



Consolidators international, Inc.

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## Five Years After 9/11; Where Do We Stand As A Nation?

**T**he month of September marks the 5th anniversary of one of the few genuine dates in our nation "that will live in infamy." For the annihilation of the World Trade Towers in lower Manhattan was far more than physical destruction of two buildings. It changed the way America thought, acted, looked at the world and ourselves. Have we advanced in securing the goals of life, liberty and the pursuit of happiness since that time?

I wonder. As a recent citizen of the United States, I love this nation.

But I also am well aware that many goals set down by the Founding Fathers are not being met. During the past five years, we have seen greed on Wall Street and Main Street run amok. A vast distribution of wealth is taking place with the tiny few in the top one percent of our citizenry grabbing most of the economic gains while the middle class, America's backbone, is going nowhere on the economic treadmill. Corruption and incompetence continue in response to disasters like Katrina with almost an entire city remaining prostrate one year later. Indifference to the environment when the CEO of Exxon-Mobil and other corporate executives insist there is no global

warming when evidence to the contrary now is overwhelming. Finally, an erosion of the basic rights guaranteed in the U.S.

Constitution is occurring when an Administration is insistent on allowing wiretapping without a warrant.

In our own world, there has been nothing but confusion and delays in assessing and meeting the dangers of terrorism in moving freight by air. Happily, no terrorist incident has occurred either in the bellies of passenger aircraft or main decks of cargo planes during the past five

years. But a program where shipments are not delayed, yet full security is established, still not has been formulated five years after 9/11. The head of homeland security, Michael Chertoff, reflecting the Bush Administration's predilection for viewing the world through a corporate lens, talks about "risk aversion investments" and "high returns on investments" in fighting terrorism as if the actions of worldwide fanatics would be influenced in the slightest by sales & marketing strategies that are more appropriate to selling soap. Combating terrorism is not an investment opportunity but a tough, messy business that will take years of dedicated, consistent efforts to overcome.

In remembering September 11th, let us recall the qualities that have made America great; our tolerance, openness, entrepreneurial spirit, and a determination to transfer to our children and grandchildren a better nation than we inherited.



### Announcements

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## TNT Sells Logistics Unit:

**A**pparently, one cargo organization agrees with my assessment of third party logistics providers. TNT, the big Dutch mail and express group, finally found a buyer to takes its logistics unit off its hands. A U.S. private company, Apollo Management, has agreed to purchase TNT Logistics for almost \$2 billion. Quite a hefty sum for a division which generates only about 3 percent profit on its volume. TNT believes that by concentrating on its far more profitable postal and package delivery business, it is following a lot more money. TNT's express delivery business is generating more than 10 percent profit while its mail unit has a 21 percent profit ratio. The decision by TNT was a smart one. Its management did not allow themselves to be hypnotized by all the hype about 3PLs taking over the cargo business and got out when the going was good.



## Another Important But Less Remembered Anniversary In September:

**T**his month marks the anniversary of a far less remembered event, but one which has had an economic effect almost as important as 9/11 did in our social, cultural and political life. September is the 35th anniversary of the U.S. going off the gold standard. Three and a half decades ago, President Nixon announced that the last link between gold and the dollar would be severed. Prior to Nixon's announcement, international monetary authorities like central banks could redeem their own currencies or dollars for gold at \$35 per ounce. Unfortunately, central banks and other government institutions took the U.S. promise at its word and expanded the conversion of their dollars for gold at a prodigious rate. They were emptying Ft. Knox at a horrific pace. Fast forward thirty five years later. Agreements that link dollars, or any other currency, to gold are seen to be, like sexual habits, as relics from the Victorian Age. Instead of a fixed store of value, dollars now fluctuate against other currencies. Today, what's holding up the U.S. dollar is huge inflows of capital from abroad to cover our deficits. Since President Nixon's decision to allow the dollar to float unconstrained by its anchor to gold, the value of our currency

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depends on the attractiveness of U.S. investments. Interestingly, much of the money now flowing into the U.S. is coming from the City of London and the Cayman Islands, where many hedge funds are located. The financial buzz is that the U.S. dollar is being propped up primarily by hedge funds. How the mighty dollar has fallen; from a currency "as good as gold" to being at the mercy of some hot hedge fund managers.



## What Page Of The Newspaper Do You Read?

**F**or many years, the New Yorker Magazine featured a column called, "what page of the newspaper do you read?" The column pointed out stories in the same issue of the newspaper that had different facts, points of view and perspective often just a few pages apart. One of our leading trade magazines in a recent issue, fell into this trap. It had two stories offering two wildly different points of view re supply chain "consultants" who are breeding like rabbits. One article was the usual boastful, self promotional story on how consultants supposedly navigate successfully the minefield of supply chain risks. Of course, almost everyone interviewed in the article was a supply chain consultant who insisted that his "third party" approach would provide vitally needed skills to shippers "who are stretched thin."

*"[Shippers] say supply chain management aren't delivering the goods and often provide services customers needn't want nor need."*

But an article ten pages later in the same issue told a very different story. The article discussed third party consultants

from the shipper's perspective and not consultant's. Shippers, whose money is on the line, tells it like it is. They say supply chain management aren't delivering the goods and often provide services customers needn't want nor need. The article further states that while consultants and their breed gives themselves high marks for their services, shippers score their providers pretty low on supposed benefits. A few but potent statistics in the article show the wide gap between the fantasy of the logistics providers and the reality of their customers. Among the consultants, 97 percent claimed they'd delivered synergy benefits and 83 percent said they'd shown operational cost reductions. Among customers, however, the figures in answering the same questions were almost reversed. Some 24 per cent and 28 percent were the figures. It indicates quite plainly that just about 75 percent of shippers are unhappy with their 3PL consultants.

I always have been convinced that outsourced logistics suppliers like the famous naked emperor, wear no clothes. After reading these two articles, I am more convinced than ever before that shippers could save hundreds of millions of dollars by using their own experience, common sense and the utilization of the traditional, knowledgeable and flexible forwarder.



## Ever Compare Texas Hold ‘Em To The CargoBusiness?

**E**very so often when I surf the TV dial, I come across a bunch of scruffy men and occasionally women, sitting around a felt covered table and staring at each other through sunglasses although the sun never shines in these Las Vegas gambling rooms. It’s television poker, which has become a hot commodity on cable TV. Watching those guys and girls often bluffing their way to win hundreds of thousands of dollars reminds me of forwarders, shippers and airlines negotiating rates and service. There’s more bluffing in our business than a marathon game of Texas Hold ‘Em.

Occasionally, the airline’s hand is so strong, no matter how poorly they play their cards, they still win. Shippers and their agents, the forwarders will accept increases so they can ensure space when demand is high. More often, however,

only the slightest hint of excess capacity and the carriers will start cutting deals. Shippers and forwarders are very adept to play airlines off each other to secure lower rates. Despite a minor trend toward big shipper or forwarder partnerships and collaboration, price still remains king. Unfortunately, air cargo has become a commodity and the lowest price gets the business. Airlines can only blame themselves; poor customer service puts everyone in the same box. Why pay more for lousy service?



The Wal-Marts, Targets and Coscos of the world now rely for profitability almost exclusively on low production costs and cheap labor in overseas markets. Airlines and forwarders have such inferiority complexes, they don’t realize they have a trump card. Without good international transportation service, shippers would have to go back to buying goods from manufacturers in the U.S. On second thought, perhaps that’s not such a bad idea for our nation.

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## New Freight Forwarder “Goes Back To The Future” In Its Emphasis:

**I** usually don’t comment on the formation of a new forwarder as there are so many in our business—10,000 at last count. The creation of one new company, however, deserves a closer look because of the people involved and the approach they are taking in running day to day operations.

The company is called IJS Global, but it might as well be named Air Express International II because all its senior

executives come from the old AEI. As we all remember, AEI was sold to Deutsche Post about seven years ago. Heading the new company is Hendrik Hartung who was involved in the purchase of Burlington Northern Air Freight from the railroad some twenty five years ago and more recently was a principal in the Deutsche Post purchase of AEI. What makes the company interesting is; these former executives of a very large forwarding organization now subscribe to the adage, “small is beautiful.” While

making the obligatory bow to the importance of information technology and the Internet, their principal selling point is “personal service and more personal service.” Taking a swipe at big forwarders from which he came, Hartung pointed out that “one stop shopping (which AEI emphasized) had problems in that the personalized service the customer demands gets lost.”

Glad to see that others in our business have seen the light. Hartung and his crew are relying on personal service and that “old fashioned” primary instrument of such service, the telephone. “When for whatever reason a shipment gets delayed, most shippers like to receive a telephone call to explain what is happening,” says Hartung. Big forwarders have become so tangled up in their systems’ red tape and are basically so inefficient, they can’t follow individual lane segments anymore if errors occur. Ring up another victory for the smaller, more personalized freight forwarder.

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Sincerely,

Julian A. Keeling