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John S. Connor Inc. hits the century mark

It's difficult for any company to achieve a 100-years in business. But for a family run international freight forwarder to eclipse the century mark is a remarkable achievement.

By George Lauriat, AJOT

One hundred. Tortoises regularly make it. Wilt Chamberlain scored it once in a city named Hershey, Pennsylvania, far better known for chocolate than basketball. In the sport of Cricket, a century triggers celebration. But international freight forwarding isn't cricket and lasting a century as a family owned business is extremely hard to do, which makes the Baltimore-based John S. Connor Inc.'s story so remarkable.

The company was founded by John S. Connor in 1917 during World War I. When asked about the timing of the company's inception, Lee Connor, the grandson of the founder and CEO of the Baltimore–based logistics company, explained, "My grandfather had been working in the ship agency business before that for a local company here in Baltimore, … he thought there was an opportunity for custom brokers and forwarders and so he went and got his customs broker's license in May of that year [1917]. He attained it and then the story goes; he borrowed two or three hundred dollars from his mother and hung his shingle."

In the beginning, he opened the office at 33 S. Gay St. which was close enough to Baltimore's old Customs House for messengers and documents to be moved back and forth by foot.

Initially, John S. Connor was something of a one-man band, "He was a one [man] office with a phone and a desk and a type writer in there and he was in business at that point. And he was a one-man band for at least a year or two and then he brought his brother, Walter Connor, into the business. And the two of them were a pretty good pair - Walter was more on the inside and John was on the outside, doing more of the sales…"

Connor says the business was able to grow and the brothers were able to hire staff but John S. passed away in his late forties, leaving ten children and Walter to take over running the namesake company. This happened right around the beginning of World War II and as Connor relates, "that's when they had a really good period of growth." The company secured some business involved in the 'Marshall Plan' [rebuilding plan for Europe] after the war so the company got involved in doing exports to Europe.

At the same time, the company got into the ship agency business as well. "Walter [Connor] had some connections there and we were doing exports for some coal companies back during the war. A lot of the Liberty ships were built at Baltimore and they were running over to Europe with coal for fuel. Some of the exporters were also chartering the ships, which at that time they were only carrying ten or twelve thousand tons. They [John S.

*(**MARK** – continued on page 9)*

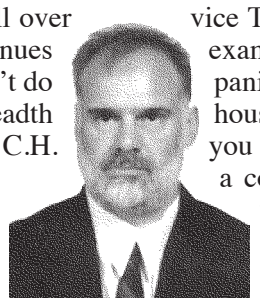
C.H. Robinson – An original

"We're the original 3PL" is the tag line for the Eden Prairie, Minnesota-based third party logistics company C.H. Robinson. Over the company's century plus existence, it has adapted with each regulatory, economic and technological challenge. In an interview with John P. Wiehoff, chairman and CEO of C.H. Robinson, he explains the process behind creating one of the world's largest 3PLs.

By George Lauriat, AJOT

The Original. C.H. Robinson's tag line is "We're the original 3PL."

For the largest U.S. 3PL [Third Party Logistics], posting well over $13 billion in annual revenues [2016], the expression doesn't do justice to the expansive breadth of supply chain services C.H. Robinson provides.



For many, the company is an LTL or full load trucking business, a produce company, or a global forwarder or perhaps a third-party supplier of a dazzling array of technology based products. Whatever business silo you dive down, quickly there's a realization that C.H. Robinson is one of the most complex yet integrated supply chain service companies in the world, as each silo widens into a holistic whole held together by technology.

Over C.H. Robinson's century plus existence, it has adapted with each regulatory, economic and technological challenge. For that reason, it is at once both an old company, with its own tried and true corporate culture, and yet a new company moving at a giddy pace being reshaped with each growth spurt.

From Produce to 3PL

In an interview with *AJOT* at C.H. Robinson's headquarters in Eden Prairie, Minnesota, John P. Wiehoff, the company's chairman and CEO, explained and offered some insights on the company's journey from produce broker to global-3PL, "C.H. Robinson goes back to 1905. Charlie Robinson was a produce broker … [there are five operating divisions today] And the fresh division, where we buy, sell and distribute fresh fruits and vegetables is the part of the business that goes back all the way to 1905. But really prior to 1980, a lot of the things that C.H. Robinson does today as the 3PL wasn't really allowed. What we do today globally in all verticals, really we were doing in produce from 1905 to 1980, for those first 75 years. For the last 37 years, since the deregulation of North American Transportation, we've been diversifying our produce into all the other verticals and diversifying geographically…"

John P. Wiehoff – chairman and CEO, C.H. Robinson

Ultimately 3PLs, like C. H. Robinson, are crafters of supply chain solutions for their customers *(see chart on page 11)*. And through this lens, the 3PL and the solution are perceived to be one in the same. But at the core, there are significant differences between 3PLs.

As Wiehoff explains, "If we were to use, let's say, a North America Service Transportation (NAST) as an example, some of the 3PL companies operate their own warehouses for the customers. 'Do you do that?' Some of them have a combination of doing that as well as, let's say, having strategic relationships with warehouse and distribution operators in different markets. 'Do you have that combination?' Yes, we do, we do. We have that same combination. There's a few facilities that we own, we have a few hundred under lease, and we have a

*(**ORIGINAL** – continued on page 6)*

Net Revenue by Service Line Q3 2017

in thousands

Net Revenue by Service Line	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	% Change	2017	2016	% Change
Truckload	$301,025	$309,027	(2.6%)	$887,865	$960,451	(7.6%)
LTL	$101,870	$96,447	5.6%	$301,706	$287,518	4.9%
Intermodal	$7,478	$7,676	(2.6%)	$23,278	$25,961	(10.3%)
Ocean	$81,182	$56,506	43.7%	$217,495	$175,243	24.1%
Air	$25,529	$19,897	28.3%	$73,166	$58,424	25.2%
Customs	$17,421	$12,320	41.4%	$49,810	$34,649	43.8%
Other Logistics Services	$29,580	$26,771	10.5%	$87,563	$76,965	13.8%
Sourcing	$29,761	$29,818	(0.2%)	$95,318	$96,801	(1.5%)
Total	**$593,846**	**$558,462**	**6.3%**	**$1,736,201**	**$1,716,012**	**1.2%**

- Net revenues by service line for the enterprise (all segments).

Global Forwarding Results by Service Line Q3 2017

Ocean, Air, and Customs

in thousands

Net Revenues	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	% Change	2017	2016	% Change
Ocean	$81,110	$56,309	44.0%	$217,768	$174,907	24.5%
Air	$23,992	$18,075	32.7%	$68,850	$54,142	27.2%
Customs	$17,419	$12,318	41.4%	$49,804	$34,638	43.8%
Other	$7,321	$6,666	9.8%	$20,989	$19,771	6.2%
Total	**$129,842**	**$93,368**	**39.1%**	**$357,411**	**$283,458**	**26.1%**

- APC and Milgram acquisitions added approximately 17 percent to ocean net revenues, 15 percent to air net revenues and 30 percent to customs net revenues.
- Achieved organic volume growth in each of the global forwarding services in the third quarter of 2017 when compared to the third quarter of 2016.

Results Q3 2017

in thousands, except per share amounts and headcount

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	% Change	2017	2016	% Change
Total Revenues	$3,784,451	$3,355,754	12.8%	$10,909,594	$9,729,438	12.1%
Total Net Revenues	$593,846	$558,462	6.3%	$1,736,201	$1,716,012	1.2%
Net Revenue Margin %	*15.7%*	*16.6%*		*15.9%*	*17.6%*	
Income from Operations	$194,465	$211,267	(8.0%)	$564,243	$643,966	(12.4%)
Operating Margin %	*32.7%*	*37.8%*		*32.5%*	*37.5%*	
Net Income	$119,186	$129,028	(7.6%)	$352,337	$391,081	(9.9%)
Earnings Per Share (Diluted)	$0.85	$0.90	(5.6%)	$2.49	$2.73	(8.8%)
Weighted Average Shares Outstanding (Diluted)	141,022	142,883	(1.3%)	141,403	143,245	(1.3%)
Depreciation and Amortization	$23,963	$17,657	35.7%	$69,340	$52,716	31.5%
Total Assets	$4,175,588	$3,664,062	14.0%	$4,175,588	$3,664,062	14.0%
Average Headcount[1]	14,903	13,706	8.7%	14,590	13,478	8.3%
Ending Headcount[1]	14,998	13,710	9.4%	14,998	13,710	9.4%

- Total revenues increased as a result of volume increases across nearly all transportation services in the third quarter of 2017 when compared to the third quarter of 2016.
- Net revenues increase of 6.3 percent was primarily the result of net revenues growth in Global Forwarding partially offset by lower truckload net revenues. APC added approximately 2 percent to total company net revenues in the third quarter of 2017.

*(**ORIGINAL** – continued from page 4)*

lot of partnerships where we rely on others. I think in the universe of third party logistics companies, we're more biased toward transportation and transportation execution than contract logistics or warehouse pick and pack (PNP) activity. We have a lot of facilities where we're consolidating and deconsolidating freight. We do some inventory management. Despite the size and diversity of Robinson today, there are still things that we specialize in that are unique to how you might put customer solutions together. We have that network of facilities and service providers. It's an area where we'll continue to invest and grow our capabilities ..."

Although C.H. Robinson has evolved into a highly integrated 3PL, Wiehoff says many are still surprised at the company's service diversity. "We still have people come in and go, 'No, you're mostly a produce company, right?' They know us through the perishable side. We've got managed service customers who think of us as a technology company. We've got all different, and we've got over 100,000 customers, so you get a lot of people who get unique windows into who we are."

Part of the challenge for a 3PL like C.H. Robinson is simply keeping the company branding and the corporate story intact. There is a chameleon like quality to a 3PL like C.H. Robinson, because of the designer solutions it creates for its customers residing within any link in the supply chain *(see chart on page 11)*. If the management solution is for warehousing or trucking, the perception of C.H. Robinson might be different than for global forwarding but ultimately the basic service model – how the company gets things done – remains the same throughout.

The Building of a 3PL

3PL is an amoeba-like expression [who is the third party and what is logistics?] contrasting sharply with the capital-intensive hardware of ships, planes, trucks and warehouses connecting the supply chain. In many respects the 3PL business model is as much a step-child of the Silicon Valley as it is of any innovations in transportation itself. As Wiehoff explains the phenomena, "When I joined 25 years ago, the 3PL space was not really as commonly understood."

After C.H. Robinson became a public company in 1997, Wall Street, as Wiehoff remarked, "lumped" C.H. Robinson with other transportation companies like Hub, Landstar or JB Hunt. But as Wiehoff notes, "In some ways we're all very similar and some of the Wall Street people will lump us together, but underneath it our businesses are all very different."

A great deal of the difference is how the companies began in business. As Wiehoff points out, "We [transportation companies] came from very different places. For JB Hunt, intermodal is their most important part. [Although] they do have some digital freight initiatives, some 3PL type things. Robinson coming from the deregulated era of produce and perishable, we're very focused on people, process, and technology." People, process and technology is the mantra to the asset light C.H. Robinson.

But staying asset lean isn't the same as being averse to investment – C.H. Robinson has invested to the tune of $150 million a year into technology, literally over a billion has been invested in building the IT (Navisphere) platform. What it does mean is that C.H. Robinson has stayed away from investing in the big-ticket items in the supply chain like trucks, warehouses, ships and planes.

From Wiehoff's perspective it is a company's strategic choice on where to invest its capital. He gives the example of investing in autonomous vehicles. "Autonomous vehicles, on the capital side

*(**ORIGINAL** – continued on page 11)*

Robinson Fresh Results Q3 2017

in thousands, except headcount

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	% Change	2017	2016	% Change
Total Revenues[1]	$613,646	$590,385	3.9%	$1,821,094	$1,814,682	0.4%
Total Net Revenues	$54,253	$57,036	(4.9%)	$171,936	$183,041	(6.1%)
Net Revenue Margin %	*8.8%*	*9.7%*		*9.4%*	*10.1%*	
Income from Operations	$11,586	$17,733	(34.7%)	$40,487	$62,777	(35.5%)
Operating Margin %	*21.4%*	*31.1%*		*23.5%*	*34.3%*	
Depreciation and Amortization	$1,190	$983	21.1%	$3,534	$2,590	36.4%
Total Assets	$413,520	$405,832	1.9%	$413,520	$405,832	1.9%
Average Headcount	970	956	1.5%	966	939	2.9%

- Robinson Fresh results include revenues from sourcing and transportation services.
- Net revenues decrease was primarily the result of lower truckload margin when compared to the third quarter of 2016.
- Robinson Fresh operating expenses increased 8.6 percent when compared to the third quarter of 2016. The increase was the result of an increase in both personnel and SG&A expenses.

How will modern railway links address port congestion in East Africa?

Rail is the key to untangling port traffic in East Africa. But how long will it take?

By Shem Oirere, special to AJOT

Congestion has for long remained a major challenge for ports in Eastern Africa but lately some of the countries in the region have unveiled huge modern railway construction projects as one of the initiatives to create efficiency at their ports, but for how long will the new rail networks support port operations considering the long history of underfunding of scheduled repairs and maintenance of such infrastructure?

The underfunding of railway transport, which is a cheaper option in moving cargo from ports to inland destinations, has been blamed for the collapse of the once vibrant railway transport systems in Africa forcing importers and exporters to rely on the more expensive road transport in collecting and delivering cargo from the region's ports.

In fact, the African Development Bank says the rail transport across the African continent faces the same constraints and challenges as elsewhere in the world but the region's challenges have been aggravated by the poor economic, technological and institutional conditions.

Current railway infrastructure in some of the countries, including in East Africa, is outdated "sometimes approaching a point of no return and the operations are clearly below international standards."

Despite the grim picture, there appears to be a paradigm shift in East Africa, a region with the fastest growing economies in Africa at an estimated 5.3% in 2016 ahead of North Africa which recorded 3% growth rate in the same year.

There is an increase in cargo volumes at the ports of Mombasa in Kenya and Dar es Salaam in Tanzania creating urgent demand for efficient inter-modal logistics systems to accommodate the surge in imports and exports.

Effective ports

Ahead of the construction of two separate new standard gauge railway projects linked to the ports of Mombasa and Dar es Salaam, the respective port operators launched infrastructural developments to create additional capacity to allow for bigger ships and more containerized cargo. An efficient railway and road transport network became necessary to support smooth and fast flow of cargo from these two ports.

"Efficient ports are mostly associated with efficient and effective rail and road connectivity," said Catherine Mturi-Wairi, the managing director Kenya Ports Authority (KPA), which manages the port of Mombasa.

"With the SGR operational, the port is set to attain operational efficiency due to fast cargo offtake by rail which, in turn, increases the port's capacity to handle bigger and more ships at reduced dwell times," she said in June, when the test-runs on the new railway line had been completed. The $3.8 billion SGR project was built by China Road and Bridge Construction.

Prior to the completion of the 472-kilometre SGR line, KPA had completed the first phase of the Mombasa Port Development Project with financing from the Japanese government, when it commissioned phase one of the second container terminal creating an additional capacity of 550,000 TEUs. The SGR line links the port of Mombasa to an inland container depot in Kenya's capital, Nairobi, whose capacity has been expanded from 180,000 TEUs to 450,000 TEUs.

The container terminal project and the new SGR line

*(**LINKS** – continued on page 8)*

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coincided with an increase of the Mombasa ports total cargo traffic which grew by 2.4 per cent from 26.73 million tonnes handled in 2015 to 27.36 million tonnes in 2016 according KPA.

"The increase was mainly attributed to improvements in productivity arising largely from more investment in modern infrastructure, associated equipment and automation of port operational processes," said Mturi-Wairi.

She said the port handled 23.12 million tonnes of imports in 2016 which was 1.9% more than the previous year. In addition, Mombasa port handled 3.66 million tonnes of exports in 2016 up from 3.53 million tonnes in 2015.

This increase in cargo volumes at the Mombasa port has coincided with the commissioning of the 472-kilometre standard gauge railway line. The rail links the port of Mombasa to an inland container depot in the country's capital Nairobi whose capacity has been expanded from 180,000 TEUs to 450,000 TEUs.

SGR Operations

Commissioning of the full commercial SGR Freight Train operations will start in January 2018 which is expected to significantly improve cargo off-take from the Port of Mombasa to the Nairobi Inland Container Depot. There will be four trains per day with a capacity of 4,000 tonnes per train according to Kenya's Cabinet Secretary for Transport and Infrastructure Mr. James Macharia.

The SGR Freight Train-single stack has the capacity of 216 TEUs full load while the double stack SGR Freight Train has capacity for 432 TEUs full load, he said in September. It is estimated the SGR trains will ferry 22 million tonnes of cargo every year.

Already, the government has announced 40% of all cargo through the port of Mombasa will be transported by the SGR trains at a cost that is 50% cheaper than road transport. Kenya Railways Corporation, the State-owned operator of railways in Kenya, has reduced to $500 the cost of transporting one container from Mombasa to Nairobi. It costs double the price to transport the same container by road.

In neighboring Tanzania, East Africa's second biggest economy, construction has commenced on a new standard gauge railway line that will link the congested port of Dar es Salaam to Rwanda, Burundi, Democratic Republic of Congo and Uganda.

A consortium of Yapi Merkez Insaat Ve Sanayi of Turkey and Mota Engil of Portugal have commenced the $1.2 billion first phase of the project. The phase links the port to Morogoro, a distance of 300 kilometres.

Using the current metre gauge railway and roads within the Central Transport Corridor, which is anchored on the Dar es Salaam port, it takes an average of 3.6 days to transport a container from the port to Mutukula border point between Tanzania and Rwanda. This is longer than the government's target of 2.5 days.

The delay has been blamed on the imposed speed limits of 50km/hr and the long and regular personal stops caused by drivers along the route according to a survey by the Central Corridor Transit Transport Facilitation Agency (CCTTFA). The Agency has been formed by Burundi, DRC, Rwanda, Tanzania and Uganda to oversee, manage and improve the central corridor trade route that is anchored on the port of Dar es Salaam.

*(**LINKS** – continued on page 18)*

The cross-sea Kigamboni Bridge under construction in Dar es Salaam, Tanzania being executed by China Railway Construction Engineering Group and China Railway Major Bridge Engineering Group. The 680-meter-long Kigamboni Bridge, the longest cable-stayed bridge in East Africa.

*(**MARK** – continued from page 2)*

Connor] were handling the exportation formalities for them [for the exporters' convenience] as they also needed some way to be the agent for the ship, to get the tugs and the pilots, and get the ship in and out of the berth as quickly as possible. So, that's when we got in to the vessel agency business on the bulk cargo side," Connor explained.

The Business of Change

For any forwarder to stay in business for any length of time, the ability to adjust to industry change is paramount. For John S. Connor that included adapting to the biggest industry change of them all: The Box.

Lee Connor says he "heard stories about it [unloading pre-containerization] when I was getting into the business in the seventies. About how before that the ships with the break bulk heads would come in and they'd be small break bulk ships with a lot of ships' gear, moving cargo and that's what pallets the stuff along on to the ships, and the ships would be in for two, three or four days…And then the containers started and they'd come in and be in for 10 hours. Unload a bunch of boxes with all the stuff inside it. So, it dramatically changed the business but helped the business grow and be more efficient as well."

But the change wasn't confined to containerization. "In those days, in order to clear cargo through customs, you still had to have an office with a customs comment in the port of discharge. So, we had a lot of business of import, and also had a lot of business from the New York brokers and the Chicago brokers who were having goods cleared in Baltimore, but didn't have their offices here. Brokers did a lot of work for each other back in those days. And you had your corresponding brokers. If we had cargo in New York, we'd have one of our correspondents in New York clear that cargo and vice versa down here," Connor said.

However, it all changed overnight, that went away with remote location filing and the famous U.S. Custom commissioner [William] Von Raab's "automate or perish" dictate. Von Raab, who was Customs commissioner 1981-89, as Connor's explains, "…tried to put the fear of god in to all the brokers with that statement [automate or perish] …and I guess he did as we were one of the first brokers in Baltimore to get a computer…It seemed for all his faults [Von Raab], you have to give him a little bit of credit for that because he forced the industry into automation. But we [brokers] handle so many more clearances now, and the lines are so great and that's why customs needed to automate and that's why they forced it because [some] needed to automate and some of the broker's community had to be dragged along," Connor added.

Another change that was a derivative of automation was the introduction of national permits. As Connor explains, "From that automation you ended up getting the national permits, so you could file anywhere in the country. It was a very controversial thing in our industry because a lot of the small to medium sized brokers said 'no, we're based here in Port ABC, and that's where we've always been and that's where we're going to be. We use our port brokers but if you have this national permit then the big guys are going to swamp us.' We [John S. Connor] looked at it differently, one of my predecessors always said 'well you know, we can do it all here in Baltimore if we have our own location filing and the right technology. You can be in a corn field in Kansas and file entries anywhere in the country.' That's the kind of approach we took and we were one of the early adopters of remote location filing."

While automation was a major challenge for brokers, 9/11 completely redefined the industry. Connor says, "In my mind…maybe the biggest change of all this was probably since 9/11, the whole security arena. That has put brokers and forwarders in the front lines as our security apparatus - because of regulatory changes like the automated manifest, the import security filing ISF…we handle a lot of food products, so FDA with the bio terrorism act, and their advance prior notice requirements [is more work and a big change for the brokers]."

And Connor thinks there is more regulatory change in the pipeline. Connor says, "there's still more regulatory things being done. The TSA was formed, homeland security, customs came under homeland security. And TSA came alive for air cargo which was a big impact on us and our air cargo security program. That was another place we had to change the way we do our work and service our customers. But we also were able to add value to our customers."

The next 100

When asked by *AJOT* why John S. Connor remained family held after all the industry consolidation of the past couple of decades, Connor explained, "Well I've told this story a few times, I remember 20 years or so ago, I came into my office from an up and coming group in our industry, and they said 'you guys have really got to do some things differently, you may have to look at selling out because these big guys are growing and growing. And if you don't get big, you're going to be shrinking to ma and pa and go away to nothing eventually because you won't be able to keep up.' Yet here we are 20 years later, and many of the up and coming are gone."

Connor further believes that the independent forwarder has a niche that is readily replaced by the larger multinationals. "We had to gear ourselves to small, medium sized businesses and markets that really need us and values this service we provide. Because they won't get some of that attention and hand holding from a big multinational. Ideally they're going to get in to it and see an opportunity and they'll grow and we'll grow

*(**MARK** – continued on page 16)*

A pocket history of C.H. Robinson

- April 11, 1905, Charles Henry Robinson, owner of a produce wholesale brokerage house, partners with Nash Finch brothers, a leading wholesaler in the North Dakota/Minnesota region, owning and operating grocery stores.
- In the 1940s, the FTC (Federal Trade Commission) found Nash Finch Company to have a price advantage, and under the Robinson-Patman Act of 1936, C.H. Robinson Co. splits into two companies. One, C.H. Robinson Co., was formed by the offices selling produce to Nash Finch's warehouses, and ownership was retained by C.H. Robinson employees. The second company, C.H. Robinson, Inc., was with ownership retained by Nash Finch.
- Following the Federal Highway Act of 1956, interstate commerce via trucking was opened to shippers which previously depended on rail. In 1968, C.H. Robinson launched a trucking business named Meat Packers Express, based in Omaha, Nebraska. Robco Transportation Inc. was formed by merging Meat Packers Express with three other carriers. And later sold in1986.
- In the mid-1960s, C.H. Robinson Co. and C.H. Robinson, Inc., consolidate under the name C.H. Robinson Co. Nash Finch retains a 25% stake in the brokerage company with C.H. Robinson employees owning the remainder. By 1976, the Nash Finch shares had been bought out and the company was 100% employee owned.
- In 1976 C.H. Robinson becomes 100% employee owned.
- In 1979, C.H. Robinson adopts IBM mainframes.
- In 1980, following The Motor Carrier Act of 1980 which deregulated the trucking industry, C.H. Robinson creates a contract carrier program and expanded its freight contract operations.
- In 1989, C.H. Robinson began expanding its international logistics operations with the opening of its Monterrey, Mexico office. Global Forwarding Services begins.
- In 1992, C.H. Robinson acquires C.S. Greene International.
- In 1996, C.H. Robinson launches proprietary PC-based truck load operating system named COSMOS.
- In 1997, C.H. Robinson becomes a publicly traded company. It renames itself C.H. Robinson Worldwide, Inc., with an IPO that raised $190 million for the 101 employees who sold their shares. Future Chairman and CEO John P. Wiehoff joins the company.
- In 1999, C.H. Robinson acquired Chicago-based American Backhaulers, Inc., and Minnesota-based Trans-Consolidated Inc.
- In 2003, C.H. Robinson expands the international freight forwarding network by opening an office in Hong Kong and acquiring Frank M. Viet Gmbh Internationale Spedition, an international freight forwarding and 3PL based in Hamburg, Germany.
- In 2004, C.H. Robinson acquires China-based Dalian Decheng Shipping Agency Co., establishing seven new offices in mainland China.
- In 2005, C.H. Robinson acquires FoodSource, Inc., FoodSource Procurement LLC, and Epic Roots, Inc., which provide a variety of produce sourcing and distribution services, including produce procurement, brand management, merchandising, and transportation. The same year, it acquires two international air and ocean freight forwarding companies: Hirdes Group Worldwide based in Germany, and Taly-based Bussini Transport S.r.l.
- In 2006, C.H. Robinson acquires Triune Freight Private Ltd. and Triune Logistics Private Ltd., an India-based 3PL.
- In 2007, C.H. Robinson opens Singapore office. The same year acquires LXSI Services, Inc., a 3PL of domestic air and expedited services.
- In 2008, C.H. Robinson acquires Transera International, a project forwarding company based in Calgary, Canada.
- In 2009, C.H. Robinson acquires Walker Logistics Overseas, LTD, a UK-based freight forwarder. The company also acquires part of International Trade & Commerce, Inc., a customs brokerage company specializing in cross-border transportation, warehousing and distribution based in Texas.
- In 2012, C.H. Robinson bought the Polish forwarder Apreo Logistics S.A. The company also made its largest acquisition with the purchase of privately held Chicago-based forwarder Phoenix International, Inc. for $635 million in cash and stocks. The same year, C.H. Robinson introduced Navisphere, the company's proprietary single global technology platform.
- In 2015, C.H. Robinson, acquires Freightquote, a privately-held online transportation broker providing shipping rate comparisons for national and regional freight carriers.
- In 2016, C.H. Robinson releases Navisphere® Carrier, a new mobile app designed to support contract motor carriers. C.H. Robinson also acquires APC Logistics, a leading provider of freight forwarding and customs brokerage in Australia and New Zealand.
- In 2017, C.H. Robinson acquires Milgram & Company Ltd., a world-class provider of freight forwarding, customs brokerage, and surface transportation in Canada.

*(**ORIGINAL** – continued from page 6)*
of surface transportation is huge. It's precisely why a company like Robinson shouldn't, can't, get deep into the capital allocation and leverage around that… We want to help our customers evolve to what the best answer is in the marketplace. We want to use the best distribution center to serve our business model, and if we have one that we have a 20-year capital investment in, we're going to work hard to try to keep that customer and that distribution center, as opposed to moving them to where their supply chain can be more competitive."

Succinctly, "Separating the infrastructure and capital investment money, from the people, process, technology, innovation. That's precisely why I think our space in our company is growing more effectively today," Wiehoff said in summing up how investment is determined.

The focus at C.H. Robinson is more on specializing in the customer's own specialization – a corporate agility that is derived from the business model.

An asset light 3PL is designed to be "mobile" (in every sense of the word) making expansion into global markets a natural extension of the business model.

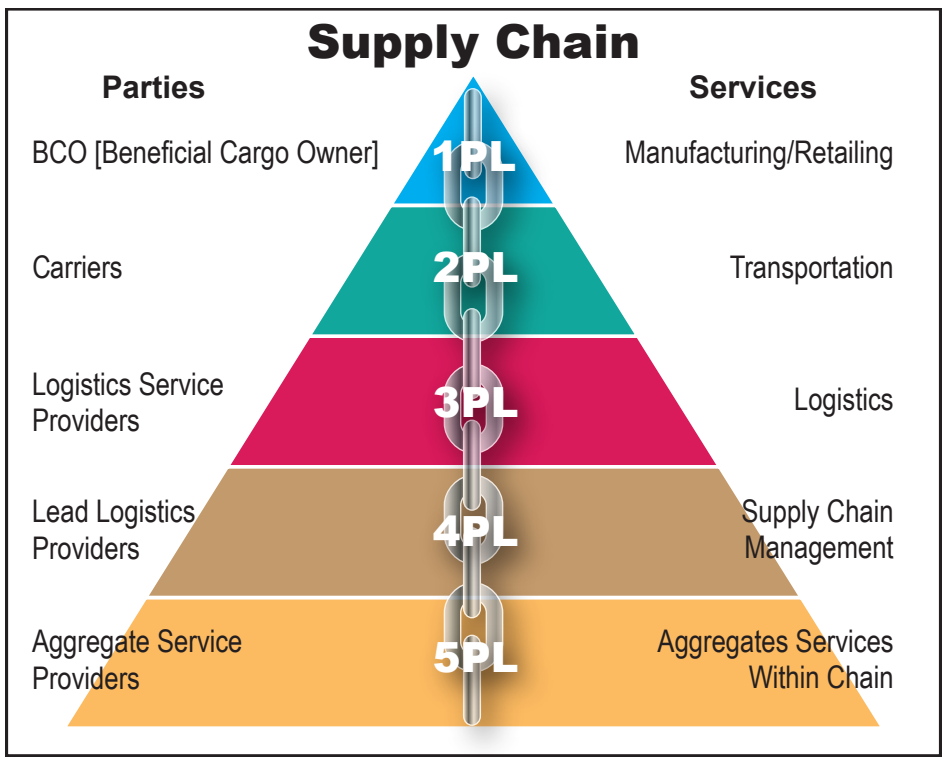
As Wiehoff explains, "In this big, broad world of transportation and supply chain, understanding the competitive landscape and the various business models and who's good at what, [is important]. It's a complex landscape. One of the things that we think is unique about us is that we're really focused on global capabilities, our platform is global, as is our technology…"

The emphasis on expanding globally is clear in the pattern of acquisitions *(see pocket history on page 10)*. Since going public in 1997, C.H. Robinson has brought fourteen logistics providers under the corporate umbrella as well as a number of other related service companies.

Many of the acquisitions have been global freight forwarders and logistics providers including the seminal acquisition of Chicago-based forwarder Phoenix International for $635 million in 2012. That same year, the company added Polish forwarder Apreo Logistics S.A.

For Robinson, M&A is an ongoing process. In 2016, C.H. Robinson acquired APC Logistics, a freight forwarding and customs brokerage company serving the Australia and New Zealand markets. And in August (2017) C.H. Robinson added Milgram, a Montreal-based forwarder with a strength in surface transportation in Canada.

But for C.H. Robinson, adding through M&A is really an extension of the organic growth of the platform. As Wiehoff explained, "At the end of the day we [3PLs] all care about the same things that matter, like scale and geographic footprint .... I would say that we're biased more towards people, culture, innovation, that we're trying to focus more on organic growth. The consistency of our approach - we're trying to stay very true to our platform, our culture, our innovation, and that's in part because technology has become so important, and innovation and pace of change has become so important, that for us, to be very aggressive on the M&A front and [then] go after scale and try to sort out culture and integration."



An Original

The tag line "We're the original 3PL" may soon need some revision as technology drives the business model in directions uncharted. Inside the entrance to C.H. Robinson's is an interactive wall display measuring connections and activity throughout the company's entire global network – the knee jerk is to say it looks like something out of Star Wars, but in reality, Star Wars looks like something from the C.H. Robinson visual display. The rest of the tech center is equally impressive and supports the entire C.H. Robinson architecture.

So, with technology as the progenitor of progress, is the 3PL still a 3PL or is it morphing into something completely different?

Wiehoff said of the shift, "I think the 3PL concept and label is going to fade over time, too. I think it's been the evolution of business models around how you use technology and how you create value in the supply chain."

But whatever the future designation of a logistics provider might be, C.H. Robinson will still be an original.

Footwear is most counterfeited item in international trade

Trend prompts industry, government action. China's Alibaba e-commerce platform draws ire of AAFA.

By Peter Buxbaum, AJOT

Fake products are a fixture of international trade, cropping up in everything from handbags and perfumes to machine parts and chemicals. But footwear is the most-copied item, and the industry has been pushing governments to take action.

U.S. government agencies like the United States Trade Representative (USTR) have taken note but have not delivered much in the way of results.

Imports of counterfeit and pirated goods are worth nearly half a trillion dollars a year, or around 2.5% of global imports, with U.S., Italian, and French brands the hardest hit, according to a report released last year by the Organization for Economic Cooperation and Development (OECD) and the

*(**ITEM** – continued on page 14)*

AAFA's top counterfeiting countries

Peter Buxbaum, AJOT

China is top of mind for the AAFA's counterfeiting concerns, even as communication between the Chinese government and U.S. footwear and apparel players has improved in the last year. Even so, "we continue to see a growth in the number of products and brands that are being counterfeited," said a recent AAFA report.

Other countries that top the AAFA's list include Mexico, the Philippines, Russia, Thailand, Turkey, and Saudi Arabia.

Communications aside, the AAFA is also concerned that draft e-commerce legislation pending in China may actually create less legal accountability and responsibility for offending online platforms. Trademark protection in China is also sketchy. If a bogus party files an application in China before the real owner, the legitimate brand owner is left out in the cold.

"We believe the U.S. Government should work with Chinese Customs to prevent fake goods from leaving China," said the AAFA report.

Counterfeit goods remain prevalent in Mexico, where trademark registration is a difficult process. The Mexican customs authorities have stepped up, conducting several successful raids and seizures in recent years. AAFA members are concerned, however, that cooperation is inconsistent.

The government of the Philippines have also conducted successful raid actions against counterfeit goods traffickers in the past two years. But the main problem lies with the courts, "where all cases languish and solid cases are dismissed for no clear legal reasons," according to the AAFA report. Aggrieved companies in the Philippines must pay for the storage fees for goods seized and to fund the work of prosecutors, all of which increases the costs of enforcement and decreases incentives for companies to conduct raids and enforce their trademarks.

Russian law enforcement provides "absolutely no

*(**TOP** – continued on page 15)*

Garment industry takes measure of the logistic challenges and opportunities

By Robert L. Wallack, AJOT

The garment industry is facing a number of challenging issues from renewing the East Coast ports' labor contract to e-commerce. Foremost is the American Apparel and Footwear Association (AAFA) among 26 trade associations of shippers, consignees and drayage providers petitioning the Federal Maritime Commission (FMC) to clarify by policy statement the detention and demurrage charges at congested ports in the United States. New sourcing channels from Ethiopia are also presenting opportunities to garment logistics.

In December 2016, the Coalition for Fair Port Practices filed their Petition for Rulemaking (P4-16) with the FMC. The Coalition of 26 trade associations represents importers, exporters, drayage providers, freight forwarders, customs brokers and third-party logistics providers requesting that the FMC interpret the Shipping Act of 1984, 46 U.S.C. 41102 (c). Specifically, "to clarify what constitutes 'just and reasonable rules and practices' with respect to the assessment of demurrage, detention and per diem charges by ocean common carriers and marine terminal operators (MTO) when ports are congested or otherwise inaccessible that prevent the timely pickup of cargo or return of equipment," according to formal documents filed along with 15 verified statements from stakeholders.

Nate Herman, senior vice president, AAFA, explained to the *AJOT* that periodic events and what if scenarios such as the 2016 Hanjin Shipping bankruptcy crisis, another port lockout and severe weather issues "impacts their members and cargo owners get caught in the middle." The AAFA is an advocacy representing more than 1,000 world famous brands in the apparel and footwear industry which involves 4 million workers and its contribution of $384 billion in annual retail sales. He said, "there is a need to establish standard procedures" by FMC for detention and demurrage charges that amount to millions of dollars assessed to shippers, consignees and drayage providers.

The Coalition's Petition requests FMC guidance to ensure that these charges are not used inappropriately to generate revenues for cash-strapped ocean common carriers or for marine terminal operators that typically lack contractual relationships with the parties paying the charges. MTOs believe that there are underlying operational causes for port congestion such as vessel size and tight

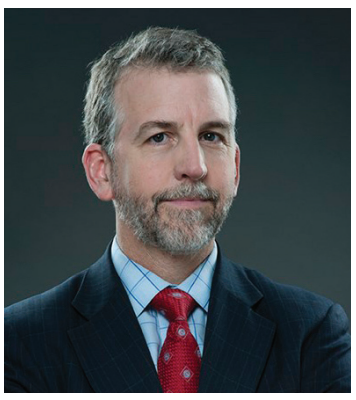
*(**MEASURE** – continued on page 16)*

*(**ITEM** – continued from page 12)*

EU's Intellectual Property Office. The report put the value of imported fake goods worldwide at $461 billion in 2013, compared with total imports in world trade of $17.9 trillion. Most originate in middle income or emerging countries, with China taking the top spot among producers of counterfeit merchandise. In 2016, U.S. Customs seized counterfeit and pirated goods worth $1.38 billion.

"Footwear, apparel and other fashion items top virtually every list of top counterfeited products and seizures."

While footwear may be the biggest victim, trademarks are infringed on everything from apparel to produce. Counterfeiting also produces knockoffs that endanger lives—auto parts that fail, pharmaceuticals that make people sick, toys that harm children, baby formula that lacks nourishment, and medical instruments that deliver false readings. The proceeds of this illicit supply chain often go to organized crime, according to the OECD report.



Stephen Lamar, executive VP of AAFA

Alibaba in the Crosshairs

Knockoffs of footwear and apparel also present safety issues, and not only economic losses, noted Stephen Lamar, executive vice president of the American Apparel & Footwear Association (AAFA) "Footwear, apparel, and other fashion items top virtually every list of top counterfeited products and seizures," he said. "But the victims of intellectual property theft stretch even further than the U.S. jobs that are lost due to foreign counterfeits. Facilities that make knock off shoes, clothes, and accessories do not typically meet the high standards or comply with regulations to ensure product safety, worker safety, and workers' rights."

According to the OECD report, the top countries whose companies have their intellectual property rights infringed are the United States, whose brands or patents were affected by 20% of the knockoffs, Italy with 15%, and France and Switzerland with 12% each. Japan and Germany stood at eight percent each followed by the UK and Luxembourg. While China is the top provenance of fake goods, its companies also fall victim to counterfeiters.

Many of the problems associated with footwear and apparel counterfeiting pop up online, and the Chinese e-commerce giant Alibaba, a company that generated $15.7 billion in revenues last year, has been in the crosshairs of industry and government efforts to stem counterfeiting. The company has been on the radar screen

*(**ITEM** – continued on page 15)*

*(**ITEM** – continued from page 14)*
of the USTR since at least 2015. Lamar says Alibaba has been "sluggish" in implementing a program to combat counterfeit and pirated goods, adding that "Alibaba was either incapable or not interested in addressing the problem."

"Alibaba was either incapable or not interested in addressing the problem."

Underscoring the e-commerce angle, the OECD found that postal parcels are the top method of shipping bogus goods, accounting for 62% of seizures between 2011 and 2013, and reflecting the growing importance of online commerce in international trade, including counterfeit trade. The traffic goes through complex routes via major trade hubs like Hong Kong and Singapore and free trade zones such as those in the United Arab Emirates. Other transit points include countries with weak governance and widespread organized crime such as Afghanistan and Syria. The report noted that traffickers in counterfeit goods often exploit governance gaps in emerging economies.

Weaknesses in internet governance

Counterfeiters also exploit weaknesses in internet governance, often choosing domain names similar to the brand owner's trademarks in an effort to trick consumers. They also attempt to avoid detection by U.S. brand owners and legal authorities by choosing a country code top-level domain (ccTLD), as opposed to the more common .com and other typical business domain extensions, according to a recent AAFA report. ccTLDs are subject to different regulatory requirements depending on the country with which it is associated and many are often not subject to the dispute resolution mechanisms widespread elsewhere on the internet. Some ccTLDs require complex and time-consuming efforts, including litigation, to disable or recover domain names that infringe U.S. trademarks.

The AAFA wants Alibaba's Taobao e-commerce platform back on the USTR's "notorious markets" list. Taobao had been removed from the roster in 2012 because of the perceived progress Alibaba had made in tackling the problem, but Lamar said that since then the problem has only worsened.

In response to the AAFA's allegations, Alibaba said it has implemented a range of measures to fight counterfeits on its websites, including data mining, random product checks, offering an online complaint form, working with authorities in Beijing, and cooperating with more than 1,000 brand owners and several industry associations.

"Our track record of fighting illicit activities is clear," an Alibaba spokesperson told the *AJOT*. "Like all global companies in our industry, we must continue to do everything we can to stop these activities." The company, the spokesperson added, has been in discussions with the AAFA since 2012 over how best to tackle the issue "and was committed to continuing to do so."

Interestingly, 2015 was the last time Alibaba was mentioned in a USTR report, at which time the office expressed concern over the company's failure to stem the trade in counterfeit goods but declined to re-list Alibaba as a notorious market. The 2017 Section 301 Report, an annual USTR document which examines intellectual property violations, and the first such under the Trump administration, did not mention Alibaba. The 2017 report continued to place China on the USTR's priority watch list along with Algeria, Argentina, Chile, India, Indonesia, Kuwait, Russia, Thailand, Ukraine, and Venezuela.

Product counterfeiting continues to frustrate U.S. companies and government agencies. Even as communications with China has improved, the number and volume of counterfeit product emanating from the People's Republic continues to grow. *(see sidebar on page 12)* As for the rest of the world, enhanced levels of cooperation by foreign governments have been hard to come by.

"Sadly," said Lamar, "our assessment of foreign cooperation, enforcement, and legal regimes remains largely unchanged from 2016."

*(**TOP** – continued from page 12)*
support" to AAFA members when it comes to the protection and enforcement of their patents, trademarks, and copyrights. "Online piracy also continues to plague the Russian market," the report said, "and the government has failed to establish any sort of effective enforcement strategy to address the problem."

Turkey remains a European-Asian hub for the manufacture, export, and transshipment of footwear and apparel counterfeits. AAFA members reported sporadic support from Turkish law enforcement in raids and seizures in the past few years but the judicial system remains "inefficient and slow, with judicial remedies that do nothing to deter counterfeiters."

AAFA says "severe infringements and erosion of brand identity" is taking place in Saudi Arabia, with enforcement remedies costly and difficult and companies targeted in raids being allowed to continue to sell infringing products. There are also problems with the court system and there is no system for trademark registration with Saudi Customs. But some AAFA members have reported that Saudi authorities have been helpful in identifying and detaining suspected counterfeits and knockoffs.

Also on the brighter side, Thailand has seen continued improvements in recent years. Support from the Royal Thai Police and Royal Thai Customs in intellectual property enforcement cases has increased. But AAFA has issues with how Thai trademark authorities examine potentially offending trademarks, resulting "in the registration of many trademarks likely to create consumer confusion."

*(**MEASURE** – continued from page 14)*
berth windows. Other factors to consider are fierce competition among marine terminals, and that there are well established mechanisms to resolve disputes over demurrage and detention and therefore, federal regulation is unnecessary and counterproductive to supply chain efficiency, according to one MTO document requesting to testify at the FMC public hearing January 16-17, 2018 in Washington, D.C.

What's Free in Free Time?

A major point of contention is the "free time" extension by carriers for shippers at the ports. Demurrage charges are assessed for shippers' cargo occupying terminal space and arranged by carriers through MTOs and detention is the charge to shippers and consignees for use of ocean containers and other equipment (e.g. chassis). Per diem charges are by day to drayage providers for use of ocean containers and equipment, according to the Coalition's Petition document filed with the FMC. "Those charges do not accrue until the expiration of 'free time' period allowing for efficient removal of cargo or return of equipment during which no charges accrue."

Chico FAS Inc., a specialty retailer of private label women's apparel, imports about 850 forty equivalent unit (FEU) containers per year from Asia to their distribution center in Atlanta, Georgia for customers in their 1,518 boutiques and via the Internet in the U.S.A. and Canada. The 2014 Los Angeles and Long Beach labor issues disrupted Chico FAS flows of merchandise. "Before the congestion issues arose, Chico's FAS had four days of free time to retrieve its containers, which was sufficient. But when the congestion began, the time needed to retrieve containers more than doubled to 7-9 days. As a result, Chico's incurred approximately $80,000 in demurrage."

Port congestion by increasing dwell times will continue to constrain relations between shippers and their ocean carriers and MTOs at US ports. The recent labor contract extension to 2022 by the International Longshore and Warehouse Union (ILWU) and Pacific Maritime Association (PMA) is applauded by supply chain stakeholders for West Coast shipments, but the East Coast labor agreement by the International Longshoremen's Association (ILA), AFL-CIO, representing 65,000 longshoremen on the Atlantic and Gulf Coasts, Great Lakes, major U.S. rivers and Eastern Canada expires on September 20, 2018 and concerns AAFA members according to Herman. The last time there was a problem over labor contracts shipments to the East Coast were only 15% of total imports. Now, 25% of product is imported to the East Coast because of the Panama Canal expansion and larger container vessels.

Ethiopian Garment Sourcing

Ethiopia is becoming more competitive as a garment manufacturing source for global brands and mentioned by Herman along with the dominant source of China as well as Indonesia, Southeast Asia and South America, but sourcing decisions are based on availability of shipping transportation. "Port of Djibouti, of the Republic of Djibouti, is located in the Horn of Africa with Ethiopia in the west and south and the Red Sea at the east. The Port is served by DB World, Doraleh Container Terminal as a modern logistics platform handling most of Ethiopia's imports and exports and strategically located for the world's busiest shipping lanes (Asia, Africa, Europe) accessing the Indian Ocean to South Asia," said Robin Carruthers, veteran transport consultant, the World Bank in a recent interview with the *AJOT*.

Ethiopia competitiveness is bolstered by a new railway and a trade agreement with the U.S.A. This year, Africa's first electric transnational railway opened and built and financed $4 billion by China between Djibouti and Addis Ababa, the Ethiopia capital. This railway will cut to 12 hours what was a long 3-4 day trip by truck. In 2015, Ethiopia acceded to the African Growth and Opportunity Act (AGOA) until 2025 providing duty-free access into the U.S. These factors coupled with below $60 per month wages for garment workers versus Kenya's $120-$150 per month, according to an April, 2015 McKinsey report, make Ethiopia competitive even against Indonesia attempts to attract China textile manufacturers. According to AAFA's U.S. 2016 volume of imports of apparel as measured in millions of square meter equivalents from 35 countries, Ethiopia's are still small, but increased 86.5 percent over 2015 whereas those from Kenya were down 8.3% with data dating to 2001 when AGOA began.

E-commerce ranks as a significant issue to AAFA members along with detention and demurrage policy clarification and garment sourcing as an "ongoing concern." Herman remarked that "e-commerce is at the front of the minds of all members with a need to set up logistics in an e-commerce world." Today's world is less a concern of needing 20 containers in three weeks out of Asia, but how to get a quick response in an e-commerce world.

*(**MARK** – continued from page 9)*
with them."

He added that while some of the companies left for larger multinationals because they themselves grew and felt more "comfortable" with larger multi nationals. "But we've also had a couple of those come back to us at some point, if it didn't work out, they weren't getting the services they're used to."

Although hitting the century mark is impressive, Connor says the company is in growth mode. "For us we think we still have to sell our value added to other customers that are in the market place using somebody else… And we keep our eyes and ears open for opportunities to grow by acquisition ourselves. There are companies that are smaller companies may be looking for an extra strategy and could help us expand our footprint."

Shipping magnates shock an industry out of funk with huge orders

A shopping spree by two billionaires is shaking up a shipping industry still recovering from years of falling rates and overcapacity.

Jacques Saade's CMA CGM SA, the world's third-largest container line, announced an order for nine massive vessels in September, after a year of tepid sales for new ships. Within days, Gianluigi Aponte's Mediterranean Shipping Co., the No. 2 container line, confirmed it had lobbed in an order for 11 behemoths, each of which can hold 22,000 shipping containers, enough capacity for 44,000 cars or 8.8 million 50-inch TVs.

The orders amounted to almost $2.9 billion combined, according to London-based Vessels Value, an online ship-valuation database. Longer than 3 1/2 football fields, the container ships will be among the largest ever built.

Some analysts, however, say it's the last thing the market needs right now.

"The problem with the industry as a whole is that there are just too many ships," said Toby Yeabsley, an analyst at Vessels Value. "It's a struggle to see where these are going to fit in."

Ferry Captain

But brash bets are characteristic of ship owners, in a volatile and cyclical industry. Aponte, an Italian-born former ferry captain, started operating cargo ships in 1970 and amassed a fleet of 490 container vessels, ferries, cruise ships and stakes in port terminals. His son Diego became chief executive officer in 2014. Saade formed CMA in Marseille after he moved from Lebanon in 1978. He built it into what has become France's largest shipping company, helped by a 1992 bet on China's economic growth. His son Rodolphe is now the CEO.

Their success means Aponte has a net worth of $8.9 billion and Saade $4.4 billion, placing both men on the Bloomberg Billionaires Index, a daily ranking of the world's 500 richest people. Both companies declined to comment on their founders' net worth.

The purchases are emblematic of a trend toward bigger ships amid industry-wide consolidation, with global carriers becoming more dominant, according to Tom Bebbington, founder of consulting firm Container Logic.

The order demonstrates CMA CGM's confidence in the coming years thanks to trends such as China's recovering economy, the company said in an emailed statement. An MSC spokesman said the new vessels are expected to replace smaller ones and won't substantially add to the carrier's capacity.

The billionaires may be sensing that the market has hit bottom. Years of low rates have forced shipowners to destroy—or "scrap"—boats as young as eight years to ease a glut that has weighed them down. Asset prices have also plummeted, making ordering new boats more attractive, though at the risk of throwing supply and demand even further out of whack.

The motive may not be entirely financial. With shipyards charging rock-bottom prices, the biggest operators have a low-cost opportunity to show who's boss.

"It becomes kind of like an arms race," said Lee Klaskow, a shipping analyst at Bloomberg Intelligence. "Who has the biggest ship?"

Such rivalries become problematic when everyone piles in. In 2011, Maersk Line ordered more than 20 vessels with a capacity of more than 18,000 containers, and competitors raced to match it. That overcapacity contributed to the crash in rates that continues to hobble the industry today, according to critics.

This time around, Maersk is sitting it out.

CMA CGM names Saade chairman amid industry recovery

CMA CGM Group, the world's third-largest container shipping company, gave Chief Executive Officer Rodolphe Saade the additional role of chairman after the French liner swung to a profit in the third quarter.

Saade, who was appointed CEO in February, will take over from his father, current chairman and founder Jacques Saade, according to an e-mailed statement from the company.

Rodolphe Saade's strategy as CEO "has delivered very good operational and financial results," the senior Saade said in the statement. "The Group is strong. I am confident in its future. He has the full support of the Board of Directors," the management team and workers, he said.

The change at CMA CGM comes more than a year after A.P. Moeller-Maersk A/S reshuffled its executives as a consolidation from mergers and failures takes hold in the broader shipping sector. A recovery this year has been aided by a rebound in the U.S. and Europe, as well as higher rates following the 2016 collapse of South Korea's Hanjin Shipping Co.

Liberty Global Logistics welcomes the *Liberty Peace* to its fleet

On September 1, 2017, Liberty Global Logistics LLC welcomed its 4th US Flag vessel into its fleet, *Liberty Peace*, its 2nd US Flag vessel in the last 6 months.

The vessel will trade in Liberty's round the world service from the US Gulf and East Coast to the Med, Red Sea, Arabian Gulf, S.E. Asia and Far East carrying US Military and flag US flag impelled cargoes as well as factory new and used automobiles, H/H and Break-Bulk cargoes.

(L to R) Joe Marecki – MPA Sales & Marketing, Business Development, RoRo, High & Heavy; Captain Jeffrey M. Raider – Master, *M/V Liberty Peace;* Matt Michielutti – FCA Purchasing; Harry Hussein – VP Sales & Marketing, Liberty Global Logistics; Marty Colbeck – VP Sales, Auto Warehousing Company

HK's ALMC event highlights importance of logistic sector

Over two thousand attended the seventh annual Asian Logistics and Maritime Conference held at the Hong Kong Convention and Exhibition Centre (HKCEC) on November 23-24 2017.

The seventh annual Asian Logistics and Maritime Conference (ALMC) was held at Hong Kong Convention and Exhibition Centre (HKCEC) on November 23-24 2017. Organized by the HKTDC (Hong Kong Trade Development Council) and HKSAR (Hong Kong Special Administrative Region) government, the ALMC has established itself as one of the go-to annual logistics conferences.

The ALMC is also a flagship event of the Hong Kong Maritime Week, organized by the Hong Kong Maritime and Port Board. The ALMC is supported by the Hong Kong Logistics Development Council and the Hong Kong Maritime and Port Board.

Over two thousand attendees from more than 30 countries came to the two-day conference, which featured a high-profile roster of speakers including Carrie Lam, Chief Executive of the Hong Kong Special Administrative Region and Arkhom Termpittayapaisith, Minister of Transport of Thailand. Overall, more than seventy speakers from various sectors of maritime and logistics industries.

The opening session Lam outlined the importance of the logistics sector to Hong Kong: "As we celebrate the 20th anniversary of the establishment of the Hong Kong Special Administrative Region, we reflect on

*(**EVENT** – continued on page 20)*

Seaboard Marine delivers dragon fruit from Ecuador, a first for Florida

Seaboard Marine recently delivered its very first shipment of dragon fruit from Ecuador into Florida's market. The fruit, typically cultivated in North America or imported from Central America for United States consumption, has never been a candidate for import from South America due to longer transit times. However, earlier this year, Seaboard Marine launched a new weekly service between Miami, Ecuador, and Peru offering the fastest transit and delivery times, which has been ideal for the transportation of refrigerated cargoes to PortMiami.

The expanded North-South trade link is bringing new business to PortMiami. This string is not only strengthening PortMiami and Seaboard Marine's global gateway connections into Ecuador and Peru but is also generating growth opportunities within the U.S. market.

Edward Gonzalez, Seaboard Marine President, said "With a strong history in PortMiami and a strong commitment to Latin America, we tailor our reliable and efficient sailings to the needs of our customers. Importers of all perishables into PortMiami appreciate the fast transits and outstanding service that is provided."

"We congratulate Seaboard Marine for its first shipment of dragon fruit from Ecuador to Florida's market via PortMiami," said Mayor Carlos A. Gimenez. "I thank the PortMiami team for all it has done in collaboration with Seaboard to expand international trade and commerce in Miami-Dade County."

The *Diana J* enters PortMiami

*(**LINKS** – continued from page 8)*

When the new SGR line is completed, it is expected that the collection of containers from the port of Dar es Salaam will significantly improve operations at terminals within the port including fast flow of cargo to and from the port. This is critical in reducing the ship turnaround time and could substantially reduce shipping costs.

"We don't need shipped containerized items and other cargo to spend too much time at the port upon arrival; that's why we are also focusing on constructing railway lines and roads," said Makame Mbarawa, Tanzania's Minister of Works, Transport and Communication during a press briefing in June.

He said time taken to transport cargo to neighboring landlocked countries will be reduced to 13 hours from the current 24 hours.

According to Tanzania Ports Authority director general, Deusdedit Kakoko, construction of the new railway is closely linked to efforts by the Authority, which manages the port of Dar es Salaam, to improve efficiency of cargo flow to and from the port.

"Once the construction is complete, we will do away with time wastage whereby cargo ships are compelled to wait to dock to offload cargo due to limited space," he said.

The entry of the private sector in the development and operation of railway networks in East Africa has raised hopes that the new SGR projects in Kenya and Tanzania could turn out to be one of the many long-term sustainable options for port operators of Mombasa and Dar es Salaam in addressing efficiency and hence boost confidence in the ports among shippers and shipping lines.

Great Lakes & St. Lawrence Seaway System hosts 13th Annual HWY H2O Conference in Toronto

The 13th Annual HWY H2O Conference took place November 14-16, 2017 at the Hilton Toronto Airport Hotel. This year's theme was *Driving Growth and-Development*. The HWY H2O Conference is the only annual event designed by System stakeholders and dedicated to growing business throughout the Great Lakes St. Lawrence Seaway System.

(L to R) Jonathan Daniels – Mississippi State Port Authority/Port of Gulf Port, Joseph Cappel – Toledo Lucas Port Authority, Clayton Harris III – Illinois International Port District - Port of Chicago, Rowland Howe – Goderich Port Management Corp., Tim Heney – Thunder Bay Port Authority, Stephen Fisher – American Great Lakes Ports Association

(L to R) Gurpreet Khaira – Canadian Pacific Railway, Rodney Corrigan – Logistec Stevedoring, Gregg Ruhl – Algoma Central Corp., Peter Herkemij – Spliethoff, David Cardin – Gateway Advisors Ltd.

Terence Bowles – St. Lawrence Seaway Management Corp.

Craig Middlebrook – St. Lawrence Seaway Development Corp.

Laura Dawson – Wilson Center's Canada Institute

(L to R) Raphael Charland, Simon De Repentigny, Adam Johnson (all from QSL)

(L to R) Les Coburn – Protos Shipping ltd, Shawn McMahon – Logistec Stevedoring, Alexandre Montpetit – Port of Montreal

(L to R) Kevin Nichol, Benoit Lafrenière (both from Ocean Group Inc.)

(L to R) Gurpreet Khaira – Canadian Pacific Railway, Janenne Pung – *Great Lakes/Seaway Review*

(L to R) Tiffany Godin, Jenna MacDonald (both from Belledune Port Authority)

(L to R) Tung Chee Chen – Chairman, HKTDC Logistics Services Advisory Committee; Arkhom Termpittayapaisith – Minister of Transport of Thailand; Carrie Lam – Chief Executive, HKSAR; Margaret Fong – Executive Director of the HKTDC; Frank Chan – Secretary for Transport & Housing of the HKSAR; Dr Victor K Fung – Group Chairman, Fung Group

*(**EVENT** – continued from page 18)*
our past achievements under 'one country, two systems' and aim to map out a new vision for Hong Kong. Speaking of achievements, the trading and logistics industry is one of the four top pillar industries of Hong Kong, contributing about 22% of our GDP and 205 of our employment. These did not happen by coincidence, but for the reason that Hong Kong values and embraces free trade. This conviction has helped nurture our trading industry over the years. Logistics, being the sector that underpins trading, has also benefitted and grown."

Carrie Lam – Chief Executive, HKSAR

Lam went on to explain the transportation initiatives underway in Hong Kong, saying, "Despite the improvement in air and maritime transport, I would say that the most exciting developments are on the ground. When I said 'exciting', this is no exaggeration, as in the next 12 to 18 months Hong Kong will commission three major pieces of cross-border infrastructure that will significantly transform our links with the Mainland and beyond, accelerating the flow of goods, people, capital and information between Hong Kong and the Mainland. In doing so, they will underscore our status as the region's business and logistical hub, boosting opportunities for Hong Kong and for the companies that partner with Hong Kong."

The three main pieces that Lam was referring to are the Hong Kong-Zhuhai-Macao Bridge, the 26-kilometre Hong Kong section of the Express Rail Link and the Third is a new border crossing.

Among the other speakers Dr. Victor K Fung, Group Chairman, Fung Group, delivered the keynote address, which explored industry prospects and challenges from the new Asia-Europe land and sea trade routes, the ASEAN market, and rapid rail development. The session featured other speakers, including Siddique Khan, CEO, Kerry Globalink Logistics; and Li Guanpeng, Executive Director and President, Sinotrans Ltd; and Ben Bland, South China Correspondent, Financial Times, who moderated the session.

Also weighing in on the subject of connections (regional forums) was JJ Ruest, Executive Vice-President and Chief Marketing Officer, CN (Canadian National Railway), who discussed effectiveness of logistics between Asia and North America.

JJ Ruest – Executive VP & CMO, CN Railway

The conference was split into seven forums, which tackled issues involving supply-chain management, logistics, air freight and maritime. Experts in the area of smart logistics gathered at the first session of the Supply-chain Management & Logistics Forum with speakers: Dr. Hans Lombardo, co-founder and Chief Operating Officer, Chain of Things; Henry Ko, Managing Director Asia, Flexport; Jeff Steilen, Vice President, Information Technology, Asia Pacific, UPS; and Dr Ren Changrui, Chief Scientist and Head of Cognitive Logistics Research, IBM Research-China. During the panel on "Digital Transformation and Smart Logistics: Industrial Revolution 'Virtually in the Clouds'" speakers discussed groundbreaking new technologies, including cloud computing, drone delivery, big data and blockchain, to help logistics operators and traders grasp future opportunities.

Other forums included "ICAO New Policy Direction - Implementation and Impacts on Air Cargo Security," "Tanker and Gas Market Outlook: Market Drivers vs. Looming Headwinds," "Temperature-controlled Cargo Handling: Challenges and Best Practices in Handling of Pharmaceutical Products," "Liner Shipping Market Outlook: Light at the End of the Tunnel?", "Dry Bulk Market Outlook: Sustaining Cautious Optimism for Calmer Waters," and "Ports and Shippers: Harboring Smart Solutions."

The plenary session November 23rd explored e-business heading of "Delivering New World Order for Online Shopping." The session was chaired by Fox Chu, Partner, McKinsey & Company, and featured speakers: James Gagne, President, SEKO Logistics; Katsuhiko Umetsu, Director and Chairman, Yamato Global Logistics Japan Co, Ltd; James Chang, Group Chief Cross Border Officer, Lazada Group; and Cissy Chan, Executive Director, Commercial, Airport Authority Hong Kong.

Besides the session the conference also has an exhibition side which has been growing each year. This year, the exhibition hosted 120 exhibitors and featured a new "E-Commerce Support and Tech Applications" zone which was launched to present technological applications that increase SMEs' operating effectiveness; from foundational support, such as document management to other tech applications such as Internet security and real-time tracking systems.

CONECT hosts Northeast Cargo Symposium in Providence, RI

CONECT's Northeast Cargo Symposium on November 2 in Providence, RI was a meeting of some great minds. Q&A sessions were lively and interactive, indicative of a truly engaged audience, and the networking segments allowed for excellent industry "conections" to be made.

(L to R) Alison Leavitt – WSSA, Peter Friedmann – FBB Federal Relations, Karen Kenney – Janel Group, Inc.

(L to R) David Prata – CVS Health, Cheryl Martin – CVS Health, Jed Artz – RCS Logistics

(L to R) Anthony White – Nye Lubricants Inc., Jennifer Bokavich – Expeditors

(L to R) Joanna Reyes – Yusen Logistics, Roseanne Reese – Yusen Logistics, Cheryl Martin – CVS Health

(L to R) Susan Coffey – Northwest Seaport Alliance, Julie Doane – Autopart International

(L to R) John Majchrowicz – APL Ltd., Jim Dickson – Rolf C. Hagen USA Corp.

(L to R) Karen Sousa – Schneider Electric USA, Christa Hurley – H.C. Starck

(L to R) Pete Mento – Crane Worldwide Logistics, Kristen Skroskis – EFL Expofreight

(L to R) Bill Cianfrocca – Zim America, George James – Dell

(L to R) Tracy Burdine – Yusen Terminals, Jennifer Henderson – Biogen

(L to R) Nicole Uchrin – Gemini Shippers, Pete Conroy – Modern Terminals Ltd.

(L to R) Karen Kuza – Staples Inc., David Murphy – GDLSK

Kevin McAleenan – U.S. CBP

(L to R) Maureen Higgins, Bette Little (both fromTalbots)

Intermodal & Logistics News

China's top Uber-for-trucks apps are said to agree on a merger

Huochebang and Yunmanman, China's two biggest apps for Uber-like truck services, have agreed to merge, creating a company valued at more than $2 billion, people familiar with the matter said.

Wang Gang, a backer of Yunmanman's and an angel investor in ride-hailing giant Didi Chuxing, will become the chief executive officer of the new entity, the people said, asking not to be identified because the information is private. The companies are already in the process of seeking new funding to sustain their rapid pace of expansion, the people said.

The merger would end a costly and frosty battle and create a dominant player in a domestic trucking market estimated to be worth 5 trillion yuan ($753 billion). It's the latest corporate tie-up to emerge from an increasingly competitive technology sector, the most prominent being the marriage of Didi Chuxing and Uber's Chinese business.

Yunmanman representative Johnny Xu, who this month denied the pair were considering a merger, didn't respond to requests for comment. Julia Zhu, a spokeswoman for Yunmanman, said she couldn't immediately comment. Jarry Yan, a spokesman for Huochebang, also declined immediate comment.

Wang doesn't currently hold an executive position with either company. He previously held management roles at e-commerce giant Alibaba Group Holding Ltd. and its Alipay affiliate before becoming an angel investor in Didi.

Yunmanman and Huochebang—known also as Truck Alliance—compete in a sector where more than 200 outfits are fighting for a slice of business. While 80 percent of the country's cargo is carried by road, trucks often spend hours standing empty in vast parking lots and their drivers rely on typically chaotic service centers to find their next load.

Both companies are backed by investors with deep pockets and use technology to match drivers with cargoes via their smartphones, as well as sell truckers toll cards, gasoline, tires and second-hand vehicles.

Bitcoin shows up in shipping as Ukrainian firm plans first deal

A Ukrainian shipping company will start accepting payment in bitcoin—an early sign that the cryptocurrency could be used in international commodity trading.

Varamar Ltd. is negotiating its first deal in bitcoin with a client, according to Alexander Varvarenko, founder of the Odessa-based shipper. Bitcoin will make it easier to do business with customers in countries affected by sanctions, and means less paperwork than traditional bank deals, he said.

"Paperwork for transactions is a complicated issue with banks, and bitcoin payments will help solve that by being faster," Varvarenko said. "It could also help solve payment problems in countries like Pakistan, Russia, Sudan, Yemen, and Qatar, which have safe companies but are victims of sanctions being imposed against their governments."

While the project is still in the beginning stage, it points to the explosive popularity of bitcoin as enthusiasm about cryptocurrencies drives prices to a record $11,000. Still, actual volume of transactions conducted in cryptocurrencies is relatively small.

Other shippers are also looking at using bitcoin deals. Interchart Shipping Inc., a Russian broker, said some customers aren't able to easily transact in dollars due to bank restrictions, so it's working on a system to let them pay in bitcoin.

"We still have to do our homework on this as it's a new way of payments," said Ivan Vikoulov, managing partner at Quorum Capital, a Gibraltar-based grain trader. He's working with Interchart on the bitcoin system.

India's plan to slash freight times to 14 hours from 14 days

A $7.1 billion rail corridor in Rajasthan that's set to cut freight times between India's capital New Delhi and the business hub of Mumbai to 14 hours from 14 days is finally showing signs of progress.

About 800 kilometers away in Gujarat, a 920-square-kilometer industrial area is taking shape near the village of Dholera, with hundreds of workers fusing concrete sections of a sewerage system on a recent visit. Summing up the massive project's ambition, a sign for a yet-to-be-built housing development reads: "Dream City."

Plagued by delays, red tape and disputes over land acquisition, for years it seemed the $100 billion Delhi-Mumbai Industrial Corridor would remain just that—a dream. First proposed more than a decade ago, the sprawling assortment of smart cities and industrial parks on both sides of the freight railway could cut logistics charges that amount to roughly 14 percent of total costs by bypassing the country's infamously chaotic major cities.

"It's not merely a pie-in-the-sky project," said Michael Kugelman, senior associate for South Asia at the Woodrow Wilson Center in Washington. "It's a very real initiative that's gotten off the ground. If it can get over some significant humps, it could make some very real progress."

Japan, seeking to boost ties with India as a counterweight to China, is partly financing the DMIC project and holds a 26 percent stake. Indeed, Japan's Tokyo-Osaka industrial corridor is an inspiration. NEC Corp. has invested in a joint-venture project with the Indian government that is already providing logistics support along the route.

"In the last couple of years, we've seen that the pace of construction has quickened considerably," said Piyush Sinha, who heads the joint venture as NEC's India director.

For others, initial pledges remain contingent on the project's progress. Airbus SE signed an agreement to assist in planning an "aerospace and defense manufacturing cluster" in Dholera, but pending an order of military helicopters from the Indian government, the French aviation giant hasn't made any firm plans to invest there yet.

"We are in touch with several states to identify the right location for setting up the final assembly line and certainly we are looking at Dholera," said Ashish Saraf, a vice-president at Airbus India.

New Delhi's regional rival China has steamrolled ahead with its own infrastructure push, with roughly $55 billion in planned investments rolling out across Pakistan as part of its global Belt and Road Initiative.

"Japan's generous funding has made the DMIC and the rail line possible in the first place—our job was to execute the project and we haven't done too good a job," said Manoj Joshi, a distinguished fellow at New Delhi's Observer Research Foundation think-tank. "It is not a good augury for a country wanting to come up with an alternative to Belt and Road."

Workers in Dholera are laying infrastructure over a 22.5 square kilometer area in plots that are mostly owned by the government. Officials say this will be completed by the end of 2019, and they can then sell plots to factories. In three decades, they envision a city larger than Berlin.

The goal is to set up a "plug and play" environment for investors, says Jai Prakash Shivahare, managing director of the Dholera Industrial City Development. "We are looking to tie up with anchor investors so that they can also start their construction and in one-and-half-years, when our site is ready, their factories can also be ready."

Work has now begun in four of the eight manufacturing destinations proposed in the first phase of the industrial corridor. But it has been far from smooth sailing to get to this point as red tape and budget constraints across six states and numerous sprawling ministries slowed progress, causing some to walk away altogether.

Hindustan Construction Company Ltd. signed two separate agreements in 2009 and 2011 with Gujarat to invest roughly $8 billion for a waterfront city and a renewable energy park. Later the company abandoned the plans. Company spokesman Sandeep Sawant declined to comment.

Development beyond the initial 22.5 square kilometer area in Dholera remains uncertain as farmers opposing land sales have a case pending in the Gujarat High Court demanding the government scrap its plans. "The future of Dholera is dark," said Sagar Rabari, a farmer activist in Gujarat.

In Rajasthan, where roughly 40 percent of the freight line passes, the state still hasn't taken

*(**SLASH** – continued on page 23)*

AIR CARGO NEWS

Airline earnings to jump 11% as fares rise and cargo rebounds

Global airline earnings this year will top previous forecasts and surge to a record in 2018, spurred by higher fares and burgeoning cargo demand, according to the industry's main trade group.

Net income for 2017 is likely to total $34.5 billion, $3.1 billion higher than forecast in June, the International Air Transport Association said in a statement. The figure should advance by a further 11 percent next year.

All major regions are expected to contribute, led by Europe and the U.S. More cargo is being sent by air as people increasingly buy goods over the Internet—giving a particular lift to Asian exports. While booming passenger traffic will spur fares, airlines will be challenged by rising costs for fuel and labor. One emerging concern is the effect of President Donald Trump's travel restrictions on Middle East carriers.

"These are good times for the global air transport industry," IATA Chief Executive Officer Alexandre de Juniac said in the release. "More people than ever are traveling. The demand for air cargo is at its strongest level in over a decade. Employment is growing. More routes are being opened. Airlines are achieving sustainable levels of profitability."

Seat-occupancy will reach 81.4 percent in 2018, while yields, a measure of fares, should advance 3 percent, according to IATA. The price of jet fuel is forecast to jump almost 13 percent, weighing on earnings at carriers with limited hedging, such as those in the U.S. and China.The upgraded estimate for this year is still slightly below 2016's $34.8 billion earnings figure, but the 2018 prediction to $38.4 billion would represent a new industry high as passenger numbers top 4.3 billion.

While North America will remain by far the biggest contributor to profit next year, according to IATA, its share of the total will fall below half. Europe will provide the biggest increase in net income at a gain of $1.7 billion as travel continues to rebound from a spate of terrorist attacks and trans-Atlantic demand remains strong. De Juniac has said insolvency filings at carriers including Air Berlin Plc and Alitalia SpA reflect over-capacity rather than market weakness.

Earnings will also increase in the Asia-Pacific region and Latin America. The Middle East should see significant gains, with demand far outstripping capacity growth that's set to be the lowest since 2002 as companies such as Qatar Airways respond to sluggish oil-industry demand and the impact of travel restrictions.

Africa is set to remain the only unprofitable region, IATA predicts, with airlines suffering a collective $100 million loss in 2018, similar to this year.

The air-freight market is buoyant after years in the doldrums, IATA said, with volumes likely to reach 62.5 million metric tons next year. While momentum is easing after a period of restocking, the development of e-commerce should mean that growth rates remain ahead of the pace of expansion in world trade.

US airlines' Gulf war may score some serious artillery

American airlines' assault on their Gulf rivals just stepped up a level.

The big three U.S. carriers have been on the rampage over the past 12 months, wielding the protectionist and law-and-order instincts of a new administration in Washington to roll back two decades of advances by their Gulf competitors. While a laptop ban and travel restrictions targeted mostly at nations in the Middle East and Africa have largely been shrugged off, the most damaging blow could be yet to come.

Number of Delta Air Lines flights to the U.A.E? Zero.

Under the text of the Senate's tax bill currently before the U.S. Congress, rules that have for decades exempted foreign airlines from corporate taxes will be repealed in a weirdly targeted way. If a country's carriers are to qualify for the exemption, a tax treaty with the U.S. must be in place and U.S. airlines with at least $1 billion in annual revenue must have at least two weekly arrivals and departures there.

That's a remarkably efficient way of singling out Emirates, Qatar Airways Ltd. and Etihad Airways PJSC without being seen to do so. Large U.S. airlines have hardly made a secret out of the fact they no longer fly to the Gulf, something they blame squarely on unfair competition in the region. As a result, the repeal will only affect the countries that America's big three want to exclude, leaving friendlier rivals in Europe and Asia intact.

That's annoyed many in the industry. The move would "upend decades of precedent" and encourage retaliation by foreign governments, the Financial Times quoted the International Air Transport Association as saying.

The frustration of Delta Air Lines Inc., United Continental Holdings Inc. and American Airlines Group Inc. is in many ways understandable. It's genuinely difficult to compete against the Gulf carriers. Government subsidies—largely in the form of interest-free advances and loan guarantees from their state owners—have amounted to about $52 billion since 2004, according to the Partnership for Open & Fair Skies, a U.S. airline lobbying group. The well-honed plea mouthed by American aviation executives—that they only want a level playing field—seems a reasonable ambition.

That's precisely the problem with the proposed law, though: You don't create fair competition by singling out countries' airlines for punishment via a tax code. Effectively outsourcing such decisions to the route-network choices of Delta, United and American gives them a powerful tool for restricting competition in general.

That could have implications beyond the Gulf. For instance: At present, only a handful of countries in Latin America and Africa have tax treaties with the U.S., and many attract only sporadic flights from North American carriers. Should one of their airlines find a way of undercutting their U.S. rivals on price, the big three could wield reductions in flight frequencies as a direct economic threat. Likewise, there'd be an immediate hit to the margins of Ethiopian Airlines Enterprise, one of the fastest-growing international carriers and a major success story for sub-Saharan Africa as a whole.

Level playing fields are a great idea, but they don't really exist in aviation, a heavily regulated, heterogeneous industry that by its nature crosses multiple jurisdictions. The state-backed-airline model being pushed by the Gulf carriers is so old that the term "flag carrier" dates back almost to the dawn of flying machines.

There are plenty of other areas of difference, too. The U.S., for example, doesn't let foreigners own more than 25 percent of its airlines, though the European Union allows up to 50 percent for non-member states, and Australia, Chile and India go up to 100 percent. And no amount of legislation can compensate for the fact that the U.S., Europe and China have vast domestic aviation markets that give their carriers potent advantages when competing against wholly international airlines like those in the Gulf and Cathay Pacific Airways Ltd.

It's possible this proposal will be amended away before the current tax bill is signed into law—but given the haste with which the process is advancing, the risks of it slipping through are considerable.

That would be a disastrous outcome for international aviation, which for decades has flourished on the sort of double-taxation exemptions this clause would trash. It would be great if aviation was a level playing field, but we're not going to get there by throwing up more barriers.

*(**SLASH** – continued from page 22)*

possession of land five years after the process began, even as bureaucrats seek to woo investors by publicizing two proposed industrial townships. Unlike Dholera, farmers in the Khushkhera-Bhiwadi-Neemrana area do want to surrender their plots, but can't as the state government doesn't have enough money to pay for the 14 square kilometers of land.

Villagers, meantime, aren't allowed to sell to anyone else. "Farmers are the losers," says Sube Singh Yadav, 64, a villager in Shahjahanpur.

Rajasthan authorities say they are arranging 32 billion rupees for the land acquisition.

Most of the land needed for the freight corridor has been acquired, funding has been completed, contracts have been awarded and a phased start from December 2019 is expected, the Dedicated Freight Corridor Corporation of India Ltd. said in a statement. The whole corridor will be completed a year later.

MOST SEE

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