



Consolidators International, Inc.

MAY 2009



Recession Has Changed Us—But For How Long?



I always am intrigued by questions that can't be answered.

The one question I now ask myself as the recession in the real world becomes deeper while the stock market in a world of its own keeps jumping; has the recession changed the way we live? In the past, the answer would be unequivocally, no. In past post World War II recessions, our faith in free markets and the vitality of U.S. corporations never was shaken. We always returned to our profligate ways. Today is different, however. Our trust in the power and strength of U.S. institutions has taken a severe beating.

"Once the economy rebounds, will we go back to buying McMansions and big, status-driven cars?"

But will our skepticism and sense of caution last once we inevitably climb out of this economic morass? Have we fundamentally changed or are we just reflecting bad times? Once the economy rebounds, will we go back to buying McMansions and big, status-driven cars? Or will be like the children of the Great Depression who paid for everything in full and abhorred even a few dollars of debt?



Inside This Issue:

<i>Recession Has Changed Us:</i>	pg 1
<i>Can Airlines Still Make Money Now?</i>	pg 1
<i>There Is Just No Way Of Knowing:</i>	pg 1
<i>Tuna Retains Popularity Even Now:</i>	pg 2
<i>Amazon Shipment On The Decline:</i>	pg 2
<i>Elimination Of TicketCounters?</i>	pg 2
<i>Not Worth Paper Printed On:</i>	pg 3
<i>Siegfried "Siggi" Koehler:</i>	pg 3

Can Airlines Make Money In These Recessionary Times?



What a stupid question. Every law of economics tells us when volume sags, profitability flies out the window. But the airlines seem to be defying the economic laws of gravity at least in the eyes of many on Wall Street. With passenger volume having declined the sharpest since 9/11 and air freight in a free fall, a number of airline analysts expect the major carriers to post profits when calendar 2009 ends. This profitability should occur, they say, despite substantial first quarter losses. If they are right, the airlines will achieve a remarkable comeback.

Quite simply, U.S. carriers in the aggregate could end the year in the black. Airlines are cutting passenger and cargo capacity



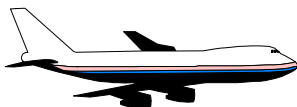
as if they never expect to grow again. Delta just put in mothballs the entire Northwest fleet of B-747 cargo aircraft. The airline business is highly leveraged, however. With fuel costs relatively benign combined with a reduction in lift, it is entirely possible the carriers will shrink into profitability. The only losers in this new economic equation are the big airplane makers. They are continuing to build planes almost in a state of denial. These aircraft with the infamous "white tails" probably will pile up in front of their factory doors. Freight forwarders could only applaud a healthy airline industry.

"With fuel costs relatively benign combined with a reduction in lift, it is entirely possible the carriers will shrink into profitability."

There is just no way of knowing.



If we go back to the days when the shopping mall was our church and thought nothing of flashing our credit cards, we may regard the current recession as a minor interruption in our march toward ever growing amounts of goods and services paid with our credit cards. In that scenario, business and industry again will flourish. Ships and aircraft will be laden with cargo as goods once again flow into our seaports and airports. What if we basically have changed, however, and our current sense of fiscal prudence and moral rectitude becomes the norm not of a few "Greenies" but almost our entire population? The social, economic and political consequences would be enormous. It would transform our economy from one geared to consumption to one concentrating on saving.



Tuna Fish Retains Popularity In Good & Bad Times:

In last month's Newsletter, I commented on the growing operations of CII and Corrigan's Express in supplying the tuna industry. We are supplying primarily its fishing fleets and canneries in the Western Pacific. With CII and Corrigan's playing an increased role in the tuna industry, I wanted to learn more about this business. It's a fascinating and growing part of the food industry. Tuna fish is extraordinarily popular not only with Americans but people around the world. In the U.S., we consume about one billion pounds of tuna per year. It is growing at about a 4 per cent rate,



recession or no recession. Fully one third of all fish consumed in the States is tuna. It is the single most popular item in school kids' lunchboxes. Eighty three per cent of school children eat a tuna sandwich at least once a week in their school lunchrooms. Almost all tuna today is canned with a small percentage made into fancy tuna steaks at fancy sea food restaurants. The Japanese love fresh tuna and will pay exorbitant prices, up to \$350

per pound, for the most prime tuna. Fish caught off the islands of the Western Pacific are flown to Tokyo as soon as the boats hit port. Bringing tuna to your local supermarket involves a vast industry with tuna boats ranging in oceans from just below the Arctic Circle to the Equator. It is now concentrated in the Western Pacific where our customers like Chicken of the Sea are active. We are proud to be part of a business that feeds hundreds of millions of people economically and with great nutrition.



Amazon Shipments May Be Starting To Decline:

A very troubling sign there still is no light at the end of the recessionary tunnel is the current and future sales picture at Amazon.com. Almost single handedly, Amazon has given hope to the entire retail segment of our economy. While other retailers from high end department stores to discount chains are reporting lower sales and earnings, Amazon has bucked the trend with rising sales volume and profitability. It seemingly was defying the economic laws of gravity.

Now, the dot com retailer is tightening its belt. Three of the company's major distribution centers are closing next month as the economic downturn finally hits the great retail success story in the U.S. economy. It will be interesting to see Amazon's next quarterly results. The possible Amazon reversal is bad news for our transport industry. All those millions



of books and records must be physically shipped to their customers. Now, we'll need less trucks and planes for less product. Inventory replenishment by all retailers seems to be receding into the future as the recession drags on and retail executives take note that even Amazon's invincibility may be tarnishing. Using expensive delivery systems to move more and more merchandise into warehouses for stockage when consumer demand is tepid to non existent is hardly smart business.

Pay Toilets Get All The Attention; Elimination Of Counters More Serious:

Budget airline Ryanair likes to make news with its mischievous chairman, Michael O'Leary, often making outlandish statements. The latest utterance from Dublin was O'Leary's not entirely joking statement that his airline was considering plans to charge passengers for using the toilets on his aircraft. O'Leary's statement garnered world-wide attention for the airline as other carrier executives and ordinary passengers rushed in with opinions on this sensitive subject. Of course, everyone denounced the idea, but O'Leary received his fifteen minutes of attention. While the toilet brouha was reaching its peak, Ryanair made another

announcement which was overlooked almost completely by the world's press. This statement was far more meaningful. The airline quietly announced it was closing all of its ticket counters in October at all of its airport locations. Ryanair will force its passengers to check in on-line. For passengers with baggage to check, which Ryanair discourages, there will be kiosks for passengers to drop off, and pay, for checked baggage. Another airline tradition bites the dust.



The ticket counter has been a fixture at airports since civilian aviation began. Walking up to the ticket counter for a pre-flight check-in has been as natural as packing a suitcase for a trip. Will the Ryanair action start a trend with other airlines duplicating the carrier's removal of ticket counters? In the past, Ryanair was laughed at by other airlines for its seemingly senseless innovations like removing window covers and seatback pockets to save fuel. Yet, some of these absurd changes eventually were adopted by other airlines. Will the ticket counter go the way of free meals on board, free baggage, non-discriminatory choice of seats and other passenger amenities once taken for granted? Keep tuned.

Forwarder-Shipper Contracts Not Worth The Paper They Are Printed On:

A few years ago when air freight volume was rising at an almost dizzying rate of twenty per cent per year and only the sky was the limit, big forwarders like AEI and BAX were falling all over themselves to announce “major” contracts with their big shipper customers. I commented at that time these “contracts” were not worth the paper they were printed on. My reasons were born of experience in the forwarding business. Let another forwarder come up with a lower rate on a particular lane segment or a specific commodity and the shipper would abandon his contract forwarder like greased lightning and with no regrets whatsoever. There are contracts and there are contracts. Forwarder-Shipper contracts were in the “not worth the paper they were printed on” variety.

"Because of unprecedented weak demand, contract rates are vanishing as quickly as an ex-lover. The entire air cargo market today is a spot market. The airlines are almost saying, "name your price."

In this current downturn, freight rates are hitting rock bottom with airlines so far failing to cut capacity as fast as demand. Because of unprecedented weak demand, contract rates are vanishing as quickly as an ex-lover. The entire air cargo market today is a spot market. The airlines are almost saying, “name your price.” Will

contract rates ever return? Probably in some new guise if the cargo market shows genuine strength once again. But don't count on shippers' fidelity. Have another forwarder offer a reduced rate of a few cents per kilo and the whole merry-go-round starts again. The shipper's response, “contract, what contract?”

But don't count on shippers' fidelity. Have another forwarder offer a reduced rate of a few cents per kilo and the whole merry-go-round starts again. The shipper's response, "contract, what contract?"

Siegfried “Siggi” Koehler; R.I.P.

Siegfried “Siggi” Koehler, who died a month ago, was perhaps not as well known as other leaders in the air freight industry like John Emery, Sr. or Fred Smith. He was one of those few people, however, who helped change the course and direction of our entire business.

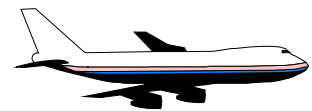


Koehler spent his entire career at Lufthansa where he transformed that airline's cargo department from a minor appendage to Lufthansa's passenger division to a separate, full fledged operation. The Lufthansa cargo chief created a separate cargo department with offices around the world, selling freight

exclusively. Witnessing Lufthansa's success in having cargo stand on its own, other airlines rushed to copy it. Under Koehler's urging, Lufthansa senior executives OK'd the purchase of the first B-747 freighter, which changed the operational face of air freight throughout the world. Largely because of Koehler's pioneering efforts in utilizing the Boeing as an all-freighter, air freight volume surged exponentially. That freighter is still the standard for air cargo today and is one of Boeing's most successful aircraft.

"The Lufthansa cargo chief created a separate cargo department with offices around the world, selling freight exclusively.... Under Koehler's urging, Lufthansa senior executives OK'd the purchase of the first B-747 freighter, which changed the operational face of air freight throughout the world."

Unlike many airline executives, Siggi liked and trusted freight forwarders. He believed in partnerships and created the Lufthansa-Agent relationship which still exists today. In addition to being one of the most capable and innovative cargo executives, Siegfried “Siggi” Koehler was a warm and giving person who shared his knowledge and experience with cargo people around the world. He will be missed.



Sincerely,

Julian A. Keeling