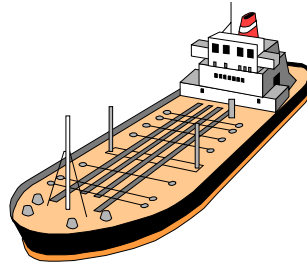




CII Starts New Ocean Division:

When CII opened its doors thirteen years ago, we were strictly an air cargo wholesaler. As the years passed, however, we began getting requests for moving cargo by ocean. These inquiries accelerated during the past few years until today almost 10 per cent of our business is generated by ocean freight. Because of the growing importance of these operations, we decided to create a new division at Consolidators International—the Ocean Freight Division. It is to be headed by our Asia-Pacific Manager, Margaret Ng, who already is active in moving cargo by ocean for our forwarder customers.

The creation of this new division will transform what has been primarily ad hoc efforts to move cargo via ocean, into a carefully conceived business plan with full staff and technical support. Our relationship with a number of shipping lines, particularly to the South Pacific and Asia, already is one of mutual trust and respect. We expect this relationship to



grow stronger as CII expands its efforts into this mode of transportation. CII will be taking concrete steps to strengthen our operations in sea freight, including the application for an NVOCC license. The potential market for CII is vast. Despite the importance of air cargo for many products with time sensitive requirements, ocean shipping still accounts for 98 per cent or \$1 trillion of international trade. CII expects solid business growth both in container and break-bulk shipping. On a personal note, it will be like going home for Julian Keeling. I started my transportation career thirty-five years ago as a clerk for an Australian shipping line in Australia. Of course, our air cargo business, now growing at a record pace, will remain a top priority at CII.

Is Freight More Important Than People?

Last month, Airbus unveiled its new jumbo jet, the A-380 at a glittering ceremony in Toulouse, France before thousands of invited guests. It was “showtime” for the monster airplane as it sat quietly in a huge hangar built specifically for the aircraft. Its first flight is scheduled for next month and it will be interesting to see how the aircraft performs after all the bombast spewing out from Aerospatiale’s press office. It also is interesting to note that the only U.S. carriers ordering the giant jet are FedEx and UPS, two airlines that carry no passengers but fly express packages and

increasingly, “heavy” cargo. U.S. combination “legacy” carriers want no part of the \$260 million apiece huge jet although supposedly it could carry up to 800 people at less cost per passenger than current aircraft. Is freight becoming more valuable than people? If initial orders by FedEx and UPS are any indication, it certainly is. Other straws in the wind indicate that air cargo finally is getting the respect it deserves. Even Boeing is surprised at the large number of worldwide airlines who are requesting the conversion of many of their passenger 747s into all-freighter aircraft. Also, the

Announcements

Inside This Issue:

CII's New Ocean Division	pg 1
Freight more important than people?	pg 1
Cargo 2000 fighting the odds	pg 2
Lovely Ladies Brighten JFK	pg 2
Visit "Down Under"	pg 2
Capacity relief to Aussie/NZ?	pg 3
U.S./Aussie Free Trade Agreement already paying off.	pg 3



company’s order book for new 747 freighters is about the only bright spot for Boeing’s civilian business, which is falling further behind Airbus in new passenger aircraft orders. Of course, it will be fascinating to see how much cargo actually will be loaded onto the double decks of the A-380 once these huge new aircraft are placed in service.

Cargo 2000 Still Fighting The Odds:

Cargo 2000, an IATA approved air freight interest group, is gearing up for a major forwarder recruiting drive in 2005. If past efforts are any indication, the odds for success are hardly favorable. Of the approximately 1,000 freight forwarders operating in the U.S. alone, a grand total of nine consolidators have joined the organization since it was founded in 1997. Why this almost complete lack of interest in Cargo 2000?

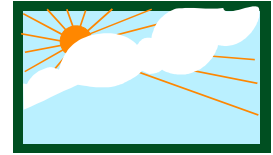
Like most trade organizations, Cargo 2000's public statements are a combination of the obvious generously laden with a surfeit of hot air. Its official declaration of intent is the language of pure corporatese. Quote, "Our objective is to implement processes backed by quality standards that are measurable and supported by data, thereby improving the efficiency of air cargo, enhancing customer service levels and reducing operational costs." It would take a forwarder too much time away from running his business to decipher that statement.

Cargo 2000, however, suffers from more basic problems than strangled syntax. Its attempt to blanket our industry with an extensive list of formal procedures and processes imply is unrealistic in our free wheeling world of forwarding. Conforming to some 40 operating procedures established by Cargo 2000 would keep the forwarder so busy adhering to them, he wouldn't have time to devote to his primary task of moving freight. Also, joining this "select" group of forwarders doesn't come cheap. Entry costs are high and once a member, fees keep popping up like mushrooms after a rain. Cargo 2000 claims that unless forwarders join the organization, "they (the forwarders) will lead no more than a marginal existence in the long term." I have news for Cargo 2000. Forwarders have heard these voices of doom before. Short term or long term, we are still here, moving cargo for our customers with a proficiency that shippers appreciate. It is remarkable how many customers mid-sized forwarders are snatching from the nine members of Cargo 2000 despite our refusal to join the organization.

CII Brightens JFK With Two Lovely Ladies:

Forget the cold, wintry weather at JFK. CII is brightening the airport with the appointment of two lovely and lively ladies at its JFK office. Both combine solid cargo experience with a fresh, pleasing demeanor that will warm the hearts of customers, airlines and vendors. Who are these curvaceous conveyers of cargo? They are Lisa Harps, CII's new New York Manager and Debra Johnson, Operations Manager.

Lisa is a born and bred New Yorker, while Debra spent her early years in Mississippi. Lisa and Debra have been friends for many years and work beautifully together as a team. Lisa has spent the the past fifteen years working in



the air cargo vineyard, in a variety of capacities for such companies as Airborne, Citipost Express and Dependable Air Freight. Debra's background even includes a stint as a ticket broker plus solid cargo experience at Gillette Global Network. Both come well equipped in management, organization and sales experience.

Consolidators' JFK office has shown solid expansion since it opened two years ago. We expect even greater growth based on the enthusiasm, dedication and sure knowledge of cargo operations at JFK by two of the best (men or women) in the business. Welcome aboard, Lisa & Debra!

Visit To Down Under:



Yours truly is starting the New Year by hitting the pavements of Sydney, Melbourne and Auckland this month. Saying "hello" to our customers and offering a heartfelt "thank you" has been a yearly ritual since CII first opened its doors in 1992. And we love it. When all is said and done, freight forwarding remains a people's business. Listening to a customer's needs across a table is worth a hundred e-mails. Happily, our business has been growing steadily "down under" due to two factors. A fatter ledger book with new customers coming on board almost on a monthly basis. And a growing size of our average shipments. Service levels at both ends of the U.S.-Australian/NZ supply chain never have been higher. Relationship with our vendors, particularly the airlines, never has been as strong as today.

The "experts" and pundits have been proven wrong again. Almost from the first day CII opened its doors, we were told by various consultants and other assorted cargo specialists that CII was too narrowly focused;

that it was a mistake to put almost all our eggs into the South Pacific basket. Being too narrowly focused, they warned, would lead to our demise. Who has the last laugh now?

Within three months after starting CII, the South Pacific market jumped to 80 per cent of our business and has remained amazingly constant ever since. It is a great destination. On either side of this supply chain are people literally speaking the same language. The same respect for law. The same respect for ethical business practices. We never have regretted maintaining our focus "down under." It does not mean we have neglected other regions of the world. Our China business is expanding rapidly. We have made inroads into the Russian market as a

"niche" player. The other 20 per cent of our business has grown enormously since 1992. It has quadrupled in the thirteen years since CII first opened our doors.

As the French so wisely say, "the more things change, the more they remain the same."



Don't Look For Capacity Relief to Aussie/NZ In 2005:

While everyone in our business seems hypnotized by the ex-China/U.S. market, the South Pacific is growing at just about the same percentage as China. It is from a smaller volume base, of course. No one seems to notice this solid growth except people with a big stake in the market—like CII. Because of this rapid growth combined with almost no additional lift, space to “down under” will be tight throughout 2005.

Here's the picture. Air New Zealand's code share agreement with Lufthansa ends next month. Quite frankly, it has amazed me this relationship lasted so long. Kiwis have their own way of doing business and it couldn't be more different than that of the “Achtung” crowd. Ask any American who still works for Chrysler—’nuff said. The cargo boys (excuse the sexist remark) at Air NZ's Auckland headquarters are scrambling to find a freighter replacement. The word around Auckland's airport is that a replacement would involve some kind of deal with Qantas/Polar. The only other ACMI operator, Evergreen, is raking in too many chips from Uncle Sam's excursion into Iraq to be interested in renewing its relationship with Air NZ.

"While everyone in our industry seems hypnotized by the ex-China/U.S. market, the South Pacific is growing at just about the same percentage as China."

FedEx' own express business to Australia is growing at a rapid pace. Result: less forwarder space is available. Remember when FedEx salespeople would come to us, hat in hand, asking if we had cargo to fill up all those Flying Tiger 747s which FedEx had acquired? Those days are ancient history. What about United? They're too busy making bankruptcy filings and showing little interest in freight to the South Pacific. That leaves just UPS. With only two flights per week (one 747 and one 767), the 120,000kgs is really small potatoes compared to its three biggest rivals. UPS, like all the other carriers, is fixated on the China market. They may take their eyes off that market just long enough to add an MD-11 later in the year.

We're not knocking UPS. A significant portion of CII's South Pacific weekly volume moves on UPS. We wish they would pay more attention, however, to this growing and profitable destination. All we hear right now is silence from the carriers serving the South Pacific. FedEx finds it too costly to ferry additional empty freighters to Asia from Australia without any guarantee of back loading. Any QF/NZ deal involves the high cost of leasing, with the additional problem of creating an oversupply of aircraft returning to the U.S. via Asia. And if truth be told, air freight ex-Asia has a peak season from August through October. While tight capacity can be frustrating to the ops person, there is a silver lining. Rates should continue to rise. We may even see rates rising to the levels that were in effect during the mid nineteen eighties. Higher rates bode well for our industry. Shippers have been spoiled rotten during the past twenty years. It now looks as if, finally, the pendulum will swing back to genuinely compensatory rates for our business. It's about time!

U.S./Aussie Free Trade Agreement Already May Be Paying Off:

The ink on the new U.S./Australian free trade agreement hardly has dried when important progress already is taking place. It is in one of the key industries in both nations—the auto sector. General Motors and Ford, the number one and number two auto makers in Australia, are actively planning to move greater supplies of component parts “down under” and perhaps even exporting Aussie-made finished cars to the U.S.. This would be a first in the seventy five years of auto production in Australia. Australia shares the same love affair with big V-8 powered “muscle” autos as do car buyers back in

the States. Thus, there is a natural market for these kinds of cars and components in both nations. Only high tariffs have prevented a free and unfettered exchange of products. GM now is moving 100 tons of engines and components by air each week into its Fisherman's Bend plant in Melbourne to meet increased production deadlines.

Although unknown to Americans, one of the most popular cars in Australia is the full sized “Holden Ute” made by GM. There is now serious talk about exporting fully assembled Holden cars back to the States. Unlike SUVs and pick ups which

are built on truck chassis, the Ute is a pick up that is assembled around the Holden Commodore luxury car. It provides a softer ride, much like a station wagon rather than a SUV. GM also sees a great future in America for the two door Holden Monaro sports car. Rebranded with a Pontiac label, the Monaro would make a perfect successor to the now defunct but legendary Firebird/Camaro brands. While Japanese brands are sold in Australia, they never have achieved the same popularity “down under” as in the U.S. Ford and GM Holden always have produced cars that Australian love to drive; big, comfortable, powerful machines. During the next few years, both nations will derive generous benefits from this new trade agreement. The auto industry, in particular, now will be in a position to offer greater choices to each nation's car buying public.



Sincerely,

Julian A. Keeling