



Consolidators International, Inc.

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## How Valuable Is The Forwarder In Today's Tough Times?

With transport expenses under a microscope in every traffic manager's office and at every company CFO, the question of a forwarder's value naturally arises. "Is he worth the money?" is on the lips of every shipper.

My answer: In these tough economic times, a forwarder is more valuable than ever before. Moving cargo on time, in good condition and hassle-free, never has been more vital to help shippers achieve their production, distribution and ultimately, sales goals. Equally important, the forwarder's negotiating skills greatly strengthens the shipper's bottom line by obtaining rates that were considered unthinkable just a few years ago.

*"The day of spot rates is here. The forwarder who can obtain the lowest rate for his customer while providing the highest quality service is the answer to a traffic manager's often impossible dream."*



There are forwarders, and forwarders, however. Most forwarders claim to be all things to every shipper. That claim is unrealistic. The days of long term contract rates is over. The day of spot rates is here. The forwarder who can obtain the lowest rate for his customer while providing the highest quality service is the answer to a traffic manager's often impossible dream. Close behind in negotiation skills is the ability of the forwarder to know his territory—whether it be the next city or the next continent. A consolidator serving the South Pacific like CII must have at our fingertips all kinds of information and knowledge affecting a shipment including

**Announcements**

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the most dependable airlines flying that route, what are the region's customs rules and regulations, amount of space for goods in transit and quality and availability of local trucking to final destination. These are questions which only a forwarder with years of experience can answer accurately and precisely. There are 10,000 forwarders operating in the U.S. Choosing the right one among all these consolidators has never been more critical. Choose him wisely.

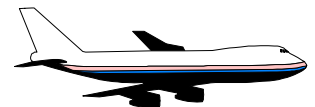
## Cutback In Jumbo 380 Orders Inevitable In Today's Economy.

The announcement last month by Airbus that it was cutting production of its jumbo 380 aircraft to 14 from 18 this year was a bow to the inevitable. While the huge aircraft is performing satisfactorily for the few airlines that have ordered it (although Qantas did have some early teething problems), it remains debatable if the airplane ever can be a money maker. Interestingly, very little has been said on the 380's load factors on their long haul

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routes. Most analysts now believe Airbus must sell at least 150 of the huge aircraft to make a profit. That target now seems unattainable. Airbus must be satisfied

with the "honor" of building the largest civilian transport to date. With a record 2,200 airplanes sitting in various deserts, it is surprising that Boeing and Airbus are receiving any new orders. Until both passenger and freight volume revives, the production lines in Seattle and Toulouse will be operating at a snail's pace.



## A Close-Up View Of China Shows Dramatic Drop-Off In Trade:



I have long advocated not putting all one's eggs in the China basket. But even I did not realize the recent huge drop in trading volume between that nation and the rest of the world. Eye witnesses paint a frightening picture of the drop-off in economic activity both along the normally bustling China coast and inland.

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It is one thing to read dry statistical reports. It is another matter to actually see the devastation in China trade. Travelers report a downturn never seen since that nation transformed itself from a rural economy to an industrial powerhouse. Empty, shuttered buildings now line the avenues leading up the great ports of the nation. Not only is car traffic light, but trucks hauling containers are few and far between. At ports like Shanghai, a new Great Wall has been erected, not one built by the great emperors of the past, but a wall of 100,000 empty containers, neatly stacked and waiting for cargo to be loaded—cargo that may never come. There are seventy gantry cranes in Shanghai harbor. Few were working, and only on three ships. Normally, all of the cranes are busily loading and unloading ships at every berth. Export warehouses, normally full of noise and hustle and



bustle with fork lift trucks buzzing about, were eerily silent. The warehouses were quiet as the Ming Dynasty's tombs. Is China about to return to its rural roots? Hardly. The nation has come too far in its industrial transformation. China has become a world economic and political power. Perhaps it will rise once again to its heady growth rates. To its credit, the Chinese government is not hiding its head in the sands. Half a trillion dollars will be spent on the nation's infrastructure during the next few years. Chinese citizens, just like their counterparts in the west, are being urged by the government to spend. I expect China to rise from its economic torpor in tandem with the West, but I do not believe that nation ever again to demonstrate the same economic growth it has enjoyed in the past.

## Obama Facing His Greatest Challenge In Taxing Overseas Profits:



If President Obama thinks he is having trouble with his present proposals before Congress, wait until he sends up to the House & Senate a bill to end the deferral of taxes on overseas profits by U.S. corporations. When the President announced his plan last month, a roar came up from K Street, the infamous home of the American lobbying industry, that could be heard from East to West Coasts. If anything unites the business community, it is fear and loathing of any new corporate taxes. A united business community is perhaps the most powerful force affecting legislation. Aided in the anti-tax fight are the Wall Street analysts who are fearful company earnings will drop by many cents per share if the tax bill becomes law. President Obama will have a battle on his hands which will make the proposed health insurance reform bills look like a genteel tea party.

If the proposed tax bill passes, and it's an enormous "if," what are the consequences for American corporations with existing or planned operations overseas? No one really knows. But there are plenty of educated guesses. My own theory is that

planned factories, particularly in nations quite distant from the U.S., never will be built. Costs in China, the largest recipient of overseas expansion by U.S. companies, are rising steadily. Combined with a 10,000 mile supply chain that is increasingly fragile, it seems highly unlikely that any new, major outsourcing will occur there. Ditto for other Asian nations like Malaysia, Thailand, Korea, Viet Nam and Singapore.

What about America's huge, existing operations overseas? How will they be affected? Will they continue to operate as if a new tax did not exist, or will there be a massive reshuffling of assets back to the U.S.? Already, there is talk about "bringing industry home" but that is simply premature. American CFOs, particularly in large corporations, are highly sophisticated. They are well aware that taxes are a relatively small item on their P&L statements. Higher taxes alone will not bring manufacturing facilities back to our shores. The nascent boom in re-



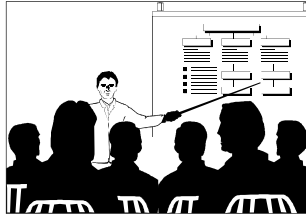
manufacturing within the continental United States will be helped only to a minor extent by any new taxes on overseas profits.

If enacted, will the new tax proposals impact our industry—air freight? Not to any great extent. Air freight has plenty of other problems, to worry about any future legislation. Convincing shippers that moving their products by air is a viable option despite a heavy economic climate, remains our most serious problem. Some business commentators are calling air cargo a "vanishing" industry. We still have a powerful message to convey, however, in our speed and ability to move merchandise accurately over vast distances. Other modes of transport simply cannot match it.

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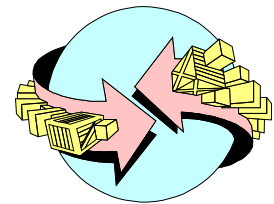
## Recession Spurs Second Look At Cargo Conferences:

**W**hile I have spoken at a number of air cargo conferences in the past, I have not shied away from criticizing them on a number of issues. These include too lengthy scheduling, having too many speakers discussing similar themes and too often using the forums as platforms for extolling their own companies' capabilities rather than addressing the issues at hand. For many years, I was a voice in the wilderness. Now that a recession hangs heavy over our industry, however, sponsors of these conferences finally are considering seriously basic changes for a once sacrosanct segment of our industry. Why should cargo conferences last for two or even three days? How much new thinking will be aired during all those hours by droning speakers? Why should attendees pay hundreds and even



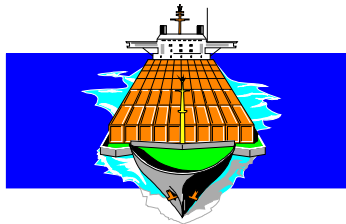
thousands of dollars in attendance fees, hotel, food and sundry costs? Also, in these tough economic times, why should attendees spend almost a week in both attending a conference and air travel time when they are most needed at home? I believe whatever needs to be said can be discussed in one day. Already, some organizations are beginning to believe small is beautiful. The Los Angeles Chamber of Commerce recently held a half day, breakfast conference on world trade at a modest cost of \$65 per attendee which was well attended. Attendees felt they received all the information and

predictions they could absorb in just one morning. If cargo organizations insist on two or three day conferences, why not offer attendees a choice of which day they want to attend and pay for just those sessions. If they wish to attend the entire conference, fine. Realistically, however, I believe most cargo professionals will want to attend those events which only have a particular relevance to their companies' operations. They will save money, time and with no need to listen to topics of little interest to them. For air cargo conferences to survive in these dire economic straits, changes will have to be made.



## CII To Obtain NVO-Ocean Freight Forwarding License:

**P**rimarily because of our growing tuna business into the Western Pacific, CII has decided to obtain a NVO-Ocean Freight Forwarding License. Most of our shipments supplying the tuna fleet and canneries are via ocean. We believe a license will aid CII in its business and help our customers as well. We also have on file with the U.S. Maritime Commission a request for a NVO-Common Carrier License.



The tuna business has been one of CII's most successful entries into so-called niche markets. The business seems to be recession-proof as America's taste for tuna continues to grow at about a 4 per cent annual rate. That rate is quite high for a basic foodstuff.

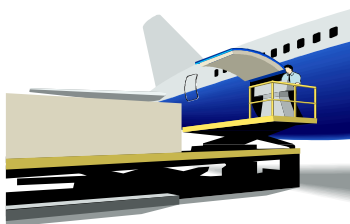


## Vision, Vision, Vision—Who's Got The Vision?

**P**erhaps the most overused expression heard at cargo conferences is the word, "vision." Speaker after speaker exhorts their audience to have an air freight "vision" which will guide them to future success.

Unfortunately, while it is easy to talk vision, it is very difficult to fulfill it. We have been talking vision for the past fifty years with little success. Air freight, even before the current recession, captured at best 4 per cent of the international market and 2 per cent of domestic business. In

today's economic climate, our share is probably less. I suggest we ban the word "vision" from our vocabulary at least until the world digs out of a very serious recession. What our industry needs is less vision and more of a hard core, basic determination to generate new business.



*Sincerely,*

*Julian A. Keeling*