



Consolidators International, Inc.

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## Let's Have A Moratorium On Cargo Conferences:



The recent TIACA Air Cargo Forum, held in the Malaysian capital of Kuala Lumpur, was a complete fiasco. The number of attendees was down considerably and the amount of display booths was far less than the sponsors had hoped. The entire tone of the conference was, as one attendee expressed it, like the night of the living dead. Attendees spent far more time commiserating with each other on the sad state of affairs in air cargo than listening to the banal and boring speeches by the invited speakers.

The TIACA failure highlights the fact that air cargo conferences have lost any relevancy they might have had in the past. Oblivious to the worldwide economic slowdown with concurrent weakness in air cargo traffic, dozens of conferences are scheduled for 2009 sponsored by trade journals and various cargo trade associations. The vast majority of these conferences will sink under their own weight. What are the speakers going to talk about; how tough it is in today's

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cargo environment? Why pay good money in transportation and lodging expenses to listen to speakers who haven't had a fresh idea in decades? Why spend hard earned money on exhibition booths when most of your visitors will be exhibitors from other booths? As one veteran attendee put it, "when I hear one more speaker call his hi-tech system revolutionary, my eyes automatically glaze over."

Let's call a halt to these useless cargo conferences which do not advance our industry one iota. Why line the pockets of conference sponsors without receiving any value at these meetings? Perhaps these forums made sense in flush times when cargo people could afford the time and expense to mingle with their peers

while networking over lunch or the cocktail hour. These are not flush times, however, but survival times. Forwarders should spend their time at their home offices or on the road making sales calls to hold onto current customers or to find new ones. There is no point in traveling often half way around the world to attend a needless conference.



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## While U.S. Flounders With Bailouts; China Forges Ahead:



The current floundering by U.S. officials as to just how the \$750 billion bailout should be spent is another indication of the total lack of their direction and control in guiding our economy. These supposedly sophisticated financial types, led by Treasury Secretary Paulson, is showing no more acumen than a high school economics class. Directives emanating from the Treasury and Congressional leaders are confusing at best and destructive at worst. If conditions weren't so tragic, it would be funny watching to day.



officials from the Treasury Secretary on down contradicting themselves from day With confusion reigning supreme, the bailout to stimulate our economy is going nowhere. Sub-prime mortgages are not being paid off, banks aren't lending either to business or consumers even if their credit is Triple A, and the stock market is like a roller coaster—up sharply one day or down even more steeply the next.

The Chinese also have announced a stimulus package and the contrast between its clear, carefully planned objectives and the U.S.' floundering efforts couldn't be greater. The Chinese

are allocating \$500 billion for the nation's infrastructure. The upgrading of the nation's ports, roads, airports, communications facilities will take top priority in that nation's efforts to become an even greater industrial power. The Chinese realize that without an efficient transportation system, its enormous productive output literally will go nowhere. For the past decade, the U.S. has been trying to teach China how to produce more goods more efficiently. Perhaps we can become their students and they the teacher.



## Another Case Of Exquisite Airline Mistiming; Deluxe



Leave it to the airlines to concentrate on the past, not the present. The airlines jumped on the jet fuel hedging bandwagon just when oil prices hit record highs of almost \$150 a barrel. Frightened at paying even more for jet fuel, the carriers followed Southwest Airlines' example and hedged against higher oil costs. They hedged at almost the exact moment when oil prices began to fall. Result; today's oil price is less than \$60 a barrel with airlines reporting losses in the billions of dollars primarily due to

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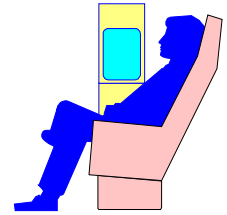
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### Seating At Deluxe Fares:

hedging costs. It is the major reason why the carriers still are showing red ink on their books.

A similar spectacular mistiming is the decision by most of the major international carriers to upgrade their first class and business cabins into some kind of flying bedrooms—with sky high fares. British Airways had led the way with its board chairman declaring, "we don't want backpacker passengers on our aircraft, only business and first class people."

After spending close to \$1 billion on making over all of the airline's cabins and scheduling new all business class flights between the U.K. and the U.S., what does BA have to show for it? Very little as passengers and their companies are balking at the \$10,000 round trip air fares from Heathrow to JFK. Investment bankers, hedge fund managers, mutual fund executives and other financial types who made up most of BA's first class passenger list either have been fired or are



sticking close to home trying to drum up new business. Other airlines upgrading to serve this once free spending group are feeling the pain. Suddenly, backpackers are in vogue again. They may be the only passengers who haven't seen their financial assets shrink to almost nothing. BA executives aren't the only ones who rolled the dice for super luxury passengers and have come up snake eyes. In true carrier fashion, all the other major carriers, like lemmings, followed suit—and are paying the price.

If airline execs would spend a fiftieth of their time improving freight operations at their airlines rather than attempting to create bedrooms in the sky, the carriers would be in much better shape. Forwarders could sell cargo more successfully. A full belly load of freight is far more profitable than empty first class cabins.

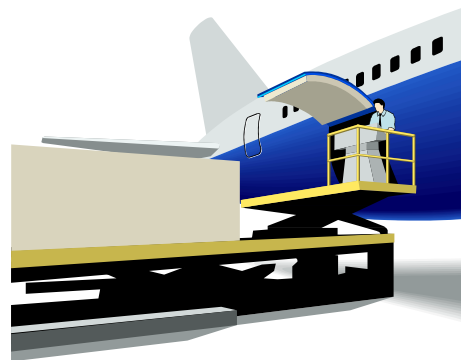
## The Strange Case of Geoff Dixon; Retiring Head Of Qantas:



Geoff Dixon, who retired as CEO at Qantas at the end of November after seven years in the top spot, leaves behind a very mixed record of accomplishments and failures. On the positive side, Qantas has doubled in size during Dixon's watch and has scored record profits in a very challenging environment for all airlines. The company also has launched successfully its jumbo 380 flights (although Qantas' orders for 20 more of these aircraft seem grossly excessive in a recessionary era of diminished demand).

Weighed against these accomplishments is no lack of operational failures, very poor labor relations with the Qantas staff, and the conviction by many in Australia that Dixon placed his own financial interests ahead of the airline's well being. Questions have been raised about Qantas' once matchless maintenance standards, highlighted by the explosion in a cargo hold of a Qantas flight over the Pacific a

few months ago. Fortunately, a safe landing was made in Manila thanks to the skill of its flying crew. The incident revealed a number of maintenance flaws at Qantas and also made plain the fallacy of "outsourcing" much of the airline's maintenance to MRO (maintenance, repair and overhaul) companies in Asia with questionable records of service and dependability, Employees, particularly in



the carrier's cargo division, bitterly resented Dixon allowing Cargo VP-Americas, Bruce McCaffrey, to take the rap in the cargo price fixing case brought by the U.S. Department of Justice and the European Union. McCaffrey, an ill and physically disabled 25-year veteran of Qantas, is languishing in jail while senior executives including Dixon, who must have known about the conspiracy, go scot free. Dixon also hardly covered himself with glory earlier this year when he led a group of outside investors to attempt a take over of Qantas. He had far more regard for his pocketbook than the welfare of the airline. Fortunately, a public outcry and decisions by a number of Qantas shareholders to vote against the take over stopped the Dixon cabal cold.

Dixon has left a financially strong airline but a carrier whose employee morale is at a record low. His legacy is decidedly a mixed one. How Qantas will fare in a drastically changed airline environment remains an open question.

## JAL Eliminates Cargo Service to JFK; All Is Not Well In Japan:

The recent announcement by Japan Air Lines that it is eliminating all cargo flights between Japan and JFK after more than thirty years of service to that key New York destination, highlights the tough economic state of affairs both in that nation and the U.S.. While China seems to receive all the attention in international trade, Japan, which is the world's second largest economic power after the U.S., scarcely rates a mention in the trade and business press. Yet, Japan engages in a

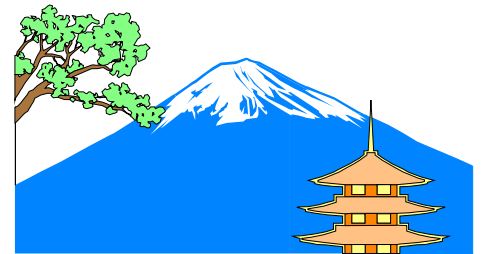
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huge amount of trade with the U.S.A. both in ocean and air.

An industrious nation of 96 million souls, Japan has been flirting with recession for the past decade. That recession has intensified during the past year when its vaunted export trade, upon which so much of Japan's health depends, kept declining at an accelerated pace. Its trade surplus this past September simply evaporated, plunging a staggering 95 per cent. It was the 13th consecutive month in which its surplus decreased. Americans no longer are snapping up Japanese cars and electronic products as they did in the past. The country is one of the very few in the industrialized world where deflation and not inflation is a major problem. It's not a pretty sight. As lower prices take hold, Japanese consumers keep waiting for further declines and hold off buying anything except for the most vital necessities. The Japanese savings rate is close to an incredible 46 per cent of their

gross national income (U.S. savings rate is close to zero) with the government urging its people to spend more.

Is Japan a harbinger of what may happen to other nations, particularly the U.S.? While few economists here are predicting outright deflation, most believe a sustained rise in prices is not feasible given the unprecedented weakness of the U.S. economy. Air freight is already in a deflationary spiral with U.S.-Asia shipments dropping by about 10 per cent, its greatest decline since 9/11.

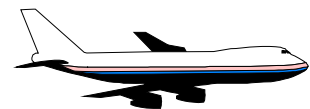


## The Boeing 747 Celebrates Its 40th Anniversary:

A few months ago, the Boeing 747 celebrated its 40th anniversary. It is hard to believe this aircraft, which changed civil aviation, is four decades old. It also is hard to believe the enormous differences between the Boeing company of 40 years ago and today. Back in the 1960s, Boeing was a risk taker and the huge 747, more than double the size of its 707, was its biggest risk. Aviation "experts" derided the idea of such a large aircraft; it never would be filled with passengers or freight, they said.

How wrong they were. Pan Am gave Boeing its initial order for 25 747s and Boeing never looked back. The 747 then cost \$25 million in development costs and the aircraft was delivered to Pan Am on schedule and under cost. What a difference today! Boeing's newest aircraft, the 787 "Dreamliner," cost \$2 billion to develop and is hopelessly behind schedule. Boeing's newest version of the 747, called the 747-8, also is about a year behind schedule in delivery to airline customers. What a sorry record for a once

great company. As the only U.S. maker of large commercial aircraft and one of the biggest in military planes, Boeing has an obligation to the nation, its employees and shareholders to shake off its lethargy and confusion and become once again one of the iconic companies in the U.S.



## Christmas; A Time Of Hope In A Climate Of Fear:

How quickly the year has sped by with the nation and the world experiencing a veritable tsunami of bad news. No end seems to be in sight. Christmas is a time of hope, not despair. It is a season when in years past, we thought far more of the gifts we will buy and receive than what the Holiday really means. Today, many of us see Christmas as time of reawakening, of evaluating our lives in moral and ethical



*Sincerely,  
Julian A. Keeling*

terms. Perhaps the realistic world of today, not the fantasies of yesteryear, will teach us what is important. Hopefully, we will learn once again the true meaning of Christmas to help us live a better life.

To one and all; a merry and satisfying Christmas.

