as an international cargo wholesaler. She came to us as a fresh faced eighteen year old straight out of high school. She leaves us as a thirty year old wife and mother of two boys. Catalina's husband, Javier, has accepted the position of a lifetime in Bakersfield, a growing city 150 miles north of Los Angeles. Her family has bought a beautiful new home and the Topete clan is very excited about the new life they will enjoy.

But wait. Catalina is not severing completely her relationship with CII. She will continue to be on our payroll thanks to the wonders of modern technology. Catalina will be "telecommuting" from her home in Bakersfield to our office at LAX. While we may not see the friendly face of Catalina every day, she will be pumping out the work as if she still were behind her desk.

*Thank
you*

PWC Got Plenty Of Nothin' With Purchase Of Geologistics:

To paraphrase the famous George Gershwin song, "I've Got Plenty Of Nothin'," PWC Logistics of Kuwait got plenty of nothin' when it agreed to purchase Geologistics for \$454 million. The desert sun must have gotten to the Kuwait City-based forwarder when it offered to pay almost half a billion dollars for a company that has gotten no respect for at least the past twenty years by customers, vendors and forwarder peers alike.

Just what is PWC Logistics getting for its hard earned shekels? It now owns a company where the word "profit" has been absent from its vocabulary for the past generation. The Santa Ana-based company also has flirted with bankruptcy not once but a number of times during the past decade. It is a company where solid, middle management is overshadowed by a game of musical chairs being played in the executive suite with top people coming and going with monotonous regularity and with little regard for real merit. It is a company where even such astute investors as William Simon of William Simon & Sons (Secretary of the Treasury under Presidents Nixon and Ford) threw up his hands and sold his company's investment in Geologistics at a substantial loss. It also is very much a dinosaur in today's international freight forwarding environment. Geologistics is a big, lumbering creature with dozens of owned and operated offices throughout the world, expensive to maintain while its smaller, more nimble competitors are reducing costs by turning over much of their operations to independent agents, are becoming specialists in high volume, good profit lane segments and who run

Announcements

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bare bones operations without the financial burden of a huge, non-productive corporate executive staff.

The merger of two large companies in any business is fraught with difficulty. In our own industry, the acquisition of AEI by

Deutsche Post and its merger into Danzas took years before those two companies forged an effective single marketing and operational unit. It will be interesting to follow the progress, or lack of it, between the sons of the desert and the southern California based company who too often lived in a Hollywood-type fantasy rather than the tough, gritty business of freight forwarding.

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Truckers Go International:

Ah, those simple days of yesteryear when everyone in the transport business knew his place. Ships sailed across the ocean; airplanes flew over the ocean and trucks were content to drive up and down the highways and streets of the U.S. delivering freight to big cities and small towns alike. Today's transport picture is radically different, however. With transportation now considered a "mature" industry by the investment community, everyone is straining to invade each other's turf. Airlines want to become forwarders, forwarders want to become integrators and truckers; the "dese," "dem," and "dose" guys, want to transform themselves into high class and high priced international logistics providers.

How else can you explain Yellow Roadway, one of the largest domestic LTL truckers, forming a joint venture with a Chinese freight forwarder? Yellow wants to provide surface transportation in China to importers and exporters operating in that market. It is paying about \$45 million for a 50 per cent interest in JHJ International Transportation, the second largest air freight forwarder in China. With this new agreement, Yellow will become the first U.S.-based trucking company to operate within China's borders. But it certainly won't be the last. Other major trucking companies are looking closely at Chinese forwarding companies for investment "opportunities."

New Faces Of 2005:

CII continues to expand with the hiring of two new additions to our staff. Lyne Enzweiler joins us as VP Administration. Lyne has a diversified background. After graduating from college, Lyne spent some years in real estate as an escrow manager. The lure of the hospitality industry was too great, however, and she entered hotel management. She spent her last three years at one of Las Vegas' most luxurious and famous hotels, the Bellagio. Lyne decided she needed a further challenge and she certainly has accomplished this goal by joining us!



Under Yellow's aggressive president, Bill Zollars, the company obviously is not content for its trucks to stop at U.S. shores. It wants to establish a road network in China, but more ominously to generate freight forwarding business from Yellow domestic customers who do business in China. Here is another 800 pound "gorilla" entering the Chinese market to offer direct competition to our forwarding industry. Will Yellow succeed? Will they take existing business away from forwarders who now use their trucking services? No one can predict the future but I can assure Mr. Zollars the China market is hardly a piece of cake. Success in one market is no guarantee of success in another market 10,000 miles distant, particularly for large, bureaucratic companies. Indeed, smaller, more nimble forwarders have carved out a good chunk of the China market. Our company, CII, working with aggressive and flexible local forwarders in principal Chinese commercial cities, has generated sold business in this dynamic market. It will be interesting to watch Yellow's progress, or lack of it, in the coming years.



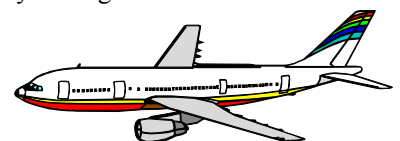
Norma De Leon is more of an air cargo veteran. She worked for one of our most loyal L.A. customers, HDS, for many years. She took a break as a homemaker for two years, then decided to get back into the unpredictable world of air freight by joining us. Pete, Mike and Ronen just love kicking back; knowing the invoicing and forwardings are being attended to every day. Consolidations are being closed out within days of shipment under Norma's eagle eye. Lyne & Norma, welcome into the CII family.

Busy Season Around The Corner:

The Aussie market always heats up in August in anticipation of the Holiday season ahead. Space really tightens up and with such heavy backlogs, it is almost a given that customers' freight does not arrive as booked. We no longer have the help of the Asian carriers. In the past, they used to be real lifesavers by moving Aussie-bound cargo through their home ports. Now, they are ferrying their flights almost empty to their hubs to uplift planeloads of China-originating cargo to Sydney, Melbourne and Auckland.

"Last year, we tried very trick in the book to keep cargo moving. This year, we are remaining with the carrier we booked. When we present our units to a carrier for shipments, that is where the cargo will remain."

During the month of July, cargo volume exceeded capacity. This is continuing with all carriers backlogged. Because of this continual backlog, CII is changing its tactics. Last year, we tried very trick in the book to keep cargo moving. This year, we are remaining with the carrier we booked. When we present our units to a carrier for shipments, that is where the cargo will remain. If ULDs are short shipped, we will not retrieve the freight to rebuild and move to another carrier who might be a quicker alternative. We have come to the somewhat reluctant conclusion that changing airway bills causes CII more grief than the extra day we may have saved the customer. We are better established this year to move freight on time and on schedule. Life, however, will be much easier for us by keeping to the principle of not switching airlines in an effort to fly out delayed freight faster.





Mighty UPS has not been on a roll recently. The once seemingly invincible express package service has suffered a few black eyes. UPS recently lost of shipment of tapes containing millions of peoples' identities to embarrassing headlines around the country. Its vaunted and highly profitable domestic air package express service (along with FedEx) is showing definite signs of a slowdown. To top off these indignities, tough competition is coming from a totally unexpected source—the supposedly sluggish, slow moving U.S. Postal Service. In at least one category, the USPS is a real winner—priority mail. With little attention by almost everyone, priority mail is

More Risk For UPS:

growing like gangbusters. In the first six months of 2005, USPS' priority mail volume climbed almost 25 per cent. Industry watchers and the institutional community believe this growth came primarily out of the hide of UPS. Reason: priority mail is primarily business to consumer, which also generates much of UPS express volume. FedEx is primarily a business to business deliverer of express packages, and is less affected. Priority mail is considerably cheaper, particularly with fuel surcharges tacked on by UPS and FedEx. Priority mail has no fuel surcharges. While UPS and FedEx both have increased rates in addition to



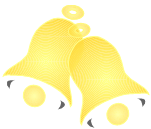
their fuel surcharges, USPS has kept its tariffs steady since 2002. Perhaps that is why USPS has a 22 per cent share of the domestic parcel market, a record for the government agency. It also is growing at a much faster pace than either UPS or FedEx. USPS' momentum makes it very difficult for UPS to increase either domestic ground or air volume. Give that old, bureaucratic-snarled government agency credit when it is deserved. USPS saw a market, was unimpressed with the supposed invincibility of its competitors and grabbed an increasingly greater market share with low pricing and good service. There's life in that old gray mare yet.

A Dose Of Reality:

Sometimes lost in the hulabaloo of which exporting companies are most important to the U.S. economy is just what kinds of products we sell to other nations. Guess what is the third largest export of the literally thousands of products made in the United States. It is wastepaper. The single largest product shipped from the Port of New York-New Jersey is wastepaper. The U.S. has become to wastepaper what Saudi Arabia is to oil. In fact, the single largest exporter, jumping

ahead of such corporate heavyweights as Boeing, Caterpillar, Dow Chemical, etc. is a totally obscure paper processing company—American Chang Nam based in Pomona, CA. The company exported waste and recycled paper in more than 200,000 containers last year, the largest number of TEUs of any single exporter. Let's get real. Free market economists can talk until they are blue in the face about how beneficial globalization is to the U.S. economy. But when the mightiest nation

on earth has to depend on wastepaper as one of its principal exports, something is rotten in Denmark. A nation's wealth is not built on a product you throw in the trash bin or in services where people sell intangibles to each other. It is in high value items like consumer and business electronic products, automobiles, apparel and other goods. We need less export of wastepaper and more of high value items.



Wedding Bells For Ronen & Josephine:

July 30th was a very special day for one of our employees. On that Saturday, Ronen and Josephine tied the knot. The bride was beautiful and to our surprise, Ronen looked very much the smashing groom.

For many of us, accustomed to Ronen's very informal attire around the office, it was the first we have seen him "mockered

up." The couple will live in Hollywood, more of a lotus land than the nitty, gritty air freight atmosphere around LAX. Josephine, being French, has haute cuisine in her blood. Unfortunately, her culinary skills are somewhat wasted on Ronen, who is one of those vegetarian freaks! Peter, who admits to chomping down a 32oz "T" bone steak with all the

trimmings, has been trying for years to coax Ronen into real he-man cuisine. But to no avail. Ronen, dripping wet, is currently about half Peter's weight of 280lbs. Peter reckons by the time Josephine finishes with Ronen, he might grow into a real man, just like our corpulent vice president. Perish the thought!



Sincerely,

Julian A. Keeling

