



Time Stands Still At CNS Conference:

When Peter and I attended our last CNS Conference in 2000, we both vowed it would be our last. Due to our Chicago man, Keith Loader, pressuring us to reconsider, Peter and I booked ourselves into the Conference which was held in Henderson, NV, just outside of Las Vegas. If we had stayed in Vegas, we would have had a much better time. Both of us can report that almost nothing has changed since our last attendance. It was as if time stood still. Same old faces giving the same, old boring speeches. Same old boring issues that were present in air freight fifty years ago. Even the social activities smacked of *deja vu*.

If only air freight were like the medical industry, where significant change is the only constant. If such were the case, the excitement of an industry conference would be the determining factor in wanting to attend. What is the reality, however? Two dysfunctional, opposing groups coming together—carriers and forwarders. All were congregating under one roof to discuss matters of supposedly mutual interest. Instead of creating a solid, unified front against the growing inroads

of surface transportation, particularly the LTL truckers, the same old nonsense was regurgitated.

The only “highlight” or perhaps I should call it “lowlight” was the speech by Scott Dolan, new head honcho of United Air Lines Cargo. Dolan proudly announced to his audience that his cargo division now was profitable. What he didn’t say was that profitability occurred because the division downsized from 2,700 employees to 300. That almost all of United’s cargo operations now are outsourced and that the airline’s service standards were in the toilet. Just ask any forwarder. It was almost sickening listening to the man boasting of his achievements. Asked from the floor if the fuel surcharge was a net contributor to United’s “profits,” he

“...he neatly dodged the question by mumbling something about more profit would be forthcoming as United accelerates its outsourcing program.”

Announcements

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neatly dodged the question by mumbling something about more profit would be forthcoming as United accelerates its outsourcing program. A better question might be, “why use United at all?”

It took a great deal of restraint on my part to ask this mean spirited, callous heartless person that it would be a good idea for him to outsource his job too!

Freight Will Get Better Treatment Than People On The Airbus 380:

The new, jumbo Airbus 380 is generating plenty of arguments in airline circles. Many airline people, security analysts and even travel writers are calling the 380 as the wrong airplane at the wrong time. Now, another controversy is roiling airline circles based on a recent article in the New York Times. The Times asserted it had learned Airbus was considering to reserve a portion of the 380



for standee passengers. In this section, passengers would be strapped to boards and stand for the entire trip. Imagine standing for a 10-hour trans-ocean flight! Only drinks would be served to these no-frills passengers because there would be no place for a food tray. Or perhaps the flight attendants would feed them.

While officially the Airbus people are denying the Times’ article, the all-the-news-that’s-fit-to-print newspaper is sticking to its story. Other Airbus people,

off the record, claim it is some airlines who floated the story in an effort to maximize their load factors and to hell with passenger comfort. This “trial balloon” probably will burst as more people find out about it and vigorously protest. But it is another and probably extreme example of how desperate airlines are in attempting to generate every last dollar of revenue. The old slogan that freight is treated better than passengers finally may become fact, not just an advertisement.

Another Nail In The Coffin For Domestic Air Freight:

Kitty Hawk, one of the major domestic all cargo airlines, seems to be abandoning its airplanes for trucks. Perhaps it should change its name from Kitty Hawk to Peterbilt. Its latest action is the company's recent acquisition of Air Container Transport (ACT) for cash and stock. As a competitor of Forward Air and Towne Air Freight, ACT moves freight via truck from airport to airport. While Kitty Hawk trumpeted the acquisition as bringing more surface transportation to the shipping community, it said nothing about plans for its air network. Rumor has it that the Dallas-based carrier plans to reduce air service between secondary and tertiary points.



What do the actions of Kitty Hawk and the other major domestic cargo airline, BAX Global—also reducing air service in favor of trucks—tell us about the domestic air cargo business? Domestic air freight is going nowhere. Flying cargo domestically either is showing no growth or actually declining. Freight forwarders increasingly are placing their business with LTL truckers. Even mighty FedEx has reported a drop in domestic air shipments while its surface transportation division is growing like a house afire. Speed is out; time definite is in. Forwarders now believe it is more important to deliver cargo at specific time “windows” than actual rapidity of delivery. Lower trucking costs don't hurt, either. Little wonder that LTL trucking is the fastest growing segment of the surface business.

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What about the future for domestic air? It doesn't look rosy. Jet fuel continues to rise in price, triggering fuel charges that often are greater than the cargo rate itself. All cargo carriers are abandoning air routes for surface transportation. Management at the combination airlines continue to show little interest in freight as their passenger loads hit record highs. We need “out of the box” thinking to revive this once literally fast moving industry.

Immigration Is Mexico's Disgrace; Not Ours:

Amidst all the furor over illegal immigration into the United States from Mexico, one crucial factor has been overlooked. The role of Mexico in this almost insoluble problem. Just why are thousands of desperate, poverty stricken men, women and children climbing fences, crawling under barbed wire and crossing rivers to reach U.S. soil? The answer lies predominantly south, not north of the border.



Illegal immigration into the U.S. is caused primarily by the Mexican government's failure to create jobs in its own country. The “free market” policies of Mexican President Vicente Fox has been a total failure. Since he won election five and a half years ago with the promise to create 1

million new jobs, Mexican unemployment actually has risen by 35 per cent. And these are official figures. Most economists believe the actual unemployment rate among Mexico's working force is 40 per cent. More than 50 per cent of Mexicans live below the poverty line. The once vaunted NAFTA agreement, supposed to increase trade between Mexico, Canada and the U.S., has done nothing for Mexico. Mexican manufacturing activity barely has increased since the NAFTA accord was signed.

"Only by Mexico boosting its employment, cutting poverty, introducing genuine welfare programs and creating an infrastructure to make Mexico more of a 'first world' power and less of a 'third world' nation will the flow of immigrants cease. "

It is Mexico that is overwhelmingly responsible for the flight of millions of its citizens to el norte. This flight has prompted President Bush to call out the National Guard to patrol our southwestern borders. Who can blame Mexicans for fleeing their country when there are no jobs at home, no employment, with no chance for a better future. Our attempt to pass legislation to make felons out of illegal aliens; to deport them will not keep their people out. Nor will 6,000 troops of the National Guard or constructing fences keep determined people from attempting to enter the U.S. illegally. Only by Mexico boosting its employment, cutting poverty, introducing genuine welfare programs and creating an infrastructure to make Mexico more of a “first world” power and less of a “third world” nation will the flow of immigrants cease.



Are Forwarders Collection Agencies For The Airlines?

We all know and hate the airline fuel surcharges. In many instances, particularly for domestic cargo, surcharges often are higher than the base cargo rate. In Europe, fuel and security surcharges often reach 150 per cent of the base rate. Fuel surcharges are a necessary evil but do we forwarders have to act as collection agencies for the airlines?

"Since we're acting as bookkeepers for the carriers, shouldn't we be paid for our services? A percentage of the surcharge should remain in our hands."

We are handling the billings and collections for the airlines and their ever increasing fuel surcharges. And we are providing this service at no cost. Airlines keep the entire amount. Fuel surcharges are hardly petty cash; huge amounts running into the hundreds of millions of dollars are being generated without forwarders sharing a penny of it. The supreme irony is that as freight rates go down, fuel surcharges go up. The forwarder is earning less for moving his customer's freight. The airlines, on the other hand, just sit and watch as forwarders transfer the surcharges into their coffers.



Since we're acting as bookkeepers for the carriers, shouldn't we be paid for our services? A percentage of the surcharge should remain in our hands. Of course, these extra charges are not helping the air cargo business in general and the forwarder in particular. There is always the possibility that cost conscious shippers will move some of their cargo to cheaper surface methods. This already is occurring with LTL trucking taking a bigger chunk of the domestic market. International shippers also are proving sensitive to rising costs. With shipping lanes facing overcapacity on many routes and lines cutting their rates, international air cargo also could see a dip in shipment count and revenues.

"Old Fashioned" Transport Modes Leaves Air Freight Behind:

A wise man once said, "never predict the future because it never turns out the way you expect it." And so it is with transportation. Who would have thought the "old fashioned" modes of transportation like ships, rails and trucks would have taken the lead in moving cargo efficiently and profitably while the child of the 20th and 21st century, air freight, lags behind. Once the bane of truckers, railroads and steamship lines; cargo handling and transit times have shown a marked turnabout from total inefficiency to near perfect efficiency. What has made the difference? Higher sophistication in physical handling, but more importantly, technology. In olden days, a freight car's destination was determined by a lowly worker hand writing a card and inserting it into the sleeve of the wagon. If the card fell out or some practical joker switched cards with other wagons, all hell broke loose trying to locate the missing wagon(s). Yellow Freight used to talk in terms of 5-10 days delivery. And that was just to the next city! Today, Yellow provides time definite deliveries across the U.S.



Ships today are loaded with computer technology to monitor their cargos on board. A 100,000 ton container vessel may have no more than 25 men on board. On land, steamship lines have a total "handle" on every container in their systems. Railroads and trucking companies now know where every piece of cargo is stored at any given moment through GPS technology. Ironically, the airline industry was the first transport mode to take advantage of computers and automate because of speed of delivery. Carriers and then forwarders spent hundreds of millions of dollars in the seventies, eighties and nineties to automate their systems. The old telex machine on which most communications were based, quickly became a relic of the past. Passenger bookings were automated through the computer. Flight scheduling was simplified due to changes from human to IT input. Even lowly cargo was included in these changes.

Sincerely,

Julian A. Keeling

On the passenger end, travel agents became obsolete. Airlines have forsaken human contact with their customers as much as possible with automated ticketing. The computer has been of little help in one area, however. The physical handling of cargo. We still are reliant on that dock worker packing that consignment into the right container so that it moves to the right destination. Many airlines have embarked on a program of completely outsourcing handling of their freight. This has resulted in a marked decline in service standards. More baggage is being lost than ever before and more cargo is not reaching its destination in an acceptable time frame. Only the integrators with their huge financial resources can compete with the increasingly sophisticated automated systems of the railroads, shipping lines and trucking firms. Senior carrier management must concentrate to a greater degree on freight; not leave it to underlings. They also must have the guts to increase their rates to include the cost of fuel so they can afford the automation to match the integrators. But will it happen? Not in my lifetime. Airlines simply recruit the most gutless of executives who worry more about their jobs than doing their job!