Consolidators international, Inc.

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Air New Zealand's "Fyfe, The Knife":

have been known to make odd, controversial statements on air freight and other weighty matters during my thirty-seven year career in the transportation business. From time to time, Air New Zealand has copped a little flak from my musings.

born and bred in that "south seas paradise," and having lived away from that country for twenty-three years although I travel regularly to New Zealand on professional and personal business, I have witnessed many changes. Unfortunately, most of these changes are in the negative column. Just over three years ago, I likened the largest city, Auckland, to Lagos, Shenyang or Mumbai (the old Bombay). In other words, a third world city despite its English heritage. Like Los Angeles, where the English language is starting to take second place to Spanish, in New Zealand, Chinese is starting to take the place of our native English. Everyone should start learning Chinese before they are forced to! Queen Street, Auckland's principal retail/ business thoroughfare, more resembles a dirty, back street in Shanghai than a former British colony.

Only two top-ten companies of fifteen years ago remain listed on the Auckland stock exchange, Air New Zealand and Fletcher Building. And I don't give Air NZ much hope in remaining on the N.Z. bourse much longer. Why? Because of that "wacky" lesbian minister, Helen Clark. She was forced to bail out the airline three years ago and her government now sits as an 85 per cent shareholder. They want out. Enter Bob Fyfe, "the knife", as replacement CEO in 2006 and already the destruction of a once proud airline has begun.

"The knife" is rapidly turning Air NZ into the world's first "virtual" airline. All the aircraft are leased; India is now the call center. China now services the fleet. Catering is outsourced and so too will counter staff. It is expected that later this year all ground handling, including critical ramp personnel, passenger and cargo will be outsourced. Cargo sales will be handed over to G.S.A.s. The flight and cabin crews will be the last to go and will be replaced by cheap Chinese labor under contract. The only thing Air NZ will own is the paint on its aircraft. Air NZ will be stripped of all its assets. Probably a staff of no more than ten will be needed to control the money and its destiny.

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My recommendation is this; China is flush with cash. Hey, Helen, why let "Fyfe the Knife" continue to muck around and prolong the misery of all remaining Air NZ personnel? Sell the outfit, lock, stock and barrel to Air China. Better still, hand over the whole nation to China. Over the past ten years, little by little, but now in huge chunks, New Zealand now resembles a Chinese colony in every sense of the word. Thanks to you and your idiot crony colleagues, the country has moved to the lowest common denominator. There is no question that New Zealand has lost its identity and what little culture it had. I think N.Z. is ripe for the plucking. At least, the Chinese aren't retrograde, race hating, radical, revolutionary Muslem terrorists hell bent on destroying western civilization.

Announcements

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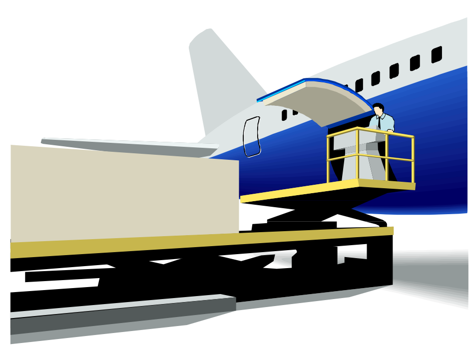

The Hawaiian Airline Business; Trouble In Paradise:

Normally, my interest in Hawaii is strictly as a tourist. I've been traveling to the Islands for a number of years and it remains one of my favorite Holiday destinations. From a cargo perspective, however, Hawaii never has played an important or even modest role in CII's business. CII's Mainland-Hawaii cargo volume has been tiny and mostly ad hoc. That picture of a very peripheral market is changing, however. We recently hired a sales manager based in Honolulu. Now, CII expects to pursue vigorously the Hawaiian air cargo market not only between the Mainland and the Islands but also to South Pacific and Asian destinations. While the Hawaii-U.S. market is growing slowly but steadily, the same cannot be said for the airline business between the Islands.

For there is trouble in paradise. This trouble in many ways is a a microcosm of the airline state of affairs on the Mainland. In Hawaii, the two "legacy" carriers, Aloha and Hawaiian Air, are battling a low cost newcomer Go! which began service last June. The intra-Island market is barely big enough for two airlines, let alone three! But all are battling to increase market share. To do this, in time tested airline fashion, they are reducing fares to below the breakeven point and waiting for the other guy to give up. Adding to their problems is the changing demographics of the Islands and the explosive growth of direct flights from the U.S. Mainland that bypass Honolulu. These flights are up almost 100 per cent in the last four years. Since the year 2000, there has been a 22 per cent drop in inter-Island traffic while at the same time more flights are being added by the three carriers. Little wonder that Aloha and Hawaiian Air already have gone through the bankruptcy courts. Fortunately, from our perspective, the U.S. Mainland-Hawaii market basically is healthy and showing modest but steady growth. We believe this market can sustain a new entry, CII, offering competitive pricing and superior service. These qualities have been our trademark since CII opened its doors ten years ago.

Acquisition Mania Moves "Down Under":

U.S airlines aren't the only ones succumbing to the merger and acquisition fever. Qantas Airways has recently accepted an $8.5 billion buyout by a consortium of Australian and American financial firms. The very symbol of Australia throughout the world is now in private and partially American hands. The concern by a number of Australian law makers and the airline's labor unions that Qantas' jobs would be shifted overseas to lower cost locations and the airline's non-core assets would be sold, weighed little against the greed of shareholders and management's intransigence. Yet, Qantas hardly needed "rescuing." The airline, unlike many of its global rivals, has remained profitable despite high oil prices and stiff competition. Its prospects remain very bright. Qantas flies to nineteen nations in Asia, now the world's center of prosperity and economic expansion. Its routes to the U.S. and to the U.K. are consistently profitable. Why tamper with a successful enterprise? I have little doubt that the new owners, to pay off the debt generated by the acquisition, will strip the airline of its assets a la Air New Zealand. Then, they will float a stock issue of a non-asset airline to an unsuspecting public. A once proud airline will resemble Air New Zealand in that everything will either be outsourced or leased.

QANTAS

My concern for the Qantas acquisition is more than just as an observer of the airline scene. A good percentage of CII's business remains Australia and New Zealand bound. With the new owners having to pay off the enormous debt created with the purchase of Qantas, cutting costs will be the order of the day. It is hardly beyond the realm of possibility that flights will either be downsized to smaller aircraft or eliminated altogether. Where does this leave the freight forwarder with cargo destined for "down under?" Let's hope that cooler heads prevail and Qantas makes no effort to shrink its cargo capacity.

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Give United An "A" For Top Communications:

Just about every day, I receive an e-mail from United Air Lines, updating me on company policy, rates, bookings, airport closures or anything of interest they wish to share with their cargo public. I have to admit my respect for this airline rapidly is growing. It takes only a minute to read their informative broadcasts, but I have learned a good deal from them.

CII has just won a large contract to a destination where United is a major player. Our team unhesitatingly chose them as our prime carrier over other major carriers. It wasn't so much the rate but the confidence that we will receive preferred service and excellent feedback.

If you had asked me two years ago if I would consider United as a first option, as quick as lightning, I would have said, "no way." Under its former cargo "guru" of a few years back, the infamous Jim Hartigan, United had slipped to virtually last place in my pantheon of airlines. Here we are five years later and literally before our eyes, they are becoming market leaders in cargo in every way. It just shows, where there is a will, there is a way. It also shows what an appearance in bankruptcy court can do in stimulating management to mend its wicked, wicked ways. All credit must go to United's current cargo management. Keep up your excellent communications. You have elevated the image of your airline immeasurably.

More Australian-U.S. Cargo Service; Maybe:

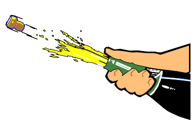
While Qantas and Air New Zealand are floundering, there may be hope in the cargo situation south of the Equator. The big Australian logistics group, Toll is considering seriously increased cargo service after taking control of Virgin Blue—the airline started by Rchard Branson. Toll is interested in starting cargo service to the U.S., using dedicated, long range Boeing 747-400 aircraft which would complement its passenger fleet. The logistics company believes the growth in U.S.-Australian air freight volume could justify a new service. Virgin Blue's Board of Directors expects to make a decision re starting U.S. service early in 2007. There is any number of obstacles, however, before the first Virgin Blue cargo aircraft lifts off the runway. High fuel costs are an impediment. The ability to obtain flights to the U.S., and Australian government support also must be obtained before any decision is made. As a freight wholesaler serving the Australian market, we say the more airlines carrying our customers' freight, the better. A little competition never hurt anyone.

European Air Cargo Starting To Revive:

While the U.S. remains by far the world's largest importer, demand in the U.S. economy is slowing. To fill the gap, strength is coming from a surprising source—Europe. Long considered the home of stagnant economies and hidden in the shadows of the Asian economic boom, the 17 nations in the European Economic Union are starting to flex their muscles. Germany and France, the two largest and most important nations in the Union, are showing growth once again after years of hibernation. Smaller countries like Spain and the new entries from eastern Europe continue to gain economic strength.

The "euro" currency nations are on track to show their greatest growth since 2000. And it couldn't be more welcome. The U.S. economy is decelerating. China is making noises about accelerating its domestic economy to ease tensions among its 1.2 billion-strong population and to de-emphasize exports. The "tiger" nations of southeast Asia are behaving more like pussycats. Air freight needs a good shot in the arm. October air statistics, the latest available, were dismal across the board. Domestic air freight showed a decline while international cargo rose only one per cent, the smallest increase in more than a year.

CII is not simply an interested bystander in the European trade revival. We are strengthening and upgrading our agents throughout the 17-nation EEOC in addition to the U.K. We believe Europe will be increasing its trade flows into the U.S. and throughout the world in 2007.



Final Thoughts For The New Year:

The assorted "experts" and pundits have weighed in with their predictions for air freight this year. At best, these all are educated guesses. Let me add to this guessing game. When all is said and done, the air cargo business will not be very different in 2007 versus 2006. Existing customers will continue to use the "transport child" of the 20th century because of their distinct needs for rapid, reliable delivery of cargo. New, fresh customers will be increasingly hard to wean away from surface transport. The huge overcapacity expected this year in container capacity, with a subsequent softening of ocean rates, will, make it doubly difficult to persuade surface shippers to shift to more expensive air. China will become less of an 800-pound gorilla trading nation and more of a 600-pound simian as that nation increasingly looks toward its own domestic needs. Europe will show, at long last, trading strength. Freight forwarders should turn more of their attention to Europe this year while continuing to focus on Asia. Unless an economic or political disaster occurs during 2007, which no one can predict, air freight should show small gains internationally this year with a flat to declining share of the domestic transport market.

to all!!

Sincerely,

Julian A. Keeling