



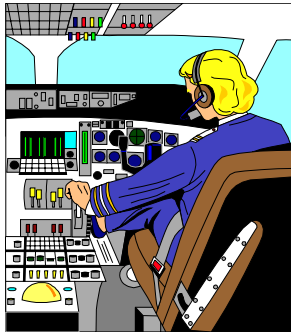
Consolidators International, Inc.

MARCH 2010



Kudos To Pilots Aiding Haitian Relief Efforts:

The enormous tragedy that has swept over the tragic island of Haiti is almost too much for the human mind to comprehend. In a matter of seconds, what was previously a barely functioning nation became a totally chaotic island with no economy, no government, no functioning security forces and millions of people with nothing more than the clothes on their backs. International aid was swift with hundreds of millions then billions of dollars being allocated for the stricken people of Haiti both by governments and private organizations. But how to move the thousands of tons of relief supplies from donor nations to Haiti? How to get the food, medicines, clothing and rebuilding equipment to where they were most needed? Airports were virtually out of action and the principal seaport was in a state of almost complete disrepair. Governments and private aid organizations appealed to pilots around the world to fly aircraft to the few Haitian airports that were even partially open to traffic. Thousands of cockpit crews volunteered to fly to airports, ranging from the barely functioning principal



airport in Haiti's capital, Port Au Prince, to dirt strips scattered about the mountainous country. Flying into and out of Haiti became a test of pilots' skill, experience and nerve never experienced flying under normal, rigid flight rules. Pilots and ground crews improvised to ensure precious supplies arrived with no damage to the cargo. Impovisation was the order of the day as conventional rules and regulations were thrown out the window. The regular control tower at Port Au Prince Airport had collapsed and was completely unusable. Instead, a card table was set up and placed adjacent to the only useable runway. Ground controllers stood by the card table guiding traffic by hand held radios. Many of the pilots participating in the Haitian relief efforts were captains and first officers of cargo airlines who were familiar with older aircraft being used in the Haitian airlift. Aside from military airplanes which were among the newest in the U.S. Air Force, it was the older DC-10s, DC-8s and even more ancient aircraft pulled from their parking spots in deserts, that dominated the skies over Haiti. You can't land a 747 on a dirt strip with car headlights as your only means of illumination. All of the pilots deserve kudos, but the cargo men and women proved their worth many times over with hundreds of flights under the most primitive conditions—with no room for failure.

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Inside This Issue:

Kudos To Pilots Aiding Haitian Relief: pg 1

TSA On Target At CII: pg 1

J-I-T Backfired at Toyota: pg 2

Whitney Houston's Tour Calls: pg 2

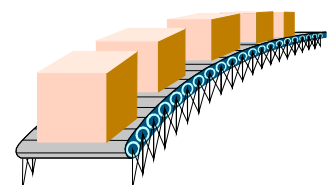
Tuna: Another Success Story: pg 3

Freight Signposts Confusing: pg 3

TSA On Target At CII:



CII now has five staff members being trained in airport security. All have passed the TSA exams and are fully approved screeners. CII is proud to announce that our company is the only consolidator at LAX which screens all cargo. Two of our five staff members have been promoted as supervisors. School is not over for them, however. They are spending two half days per week studying for the IATA basic course certificate. Our current staff of thirty skilled, dedicated people with specific skills for today's complicated cargo environment is a far cry from CII's beginnings sixteen years ago. Then, CII had a grand total of myself, plus two employees.



J-I-T Manufacturing Backfired Catastrophically at Toyota:



oyota has gotten the biggest black eye in the auto industry since General Motors' President Charlie Wilson declared some fifty years ago, "what is good for GM is good for the country."

Since the news first broke that Toyota was suffering from serious manufacturing defects for almost all of its car lines including its crown jewel Prius, the media has wasted no time in excoriating the Japanese auto maker for its initial "cover-up" and then its milquetoast response to the enormous problems facing it. The head of Toyota, who reluctantly came to



"The company was so determined to increase production with the title, "biggest car maker of them all" as the glittering prize, parts were rushed to the assembly line without adequate inspection and testing."

Washington to testify, literally bowed to his customers and the public at a press conference to apologize for the company's "many mistakes." That's not enough.

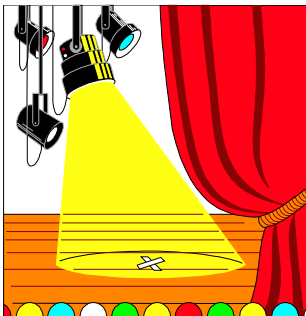
What is needed is a fresh look at Toyota's production systems. What has been lost in the furor over the auto recalls is exactly why this breakdown in quality control occurred. One of the principal reasons, in my opinion, is the company's obsession with the Just-In-Time or J-I-T system of manufacturing. Ironically, the concept was born at Toyota in the 1980s to supposedly reduce waste and create new efficiencies in production.

Toyota overplayed its hand. The company was so determined to increase production with the title, "biggest car maker of them all" as the glittering prize, parts were rushed to the assembly line without adequate inspection and testing. A key element in this approach was to reduce the number of suppliers so that parts could be supplied on a greater scale. When quality issues arose, the lack of secondary and even tertiary suppliers became critical. The risks of J-I-T are magnified when companies like Toyota expand globally and sell their products all over the world. A recall of a few thousand units can be easily handled by the manufacturer. A recall of 8 to 10 million units is a catastrophe. It will be interesting to see if Toyota modifies its manufacturing systems, relying less on just in time delivery of parts, to a more balanced approach where sufficient inventory is on hand in case of production problems. The Japanese are a stubborn race. But a huge loss in market share may change Toyota's thinking as well as other manufacturers who rely excessively on Just-In-Time.

Whitney Houston Tour Calls On Backstage Cargo:



inger Whitney Houston now is in the midst of one of her longest and most important tours in her professional career. After staying out of the concert spotlight for a number of years, Whitney has undertaken an extensive, and exhaustive, tour encompassing Korea, Japan, Australia and Europe. Because of the importance of the tour, the Houston organization conducted a massive search to find a transportation company that would move the many thousands of pounds of equipment on time, for delivery in flawless condition at each appearance.



Houston management chose Backstage Cargo, the entertainment division of Consolidators International, to handle the entire logistics of the tour. The Houston people were extremely impressed with Backstage Cargo's record in meeting precise delivery schedules, with no damage nor injury to the expensive sets and equipment needed for a modern tour. The old days when Frank Sinatra would show up for a concert just in his dinner jacket and with no props, are gone forever. Backstage Cargo was pleased to be chosen as freight forwarder for the tour because of Ms. Houston's record of accomplishment in her years as an entertainment super star. Selling almost 200 million records during her career and winning a number of Grammys in the process, starring in such films as *The Bodyguard*, Ms. Houston has been a star of the first magnitude for many years.



As CII's chief operating officer, Peter Lamy, commented re the tour which started in February and will last through the spring, "there is no room for error when moving concert equipment. Whatever the obstacles, equipment must be up on that stage in perfect working order before the artist sings one note."

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Tuna Another Success Story:



When we began working with the tuna industry in the Western Pacific, little did we realize what an excellent source of business this “niche” market would become. In less than a year, our tuna business has gone from zero revenues to fully one fifth of our total volume. We are active both in air and sea traffic. CII now loads a minimum of one 40' FCL container per week into Pago Pago. Our deliveries by air also are growing. Major producers like Star Kist and Chicken of the Sea appreciate our competitive pricing, reliable

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and hassle-free delivery. After a major earthquake and tsunami hit the Samoan islands last autumn, CII was among the first companies delivering relief supplies in addition to replacement equipment for the canneries and tuna fleets that had been wrecked after the temblor. Recession or no recession, Americans love canned tuna. It is the second most popular fish in American diets, beaten only by shrimp. CII is doing its best to maintain adequate supplies of this favorite sea food.



Air Freight Signposts Confusing:



What to make of the current air freight scene? On one hand, 2009 was the worst year in air cargo history with a cumulative drop of about 20 per cent in international traffic and a truly staggering decline of about 35 per cent in U.S. domestic volume. Yet, just as almost everyone in the industry was declaring its last rites, the industry sprang from the dead. During the last few months of 2009 and so far into 2010, air cargo has taken on a new life. Volume is up considerably with forwarders scrambling for space. One extreme example; cargo activity at Hong Kong's International Airport has jumped fully 50 per cent during the past month.

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The usual gaggle of consultants and other assorted experts have lost their compasses. During “normal” economic times, consultants can predict with a fair amount of accuracy the growth in air freight year over year. The past few years have been anything but normal. During the past three years, cargo revenues have dropped by almost 40 per cent. Just to match the 2007 numbers, air freight volume will have to increase a hefty 50 per cent by the year 2013, an almost impossible task. Of course, it all depends on the global economy. It still is too early to predict with genuine certainty the size and shape of an economic recovery. The U.S. seems to be pulling out of an economic quicksand, but Europe is sinking deeper into it. Asia remains the light at the end of the tunnel. How will this uneven recovery translate into air freight growth? It's anybody's guess at this point.

Air freight people are so preoccupied with our segment of the airline business, we rarely look at the “big picture”—the airline industry as a whole. Yet the health or lack of it affects our part of the business profoundly. If truth be told, the airlines, particularly the domestic side of the business, has been in a state of decline for almost ten years! From a peak of 542,000 employees in 2001, that figure has shrunk to 380,000 in 2009. Combination passenger and cargo revenues have fallen a record \$33 billion last year. It seems incredible, but during the past ten years there has been a net loss of 1,300 aircraft despite all the deliveries of new airplanes from Boeing and Airbus. Scheduled departures dropped almost 20 per cent in 2009 compared to 2001. If it weren't for low cost carriers like Jet Blue and AirTrans entering the picture, the drop would have been even more severe.

It is hard to accept the fact that the airline industry has become a mature business.

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*Sincerely,
Julian A. Keeling*