
The Company pays income taxes in the United States and other jurisdictions, as well as other taxes which are typically included in costs of operations. The Company's consolidated effective income tax rate in 2002 was 36.8%, down marginally from the 37% rate experienced in the prior year. The .2% decrease was caused primarily by a reduction in state tax expense required to be paid by the Company.

2001 compared with 2000

Airfreight net revenues in 2001 increased 13% compared with 2000 primarily due to the Company's ability to expand airfreight margins despite the lower airfreight tonnages, experienced in 2001 compared with 2000. Airfreight margins expanded approximately 5% during 2001 as compared with 2000 despite a 9% drop in worldwide airfreight tonnage in 2001. Efficient consolidations of dense and fluffy (volumetric) freight allowed the Company to optimize purchased transportation costs while still offering competitive rates to customers. The Company's North American export airfreight net revenues increased 4% in 2001 compared to 2000. Airfreight net revenues from the Far East and from Europe increased 24% and 5%, respectively, for 2001 compared with 2000. Airfreight rates on Far East to North American trade lanes, the Company's most dominant lane, remained strong throughout 2001.

Ocean freight and ocean services net revenues increased 21% in 2001 compared to 2000. Ocean freight demand remained strong throughout 2001 and ocean freight rates from the Far East, the Company's largest trade lane, increased in the last half of the year. During 2001, management continued to expand market share, increase ocean tonnage, and increase net ocean freight revenues while offering competitive market rates to customers. Changes in the regulatory environment in the United States continued to create new opportunities for the Company's NVOCC operations to provide services to customers who had previously dealt directly with the ocean carriers.

Margins increased 3% in 2001 as compared with 2000 reflecting the Company's ability to offer competitive rates to customers at the retail level, while leveraging freight volumes to obtain favorable rates from carriers at the wholesale level. ECMS continued to be instrumental in attracting new business. The Company's North American export ocean freight net revenues increased 10% in 2001 compared to 2000. This increase was a result of the Company handling more ocean shipments moving from North America to the Far East and, to a lesser extent, from North America to Europe. Ocean freight net revenues from the Far East and from Europe increased 23% and 30%, respectively, for 2001 compared with 2000.