



Consolidators international, Inc.

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Transportation Ignored By Presidential Candidates:

A passel of candidates for the presidency from both parties is running throughout the length and breadth of the United States telling all who would listen what's wrong with America and how they would fix it. It is instructive to go beyond their hot air and read their voluminous web sites. You will discover very quickly almost every problem faced by our nation is discussed in exquisite detail and how they would solve them. Want to know Hillary's views on Iraq? Read her web site. Romney's thoughts on the economy? McCain's views on the military? Obama's convictions on health care? It's all on their web sites. One critical problem, however, is absent on each candidate's web site. Complete silence reigns.

"Does it take a dramatic failure like the collapse of a major bridge in Minneapolis earlier this year to wake up the candidates?"



That critical problem is the nation's \$1 trillion transportation infrastructure. All of it is aging with largely inadequate maintenance the rule rather than the exception. Conservative estimates are that it would take \$200 billion to fix the problem. Why aren't our candidates at least discussing this critical situation? A problem that could negatively affect our nation's prosperity and economic health. Does it take a dramatic failure like the collapse of a major bridge in Minneapolis earlier this year to wake up the candidates?

Perhaps this lack of interest by both Democratic and Republican candidates reflects the general disinterest of our nation's citizens. Perhaps we all take for granted our highways, bridges, roads and tunnels that tie our nation together. Most of us do not realize that transporting of people and goods has been the basic underpinning of the U.S. economy since the railroads first spanned our Continent. Today, surface and air transport remains the lifeblood of the United States. It must not be allowed to crumble or wither away. Candidates for our highest office must lead, not follow. They must issue a call to action in no uncertain terms to

Announcements

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reinvigorate the nation's vast infrastructure; just as President Eisenhower did in 1956 when he proclaimed the National Highway Act. All of us in the business of logistics must emphasize to all of the candidates the importance of our transportation infrastructure and suggest methods to place it in superb condition. The ability of our people to travel about the country in comfort and safety and the efficient transport of cargo is far more important to the well being of the United States than events in nations 10,000 miles away.

Will Australia Follow Europe's Lead With Open Skies?

Later this year, the first results of the recently concluded "open skies" treaty between the European Union and the U.S. will take effect. Airlines flying the key North Atlantic route will have much greater freedom in number of flights and choice of destinations. Will Australia follow Europe's lead and conclude an open skies arrangement with the U.S.? The question takes on added significance with the election of a new

Australian government and free market advocate Kevin Rudd as prime minister. Currently, Qantas dominates the U.S. Australian market with a huge 80 per cent share which to a large extent is concentrated on the Sydney-Los Angeles route. Open Skies advocates in both countries point to the fact that the U.S.-South Pacific route is the world's fastest growing civil aviation market (not China as most people believe) with a growth rate of almost 7 per cent per annum. With open

skies meaning greater competition, more cities in the U.S. and Australia would be served. Both passenger and cargo could quadruple during the next few decades if an Open Skies agreement actually occurs. With our principal destination Australia, CII would certainly benefit. Despite all the trials and tribulations in our business, a happy and prosperous New Year to all.



New Blood In Australia:



"Combined with the weakened U.S. dollar, it is a great time for American exports to Australia and CII is benefiting from a solid expansion in air freight destined for 'down under'."

Currently, Australia is in the somewhat paradoxical position of its too strong dollar making it less competitive in world markets. Combined with the weakened U.S. dollar, it is a great time for American exports to Australia and CII is benefiting from a solid expansion in air freight destined for "down under." Australia is one of the few nations where the U.S. traditionally has enjoyed a favorable balance of trade. This favorable balance has become more pronounced during the past year. CII expects a greater volume of trade not only with Australia, but also with its "sister," New Zealand, well into the New Year.



Australia remains the single most important market for CII. Any major development in that country is of interest to our company not only as it affects our business but also because of my personal ties to that nation. I was born across the Tasmanian Sea in New Zealand and spent much of my early professional career in Australia. The recent election of Kevin Rudd, head of that nation's Labour Party after 11 years of political domination by John Howard's Conservative Party, is an earthshaking event in that South Pacific nation. It brings a man to head a government representing a new Australia; one that looks not only to its traditional partners in the West, but also to Asia, for continued growth.



When I was growing up, if someone had told me the prime minister of Australia would be fluent in Mandarin, I would have told him to have his head examined. Yet, Rudd is fluent in that Chinese dialect and has called for closer economic and political ties to that Asian giant. On the political front, he considers himself a strong ally of the U.S. but is bringing home the small Australian troop contingent from Iraq unlike his predecessor who declared Aussie soldiers would never leave Iraq as long as American troops remained there. Despite leading the Labourites, a once socialist party, Rudd believes in free enterprise and hopes to stimulate Australian commerce and industry with a free market philosophy to continue that nation's growth. Rudd, however, has not completely abandoned his party's heritage and is a strong advocate of an active government in the social sphere. Again, this is unlike Howard who felt the government should stay out of people's affairs as much as possible. Australians obviously did not agree with him as they gave Rudd a resounding mandate for change.

You Gotta Have Faith!



world with the high percentage of luggage and freight now lost to becoming a distant memory.

* No new all-cargo airlines will be announced in '08 so that the erosion in yields will stop its ghastly decline.

If only a quarter of the above articles of faith come to pass, air cargo will have a better year in 2008 than the previous one.



Faith is a very big commodity during the Holidays. It brings people into churches to show their devotion. We also keep the faith in the air freight industry, but in different ways. Faith that airplanes will defy the laws of gravity and rise into the sky. Faith that cargo destined for Hong Kong will not end up in Rio de Janeiro. Faith that airlines are our "partners" and always have the best interests of forwarders closest to their hearts. There are many more items of faith that affect our business. Let's hope they come to pass in 2008.

For example:

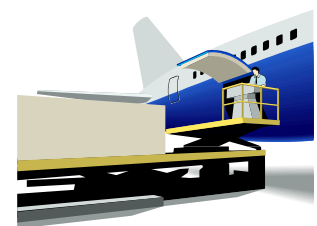
* Oil will drop to \$60 a barrel allowing airlines to eliminate their fuel surcharges.

* Even though airlines have ordered thousands of new aircraft for delivery within the next few years, there will be no overcapacity and prices will remain firm so that we all can make a profit.

* Airline CEOs are in earnest when they state all new aircraft will not add to capacity but that each new airplane in their fleets will be for replacement purposes only.

* The U.S. Congress will pass an FAA-authorization bill to fund properly an upgrade of our ATC system so that cargo will not be left on airport tarmacs because planes cannot take off due to archaic flight rules.

* Heathrow will improve its miserable status as the worst major airport in the



Give Me On-Time Information; Up Front:

How about the airlines providing more flight information so that we forwarders can then make more informed decisions when moving our freight? We deserve some respect as forwarders are the airlines' best cargo customers. Have the airlines give us more information up front about the flights which were late the previous few months—which may indicate a pattern. Why don't they give the forwarder that information automatically when we check flights so that we can better judge which flights are more reliable?



"Why don't they give the forwarder that information automatically when we check flights so that we can better judge which flights are more reliable?"

If we know, for example, that a LAX-HK flight on a particular airline is consistently late, would we book it? Probably not. Cargo agents at the airlines will tell you which flights are late, but only if you ask. This kind of vital information is not even an option on most airline web sites, although a few are starting to provide that information. U.S. Airways now shows on-

time performance for most of its flights and Delta has announced it will do so in the New Year.

The ATA has recommended to all its airline members they place on-time information on all flights on their web sites. The DOT is considering requiring airlines to add this information in new regulations. This isn't "re-regulation" in an onerous sense but rather gives freight forwarders the information they need to make informed choices about what airlines and what flights we will use to better serve our customers. The airlines should be happy to provide this information to help their most important cargo customers.

Does Fred Smith Know Something We Ordinary Mortals Don't?

FedEx recently announced higher air shipment rates by almost 7 per cent for 2008, the largest increase for the company's express deliveries since 2001. Ground rates for the big package delivery company also will go up in '08, probably by a comparable percentage. These substantial tariff hikes fly in the face of a growing consensus that the U.S. will face recessionary times in the New Year. The worst time to raise rates on any product or service is when demand is weak. Ask any economist. Yet, Fred Smith is marching boldly ahead despite this conventional wisdom, confidently convinced that his company's performance is so superior, customers will swallow the rate hikes and continue giving FedEx their business.

Perhaps Smith should read his latest financial statement which reveals a decline in profits. Domestic air express is the weakest division of the company with actual declines in volume. Evidence is overwhelming that greater number of customers are opting for FedEx' cheaper ground service rather than its more expensive air. With a softer economy, the orthodox response to lower demand is to cut rates. Larger FedEx customers probably will negotiate quietly special deals but smaller shippers will bear the full brunt of these increases.

It will be interesting to see if Smith's rate increases stick later in the year if FedEx air and possibly ground shipments show greater weakness. Smith has walked on

water in the past, defying conventional wisdom. Perhaps he knows something we ordinary mortals don't.

"Fred Smith is marching boldly ahead despite this conventional wisdom, confidently convinced that his company's performance is so superior, customers will swallow the rate hikes and continue giving FedEx their business."

And to all, the best of New Year's !

Sincerely,

Julian A. Keeling

