



MAY 2004



Peter Lamy Promoted To President:

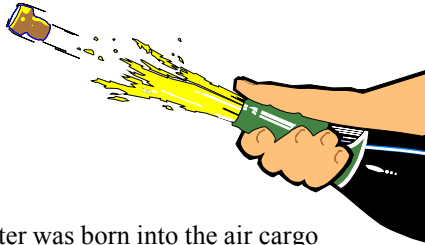
I can't think of a more splendid statement than the announcement that Peter Lamy has been promoted to President, Consolidators International.

Since we first opened our doors in 1993, Peter has functioned as my good right arm. His contributions to the growth of CII are almost too numerous to mention. Whether arranging to move a difficult oversize load, or chartering an aircraft, or consolidating cargo from literally hundreds of our customers to move quickly and precisely, Peter as a team player does the job with effortless efficiency, no waste motion and above all with a sense of humor. When Peter joined the company 11 years ago, he forgot the clock and the calendar. Peter is a 24/7 kind of guy, well aware that cargo knows no time limits.

Peter is not only a "bread & butter" cargo man, he has been the driving force in CII having one of the most advanced IT systems in the industry. Self taught in our computer age, Peter has kept abreast of all the new trends in electronic communication and quickly realized that technology, combined with a high degree of personal service, are the keys to successful growth in our industry. It was Peter who urged the installation of the newest computer system in the business; not only years ahead of our competitors in technical capabilities, but user friendly so that our staff and customers could utilize our system with ease and no waste motion.



Congratulations



Peter was born into the air cargo business. Born in England, Peter's father was head of the cargo division of Air New Zealand for many years. Peter worked with such all-cargo airlines as Amerijet before becoming the first staff member at CII. When Peter joined our fledgling company back in 1993, we literally had zero revenues. Starting from scratch, CII today has profitable revenues in seven figures. Beginning with one office in Los Angeles, CII today has domestic facilities at JFK, in Atlanta and Chicago in addition to our greatly expanded terminal at LAX. Abroad, we have offices in China; a new facility on Taiwan, a facility in Auckland and relationships with leading agents abroad. When Peter joined us, our business was overwhelmingly to the South Pacific; Australia and New Zealand. Today, CII does business around the world. Peter has been in the forefront of this growth, providing solid operational and financial knowledge, operational experience and skill. With all our growth, Peter never has forgotten the individual customer. His relationship with our literally hundreds of forwarder customers is a combination of mutual respect, cordiality and a willingness always to go that extra mile in service.

Peter, no promotion at our company ever was so well deserved. It gives me the greatest pleasure in making this announcement in our Newsletter as well as to the entire cargo and transportation industry.

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Mike Kelly Joins The CII Team:

When CII decides to make executive changes, it comes in twos. One of the most experienced, knowledgeable and skilled men in the air freight industry also joins the CII team. Mike Kelly, with more than thirty five years experience in our business, ranging from executive positions at cargo airlines to freight forwarders to air carrier associations like IATA, has been appointed Executive Vice President with the dual functions of Chief Financial Officer and Chief Operating Officer.

"Welcome aboard, Mike!"



Mike, who will be reporting directly to me, joins us at a very important time in CII development. Since the first of the year, CII has been achieving new highs in revenues and shipment count.

Our business to the South Pacific and China is at record levels. Mushrooming growth can be great for any business, but it also brings dangers. It requires close management supervision to ensure that growth is orderly and under control. With Mike, we have an experienced financial

Who Says China Makes Only Teddy Bears?

One of the comfortable myths about China is that China supposedly is skilled only in producing simple, uncomplicated products like toys, apparel, textiles and similar items. According to accepted wisdom, they only export low skill items while U.S. exports hi-tech stuff to that country of more than 1 billion people.

Well, that reassuring theory just got blown out of the water. According to the Economic Policy Institute, one of the most respected “think tanks” in Washington, the rapid growth of China’s high tech exports is lessening employment in cutting edge industries and changing the U.S. balance of trade in hi-tech products. Our balance of trade in hi-tech equipment has changed from a surplus of \$32 billion in 1997 to a deficit of \$27 billion in 2003. Here in the U.S., officials of the Bush Administration, faithfully echoed by such business groups as the National Association of Manufacturers and the Electronics Industry of America endlessly claim that while China exports low skill goods, we export hi-tech stuff to them. What is happening in the real world, however, is that China rapidly is expanding its share of middle and hi-tech products in a period when its total exports nearly tripled.

China’s share of its export of electronic and transportation equipment increased from 18 per cent in 1994 of total goods sent abroad to 43 per cent in 2003. Unless the U.S. takes some steps on this matter, we may end up exporting zero dollars worth of high profit, technical products to China because that country rapidly is increasing its electronic, computer and other hi-tech capabilities. China no longer is content just to make teddy bears.

officer who provides assurance that our company will grow not only in revenues, but also on the bottom line.

Mike’s background in air freight simply is awesome. He started his career with Flying Tigers, the first post-war all-cargo airline. While there, Mike was elected first chairman of Cargo Network Services, the air freight arm of IATA. After Tigers, Mike joined Burlington Northern Air Freight, now BAX Global, aiding that company become one of the largest freight

Can Branson Make It In The U.S.?

The trade and business press have devoted a great deal of ink re Richard Branson’s plan to start up a low cost domestic U.S. airline. Will the brash Britisher, who built Virgin Atlantic from scratch without an iota of airline experience, pull this one off in the toughest market of them all? The odds are against him. But Branson has silenced his critics in the past with some pretty impressive results. All the “experts” said he couldn’t compete across the Atlantic against the entrenched majors from the U.S. and Britain. Yet, Virgin Atlantic with its masseurs and psychotherapists on board, has carved out a profitable niche in this very tough market. They said he couldn’t start an Australian domestic airline from scratch. But he took advantage of the demise of Ansett and the confusion between Qantas and Air New Zealand and now has about 40 per cent of the Aussie domestic market.

Branson’s very off-beat style (he started in the music business) is appealing to many people, but he does face very formidable odds in cracking the U.S. domestic market. His most difficult obstacle; getting around the U.S. law that prohibits foreigners from owning more than 25 per cent of a domestic carrier. He is SIR Richard Branson, very much a British subject. If he can overcome that legal challenge, Branson faces the difficult task of competing against not only the “legacy” carriers who have been flying across the U.S. for the past 75 years, but even more formidable, the new, low cost airlines like Jet Blue and Spirit who are grabbing an increasing share of the U.S. market and will not give up their hard won portions without a fight. Perhaps Branson should start an all-cargo airline instead.

forwarders in our industry.

Mike then decided to get a taste of what a smaller forwarder had to offer and became CFO and International Vice President at Right-O-Way. After R-O-W, he became part of the SITA worldwide communications network.

Welcome aboard, Mike! We know your background, experience and capabilities will help catapult CII into a position of unquestioned leadership in the air cargo business.

The Ups & Downs Of China Service:

CII has been on a roller coaster in regard to our China operations. We had a great start in 2002. Then came the SARS epidemic and the U.S. recession. After a promising beginning, CII found that business literally almost dried up the following year. It came to almost a complete standstill for almost six months.



What a difference a year makes! Our lost momentum in 2003 has been reversed totally so far in 2004. The first four months of this year is producing record results in the Chinese market. Our decision to open a facility in the “other” China has been the key to our success. This new office is located on the island of Taiwan and is under the supervision of Alice Hsaio. As many of our customers may remember, Alice was CFO at our LAX office, then moved back to Taiwan. Chinese forwarders now don’t have to wait overnight for a response. Alice answers their queries the same day.

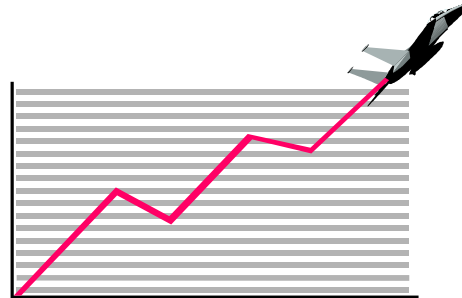
Growing a business in this strategic market is all about developing relationships built on integrity and trust.



AUSTRALIA

In early May, I leave for “down under” for a two week trip. Strangely enough, considering the importance of our South Pacific business, this will be my first visit to Australia in nearly three years. Earlier in the company’s history, Peter Lamy and I would make a minimum of four trips per year. Why the change? The reason can be summed up in one word—AMI. AMI is our agent in Australia, headed by Chris Channell. If any one person can be credited with CII’s success in Australia, it is Chris. He has a twenty year background in our industry. He has earned a reputation as a no-nonsense meat and

Alice is an MBA graduate from the U.S.A., and has eight years of transportation experience working from our LAX facility. She is ideal to expand our business in China. Her expertise, her boundless energy and exceptional knowledge of the China market is moving our business activity there to the next level.



Back at our home base, Margaret Ng controls the operational aspects like a true professional. Despite being 10,000 miles apart, Alice and Margaret work in unison

to ensure that every inquiry promptly is handled. When it comes to moving freight, Margaret knows only one way to handle shipments—the right way!

Every one of the CII team knows the value of our China business. This means that every one of our staff offers full support to Margaret and Alice in their efforts. These efforts have ensured CII’s rapid expansion since the beginning of the year. Yet, this great increase in volume has witnessed no drop-off in our high standards of individual service.

Margaret and Alice, you deserve every ounce of credit for our renewed growth in the China market. You helped expand it from nothing three years ago, then skillfully guided our business through its major hiccups last year. Thanks to you, our Rapid Dragon Express division now is a major contributor to CII’s financial and operational health. Thank you both for your dedication and hard work

Australia/New Zealand Visit:

potatoes guy based on his concept of total service to the customer. He has absolute integrity complemented by an outstanding work ethic.

With operations working like a well-oiled machine “down under,” the need to maintain a regular “will call” series of visits has diminished. Although we may not like to admit it, and if truth be told, our customers know the air freight business as well as we wholesalers—if not better! The key to success is to maintain an integrity of service, concentrating on predictability, reliability and competitiveness in pricing. Sales calls are not really necessary if our partners at destination are doing their job. Brother Rex and Niece Jenni (daughter

Jacqui has retired to domestic duties) epitomize a “mom & pop” family business in the truest sense of the word. Our office in Auckland is geared primarily to supervising cargo destined to New Zealand from the States. We have but a single focus, and I believe this has been the key to our success in NZ. During the past decade, there have been many opportunities to expand our New Zealand operations but growing CII business by taking on more agencies is not where Rex and Jenni see their future. CII has enjoyed steady, organic growth for the past ten years and if it “ain’t broke, why fix it?”

To repeat, because Australia and New Zealand have been so successful, why spend the money and time to make unnecessary visits?

Sincerely,

Julian A. Keeling

