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The Logistics & Supply Chain Management Society
The Regional Professional Body for Logistics Practitioners

LogiSYM

The Magazine for Supply Chain Executives

AUGUST/SEPTEMBER 2018

this issue

How Resilient is Your Organisation to Disruptions & Distraction in the New World Order?

Part 1 - Understanding Resilience

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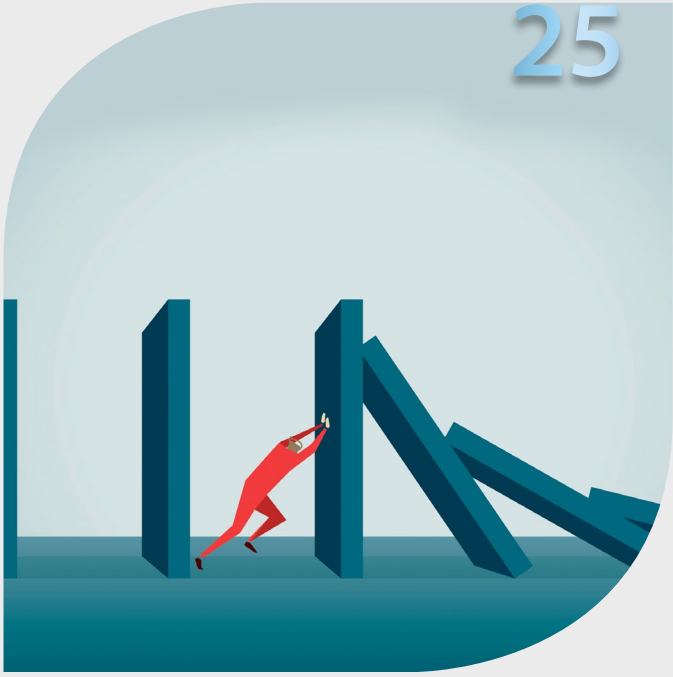

Feature Articles

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from the editor

…… how are we coping with the continuous disruptions and distractions around us?

Dear Readers,

Like myself and many others around us, we are experiencing a continuous state of disruption and distraction. It seems to have become the norm of challenges we face. Yet despite the reluctant acceptance of this new norm by some, many of us are not comfortable to work in such an environment.

This reality is clearly irreversible. And we can only dream of what our life was before it all started. For some, the adaptation to this new reality seems inevitable. But for many others, coping with this challenge is proving more difficult. This difficulty is visible and manifested in several ways. Disengagement, low performance, adversity to making decisions, fear of making mistakes are some of the signs of people not coping.

How can we address this situation? There are several possible approaches to mitigate the impact of these challenges. But it comes back to the good leadership & governance. A CEO or senior management cannot control or manage external disruptions or distractions. However they can manage and guide their internal resources and set a course to follow.

Disruptions - are obstacles that impede our path. Such blockages and disconnects, can throw everyone off their guard. This is where organisations need to become more resilient. Distractions - are events or occurrences that make people lose focus. When an organisation loses focus, it makes mistakes.

So how do we create resilience and focus to buffer disruptions and distractions?

A strong Company culture coupled with the CEO's vision are fundamental. Speed and agility in an organisation's culture, are key ingredients. Speed is about doing the right things quickly. Agility is the ability to adapt to different circumstances using existing resources.

It all sounds nice and easy to deploy. But achieving the conditions of resilience and focus requires a plan, and investment in the organisation's capabilities. This involves deploying processes and tools that make organisations resilient in the light of disruptions. Strong leadership and good governance are also critical factors. Keeping people focused with confidence and motivation, is key to steering a Company on the right course.

As we well know, people are very mobile in today's labour market. So how can we invest to attain such capabilities only to lose them when people move on?

Company Culture is the key to such a challenge. Sustainability of any key company program – quality, service, brand, environmental concerns, all require a strong connector, like a Company Culture. A Company Culture outlives the CEO, its people, suppliers and customers. It is then a continuous journey to build a robust ompany culture for the present and a legacy for the future. Company Culture is pivotal to the guiding principles which provides that backbone for an organisation's focus and resilience, irrespective of disruptions and distractions.

As usual I look forward to receiving your feedback at **info@lscms.org** and even publishing an article of yours.

Joe Lombardo
Editor in Chief

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a word from the president

Head Down and Getting It Done

Travelling almost frantically lately and I was even in 4 countries, over five days last week. Learning a lot and involved in many interesting projects that I hope will have meaningful outcomes over the coming months.

One interesting development is our partnership with the Association of Supply Chain Management Professionals in Malaysia. We look forward to working with this fledgling organisation more closely to improve our presence in Malaysia with a credible collaborative partner and deliver even more to the Logisticians in Malaysia in the coming months.

The preparations for LogiSYM Digital are well under way and we will have this running in at least 4 venues on the 22nd of November. I hope to see many of you attend this launch of what is an industry - if not world first.

Please keep the support and feedback coming and I look forward to interacting with as many of you as possible in the weeks and months ahead.

Raymon Krishnan, FCILT, FALA
President
The Logistics & Supply Chain Management Society

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contributors

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Founder
ESP Consult

Joe Lombardo is the founder of a specialist consultancy whose mission is pivotal on delivering a core vision of enabling sustainable performance. ESP Consult an independent Business Consultancy (since 2014), offering consulting & advisory services in Business Performance Management, supporting programs for Transformational Business Management, improvements in the Supply Chain Logistics Management and Trade & Customs Compliance programs. ESP Consult brings the technical understanding and practical knowledge to develop Performance Execution Programs to deliver Company Business Strategies.

Dr Raymon Krishnan
Secretary - General
Asia Business Trade Association (ABTA)

Dr Raymon Krishnan is the foremost thought leader on Supply Chain Management in the region and currently works as Director of Corporate Advisory at the Asian Trade Centre where he works with clients on supply chain diagnosis, supply chain and business strategy and network design. Raymon currently also serves as President of the Logistics & Supply Chain Management Society and Secretary-General of the Asia Business Trade Association.

Renette Lee
Research Analyst
Asian Trade Centre (ATC)

Renette Lee is a final-year Sociology undergraduate from the University at Buffalo, who concluded an internship with the Asian Trade Centre. She takes a keen interest in the understanding of social relations through through public and trade policies. As a proponent of constant learning, Renette embarked on a gap year off her studies to gain professional experiences. Upon graduation, she hopes to find a career in the trade/international relations sphere.

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IATA Launches the 3rd Edition of its Air Cargo Innovation Awards

The International Air Transport Association (IATA) has launched the Air Cargo Innovation Awards – a competition that rewards innovative ideas with the potential to transform and modernize the air cargo industry. The three best ideas will be presented at the World Cargo Symposium (WCS) in Singapore next March.

Innovators with ideas aimed at enriching the customer experience and/or improving the competitiveness of the air cargo industry are invited to participate in the awards. Submissions will be evaluated based upon the innovation, its potential to create value, and the likelihood of achieving success. An independent and diverse jury of eight, including industry experts, academics and CEOs of leading logistics companies, will evaluate all applications received and select the best three. The finalists will be invited to attend the WCS and offered the opportunity to present their idea during the main plenary session. The audience will vote to select the winner.

Participating in the awards is a fantastic opportunity to showcase innovative concepts, solutions, products or services and network with key air cargo industry stakeholders. In addition to these opportunities, the winner will receive USD 20,000 to launch and nurture their idea.

"I saw the awards as an opportunity to express what I believe is the future of aviation," said Geoffrey Nyaga, winner of the 2017 edition. Currently Chief Operations Officer at Astral Aerial Solutions, Geoffrey was an intern when he decided to submit his idea for a drone management system. "My life has changed in ways I could not have anticipated - the award really puts people in the industry spotlight. The mentorship I received from industry leaders has been unparalleled".

Darryl Judd, Chief Operating Officer of Logistics Executive Group and member of the jury, believes that "innovation, coupled with entrepreneurship is an act that leads to positive change. The IATA Air Cargo Innovation Awards provide a platform in which creative ideas and real world initiatives can be showcased and brought to life across the industry".

The closing date for entries is 15 January 2019. More information in **www.iata.org/cargo-innovation-awards**

Kenya's Astral Aviation Orders Two Falcon Drones

Nairobi-based cargo carrier Astral Aviation has agreed to purchase two Lucas-F250 drones from Dubai-based unmanned aerial vehicle manufacturer Falcon Drones Technology at the Farnborough International Airshow in the United Kingdom. An additional 10 units of the aircraft may be purchased next year, according to the terms of the deal.

Key features of the drone include an impressive endurance of 10 hours and a range 1,500 kilometers, in addition to a cruise speed of 150 kilometers per hour. The total cargo capacity of the aircraft is about 250 kilograms.

With a small fleet of 737-400Fs and 747-400Fs, Astral operates air cargo services in Sudan, Tanzania, Somalia and Rwanda, connecting to European hubs Liège and London Stansted that import perishables products like flowers from East Africa.

The implementation of drones into Astral's network could promote regional connectivity for the transportation of smaller amounts of cargo short distances and fulfill a need for last-mile services, the carrier said.

"The Falcon Drones technology is truly groundbreaking," said Sanjeev Gadhia, CEO of Astral Aviation. "It brings with it the exciting prospect of further expansion in the wider East Africa region."

Oman Air Cargo Upgrades Muscat Facility

Oman Air Cargo, the cargo division of Oman Air, has completed an upgrade its cargo hub facility at the new Muscat International Air Cargo Terminal to set globally competitive logistics standards. The new cargo facility features a 22,780 square-meter, air-conditioned warehouse with the capacity to handle 350,000 tons of cargo per annum – a substantially larger capacity than the previous cargo facility.

Commenting on the new Oman Air Cargo facility, Oman Air's Chief Executive Officer, Engineer Abdulaziz Al Raisi said, "Oman Air is proud of its new cargo facility at Muscat Airport, which apart from enhancing the operations, also provides the opportunity to boost trade and commerce opportunities for the Sultanate's economy. Oman Air has made significant inroads in online as well as offline cargo markets and its growth trajectory has been very strong and steady."

With the upgraded facility, Oman Air Cargo's year-on-year statistics for the 1st half of 2018 compared to the same period in 2017 indicate a 25% increase in business. This follows on from a 38% increase in business for the year 2017, and a 5% increase in 2016. The 24 hour facility has been equipped with Bulk Cold Rooms, ULD Cold Rooms, in addition to a range of specialist rooms, including a Live Animal Centre and Dangerous Goods Room. It has also been fitted with a state-of-the-art an automated cargo system for documentation and warehousing, export cargo acceptance, and imports cargo delivery.

The Cargo facility accompanied the development of the brand new passenger terminal at Muscat International Airport, which began its first commercial operations in March 2018. The new facility is also aligned with Oman Air's ambitious and dynamic program of fleet and network expansion. The National Carrier of the Sultanate of Oman also recently announced the finalisation

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Asia and Middle East Lead International Shipping Index

Singapore remains unmoved at the top of the International Shipping Centre Development (ISCD) Index for the fifth successive year, following a benchmark report published by the Baltic Exchange and Xinhua, China's news agency.

The index covers 43 of the world's largest ports and cities and is designed to bring clarity to investors and governments on the relative performance of shipping centres around the world.

The Asia-Pacific region now makes up 50% of the top 10, with three of those centres making up the top four. Singapore maintains its leading position for the fifth consecutive year due to the strategic opportunities brought about by the "Belt and Road" initiative. Hong Kong overtook London – for the first time in five years – to take second place, although London is still assessed to be the top professional maritime services location.

Shanghai moved up to fourth place thanks to its rapidly developing modern shipping logistics and shipping services systems, in addition to the coordinated development of its regional shipping counterparts. Tokyo held ninth position, while Busan returned to the top ten, replacing Athens, by virtue of its strategy of vigorously developing its transhipment ports.

The impact of the overall weak economy in the European region meant London's overall development was behind that of Hong Kong, while Hamburg dropped to seventh. Better news in the European region came from Rotterdam who jumped two places to sixth in the overall rankings due to improved operating efficiency, with new technology applications such as the internet of things, big data, and artificial intelligence, as well as smart port construction.

Elsewhere, Dubai maintained fifth in the rankings, driven by its innovative free-trade zone and improvement in trade environment, while New York dropped from seventh to eighth.

The report also provides a supplementary ranking, grading cities based solely on the breadth and depth of their maritime services sector, covering shipbroking, engineering, shipping business, legal, shipping finance service and ship repair services.

2018 shows the top ten port cities with the best professional shipping services are, by order of ranking: London, Singapore, Hong Kong, Shanghai, Dubai, Athens, Hamburg, New York-New Jersey, Tokyo, and Houston.

Low Sulfur Fuel is the Way of the Future: Hapag-Lloyd

The vast majority of global container fleet will have no choice but to switch to low sulfur fuel given recently announced International Maritime Organisation (IMO) regulations that shall take effect on January 1, 2020, according to German container shipping giant, Hapag Lloyd.

LSF2020, the new "Low Sulfur Fuel" regulations are the biggest of a series of steps by IMO to reduce marine pollution in response to the threat of climate change by encouraging ships to significantly reduce emissions on the high seas as well as in coastal areas.

A statement by Hapag Lloyd deliberates the potential impact of the regulations on the shipping industry as shippers decide how to comply with the regulation. "Oil industry experts estimate 0.5 percent Sulfur "Low Sulfur Fuel" will be 150 to 250 US Dollar more expensive per ton than the current 3.5 percent Sulfur "Heavy Fuel Oil. According to estimation this will increase global average prices per TEU by around 80 to 120 US Dollar, or about 10 percent," the carrier stated,

"All alternative approaches to enable ships to burn cheaper fuels, require considerable additional capital investment."

Potential solutions include an Exhaust Gas Cleaning System (EGCS). However, these systems have not yet been used with large container ships, only with cruise liners and short sea ferries," expressed Hapag Lloyd, adding, "There is also the risk that regulations will change in the coming years and will prohibit flushing the pollution into the sea at all." The German shipper also suggests switching to Liquefied Natural Gas (LNG), but also notes the significant costs associated with shop conversion and currently limited supply of LNG bunker vessels.

"Each solution comes with its challenges. That is why right now there is no one right way to go. Liners have to individually decide the mix which seems best for them. All in all, industry experts guess that the new fuel regulations will cost the shipping industry about 60 billion US Dollar per year," the carrier concludes, noting that customers can expect higher costs by end of next year as shippers implement compliance measures.

DP Acquires Leading European Port Operator Unifeeder

Global maritime conglomerate DP World inked a deal to fully acquire Denmark-based the Unifeeder Group, which operates the largest and most densely connected common user container feeder and an important and growing shortsea network in Europe that serves both deep-sea container hubs and the intra-Europe container freight market. Unifeeder revenue of €510 million in 2017 and EBIT margins in line with other asset-light logistics operators. The acquisition is subject to regulatory approvals and expected to be earnings accretive in the first full year after completion. It will be financed from existing balance sheet resources and is expected to close in 4Q 2018.

With its latest acquisition, DP World aspires to further entrench its presence in the global supply chain and broaden its product offering to shipping lines and cargo owners. The current operations of Unifeeder are complementary to DP World's existing business and provides future growth opportunities.

Unifeeder, founded in 1977, is an integrated logistics company with the largest and best- connected feeder and growing shortsea network in Northern Europe with connectivity to approximately 100 ports. The company provides efficient and sustainable transport solutions for international container shipping lines between international and regional ports and shortsea services to cargo owners with fully multimodal door-to-door solutions, combining seaborne transportation with road and/or rail. The business is cash generative and operates on a highly flexible cost base. Sultan Ahmed Bin Sulayem, Group Chairman and CEO, DP World, said: "We are delighted to add the Unifeeder brand under the DP World umbrella, which supports our strategy to grow in complementary sectors, strengthen our product offering and play a wider role in the global supply chain as a trade enabler.

> "Our aim is to leverage on the in-house expertise of Unifeeder and to accelerate growth in this scalable platform to deliver value for all stakeholders.
>
> **Sultan Ahmed Bin Sulayem**
> **Group Chairman and CEO, DP World**

"The ever-growing deployment of ultra-large container vessels has made high-quality connectivity from hub terminals crucial for our customers and Unifeeder is a best-in-class logistics provider in this space with a strong reputation in Europe," noted Sultan Ahmed Bin Sulayem, Group Chairman and CEO, DP World, adding, "Our aim is to leverage on the in-house expertise of Unifeeder and to accelerate growth in this scalable platform to deliver value for all stakeholders."

Jesper Kristensen, CEO, Unifeeder stated, "We have enjoyed great success over the last five years under Nordic Capital's ownership, and we believe that the Unifeeder brand within the DP World Group has the opportunity to accelerate growth, expand further and take the business to the next level."

CEVA Completes US$1.4bn Refinancing

CEVA Logistics has announced that it has successfully completed its comprehensive refinancing. CEVA has raised EUR300 million of 5.25% Senior Secured Notes due 2025, a $475 million Secured Term Loan B due 2025 and a $585 million Senior Revolving Credit and Ancillary Facility due 2023.

The Company has achieved attractive terms and was able to upsize the term loan in view of strong demand.

CEVA has repaid or redeemed all its previous credit facilities and notes, but for approximately $290 million principal amount of the 9% First Lien Senior Secured Notes which had not been tendered for early purchase in the cash tender offer and accordingly will be redeemed early September 2018.

Through the IPO and the refinancing, CEVA has raised approximately $1.2 billion in equity and approximately $1.4 billion in new debt facilities. In addition, the Company has approximately $450 million of existing ABS/ABL facilities.

CEVA has achieved longer maturities, more flexibility, enhanced liquidity and much lower interest cost through the deleveraging and the refinancing. Its annual interest costs will reduce by more than $100 million, subject to prevailing Libor rates.

"We are very pleased with the outcome of our refinancing and that we have successfully positioned the 'new CEVA' also in the debt capital markets," says Peter Waller, CEVA's CFO. "Our stronger financial position will allow us to accelerate revenue growth with existing and new clients.

By further improving EBITDA and through much lower interest cost, we can generate positive cash flows for the second half of 2018 and onwards," continues Peter Waller.

LOGOS Buys US$196mn Singapore Warehouse

LOGOS, a growing logistics specialist with operations across Asia Pacific, recently announced plans to enter a conditional sale and purchase agreement to acquire a logistics warehouse in Singapore, subject to JTC Corporation approval.

Following the acquisition, LOGOS will redevelop the existing three storey industrial property into a modern ecommerce logistics hub for an estimated total development cost of US$196 million.

The property offers convenient proximity and access to Singapore's Central Business District, Pasir Panjang Port and Jurong Lake District. LOGOS will redevelop the property into a six-storey ramp-up modern logistics facility with ancillary office space, offering a total net lettable area of approximately 110,000sqm. Construction will commence in 2019, subject to relevant planning and construction approvals, with the first phase of construction scheduled for completion in late 2020.

LOGOS Southeast Asia Managing Director, Stephen Hawkins said: "Singapore is a key investment market for LOGOS and we are committed to growing our business in this region. "The redeveloped 4 Pandan Crescent will be the one of the few ecommerce focused facilities in Singapore and LOGOS is excited to be involved in the transformation of Singapore's logistics industry. We are currently in discussions with a number of potential tenants in regards to this development and look forward to sharing more on this in due course," he added.

This strategic investment is being made by LOGOS Singapore Logistics Venture that focuses on the acquisition and development of high quality, modern logistics properties in Singapore. When completed, the acquisition of 4 Pandan Crescent will take the number of assets in this venture to five. The other assets consist of two multi-storey logistics warehouse facilities and two development sites. The total commitments in Singapore provide LOGOS with over S$800 million in investment capacity.

cargo-partner Selects GO DC to Digitally Market State-of-the-Art Singapore Warehouse Facility

Get GO Global (GO) is pleased to announce that GO has been appointed by cargo-partner Logistics Pte Ltd to digitally market its latest Singapore warehouse with flexible space options on GO DC.

cargo-partner was founded in 1983 and generated a turnover of nearly 700 million euro with 2,780 employees in 2017. The cargo-partner group celebrates its 35th anniversary in 2018.

The cargo-partner Logistics Center in Singapore contains over 2,200 pallet spaces on 28,500 square feet of storage space with 9-meter high ceilings at an ambient temperature. The state-of-the-art warehouse offers short and long-term storage as well as a comprehensive portfolio of value added services including picking and packing, cross-docking, eCommerce fulfillment and other contract logistics services.

The warehouse is strategically located 45 minutes from Changi Airport, 15 minutes from Tuas Checkpoint and 20 minutes from the city. The facility is equipped with LED lighting and ventilation as well as 8 direct loading bays and 1 loading ramp.

Mr. Vincent Foo, General Manager Sales & Operations of cargo-partner in Singapore said, "We are confident that our latest warehouse facility is well positioned to meet the strong and growing consumer demand in Singapore and ASEAN. With our new flexible space offerings, we provide more options to customers to match their immediate needs for space and as they grow. We welcome enquiries from local or international customers as we digitally reach out on GO DC."

Mr. Au Kah Soon, CEO of GO said, "Working together with cargo-partner, we are creating flexible space options for customers to tailor to their supply chain. This reduces overall logistics costs as customers pay only for the space options they need. GO DC is committed to making it easy to search and secure space at cargo-partner's facility in Singapore. GO DC has rapidly grown to over 50 warehouse listings and we look to double that in the near future so that GO DC becomes our customer's one touchpoint for flexible warehousing across Asia."

> "Working together with cargo-partner, we are creating flexible space options for customers to tailor to their supply chain. This reduces overall logistics costs as customers pay only for the space options they need.
>
> **Au Kah Soon**
> **CEO, GO**

Kalmar Provides Fleet Solution to Australia

Kalmar, the cargo handling equipment division of Cargotec, has won an order to provide Kalmar Fleet Solution of mobile equipment to Australian Container Freight Services (ACFS) operations in Adelaide, Fremantle and Melbourne.

ACFS is the largest privately owned Container Logistics operator in Australia, strategically positioned close to key ports to facilitate domestic cargo handling. The Kalmar Fleet Solution allows customers to purchase a rental fleet from Kalmar which ensures that cargo is moved efficiently, with minimal downtime as the fleet is maintained in accordance to our high service standards. With the fixed monthly maintenance charge, customers can enjoy predictable services from operations to accounting by Kalmar.

According to Tim Holms, General Manager of ACFS, "With the Fleet Solution that Kalmar provides, we do not have to worry about breakdown and downtime as they are well covered by Kalmar in their fully maintained rental solution. This allows us to focus on our core business to deliver best class container freight logistics to our customers."

"Kalmar Equipment Australia has a strong sales network throughout Australia and the Pacific. One of the keys to us securing this order is our commitment to offer shorter delivery time to the standard in this market," said Michael Webb, Director of Kalmar Australia Mobile Equipment Business.."

Dubai Freezone Reduces Fees by 65%

Dubai Airport Freezone Authority (DAFZA) has reduced business setup cost by up to 65%, as part of its aim to increase DAFZA's regional competitiveness and activate a number of key sectors by attracting foreign direct investment (FDI). Supporting Dubai's efforts to become an ideal destination for investment and prosperity, the decision will help achieve further stability for the operational processes of free zone companies and consequently sustain and drive investment growth.

H.E. Dr. Mohammed Al Zarooni, Director General, DAFZA, said: "This new approach falls in line with the directions of His Highness Sheikh Mohammed bin Rashid Al Maktoum to boost Dubai's economic competitiveness. This is being done through a number of initiatives and incentives that aim to attract and promote FDI into the Emirate, ensuring sustainable growth across all economic sectors and strengthening Dubai's status on the world economic stage."

DAFZA has revisited and reduced registration, license, and staff visa fees for new investors by 65%, 33%, and 20%, respectively. Establishment card issuance fees have been cut by 17%, while fees for Board Resolution and MOA issuance have been waived.
The new incentives include facilitating the process of obtaining general trading licenses for new investors by halving the capital requirement from AED 1 million to AED 500,000. DAFZA has also allowed its member companies to be structured as a Limited Liability Free Zone Company (FZ-LLC), in a bid to provide more flexibility in business setup, licensing and operation.

DAFZA has launched a restructuring process of free zone licenses and related fees. This will enhance the setup and operation experience for investors who wish to set up in the free zone by offering them greater flexibility in choosing the business and service activities that best correspond to the nature of their work.
DAFZA declared that more initiatives and incentives are in the pipeline, including facilitating the issuance of No Objection Certificates, in order to facilitate investment processes and provide an optimum business environment that will continue to attract FDI.

Singapore Start Up Introduces Blockchain Solution for Belt and Road

Global eTrade Services (GeTS), a subsidiary of CrimsonLogic, a leading provider of eGovernment products and services based in Singapore, has launched Open Trade Blockchain (OTB), the region's first cross- border blockchain platform that is aligned with China's Belt Road Initiative (BRI) and the Southern Transport Corridor.

GeTS' Open Trade Blockchain is a permissioned blockchain network run by trusted nodes which are hosted by whitelisted accredited trade compliance companies. OTB enhances the security of trade related documents, from Certificate of Origin, to Commercial Invoice and enhances the transparency and trust between shippers, freight-forwarders and customers.

GeTS is assisting partners to provision blockchain nodes progressively, including strategic partners such as China-ASEAN Information Harbor Co., Suzhou Cross-E-commerce Co. Ltd (operator of the Suzhou E-commerce Single Window), and Commodities Intelligence Centre (CIC, a joint-venture company between ZALL SMARTCOM – a major B2B player in China, GeTS and SGX). Additional partners such as Korea Trade Network (KTNET), PT-EDI Indonesia, TIFFA EDI Services Company Limited (a subsidiary of the TIFFA Group of Companies) and Trade-Van Information Services Co. (Taipei) are also coming on board.

Eugene Wong, Chairman of CrimsonLogic and GeTS, stated, "One year ago, we successfully launched GeTS and it amassed more than 10 million transactions in the first year of operation. Today, GeTS is now conducting more than 13 million transactions and recorded a Gross Merchandised Value (GMV) of more than $400 billion for the first half of 2018.

"With the launch of this Open Trade Blockchain, we set a new precedence for global trade, and promises to meet growing demands for compliant and secure trade regionally, and globally." With OTB linking China to rest of the region, it is expected to provide a strategic edge to businesses wanting to participate in China's BRI initiatives as it offers greater connectivity with country's "Digital Silk Road".

Agility Wins US$142mn UPAC Contract

Agility has acquired a contract with the US-based Defence Logistics Agency, the Kuwait-based global logistics player announced in a statement to the Dubai Financial Market.

Under the service agreement, Agility will provide fuel storage services in Guan for US$62 million. The contract term is for four base years, but is extendable for another five years for a total value of US$ 142 million.

Agility is also currently among several potential buyers in talks to acquire the financially-troubled Abraaj. The Dubai-based investment group filed for provisional liquidation in the Cayman Islands in June this year after concerns surfaced about the potential mismanagement of over US$1 billion in funds.

BOScoin, SOLE to Pioneer Blockchain Solutions

BOScoin, Korea's first blockchain project has signed an agreement with the Society of Logistics Science and Technology to conduct research on blockchain applications in logistics and distribution.

The research will focus on promoting the implementation of blockchain technology by discovering specific business models that demonstrate ways to utilize blockchain in the logistics and distribution industry in Korea as well as by putting forward ways to collaborate with existing logistics and distribution companies.

Earlier this year, BOScoin forged a strategic alliance with Energy, an energy Fintech platform company, to transform petroleum distribution through blockchain. In particular, BOScoin plans to introduce a payment system based on its Trust Contract to enable transactions without involving a third-party intermediary.

The research is expected to help discover a public financing project that best fits BOScoin's mainnet and put forward an efficient business model of a close partnership with logistics and distribution companies.

Yezune Choi, CEO of BOScoin stated, "Efficient implementation of blockchain by logistics and distribution companies will simplify and automate the dealing process resulting in paperless transactions. The logistics and distribution is one of the industries that will achieve the highest efficiency by transforming its transaction structure through blockchain since it has a complex transaction structure involving multiple stakeholders at each stage."

Careem Aims to Introduce Driverless Pods Across MENA by 2030

The Middle East's native ride sharing app Careem has teamed up Next Future Transportation, a US-ased start-up to launch the region's first driverless pods for public transit. The partners have announced plans to test the concept later this year.

The technology will feature a customized system to facilitate order pick-up from precise locations, such as a home address, while also picking up passengers in nearby areas for more optimised ride-sharing.

The self-driving pods can operate independently and also attach to each other on the road so that passengers can transfer pods enroute, without having to stop in between.

"We are acutely aware of the ground realities of intracity and intercity transport," said Mudassir Sheikha, Co-Founder and Managing Director of Careem. "Next [Future's technology] offers a unique and compelling vision for mass transit," he added.

Commenting in the collaboration, Emmanuele Spera, Founder and Chief Executive of Next Future Transportation emphasized the significance of Careem as a "partner that would provide operationap depth and scale" as the company brings its technology to the region.

The efforts are part of a widespread government effort to introduce advanced mass transit solutions across the UAE.

The Vice President of the UAE and Ruler of Dubai, Sheikh Mohammed bin Rashid, recently stated that the country aspires to have driverless cars steer a quarter of all journeys in the emirate by 2030.

Australia Post Launches Tech Academy

Australia Post has launched the country's first dedicated Tech Academy, a two-year development program available to anyone with a keen interest in a career within the evolving tech sector.

Aimed at training emerging talent from a diverse background - including return to work parents and people with non-technical skills - Australia Post has teamed up with educator Coder Academy to provide 20 successful applicants on the job training and industry placements within the organisation's tech and digital spaces. Commencing February 2019, associate trainees will receive a 12 week tech boot camp, a two-week placement across Australia Post's retail and operations sectors, and four five-month tech rotations, with opportunities for ongoing employment within a tech or digital team at the conclusion of the two-year period.

Australia Post Chief Information Officer, John Cox, said the innovative program will nurture new talent, and enable people to build their skills across emerging technologies.

"We're proud the Australia Post Tech Academy is the first of its kind in the country," Mr Cox said, adding "This program is open to anyone, regardless of technical backgrounds, including return to work parents, veterans, mid-career professionals, and graduates."

Cox stated that Australia Post is looking to grow its tech and digital capabilities, by developing talent in emerging technologies such as machine learning, the Internet of Things (IoT), and blockchain.

Technology a "Limiting Factor" in Solar Market: Aramex

The pace of technological progress remains a significant constraint on the growth of the Middle East's solar energy market.

Speaking in an interview with Construction Week Online, Raji Hattar, Group Chief Sustainability Officer at Dubai-based Logistics Giant Aramex, also expressed concerns about tariffs in the industry that pose a barrier of entry to newer entrants.

"The UAE has been particularly ambitious in terms of its solar energy targets so they have tried to make ease of doing business in this sector as simple as possible to grow the market faster," he said, while also noting similar determination in Jordan which is attempting to push away from traditional fuels as they become more expensive in the country. Nonetheless, "Technology remains a major limiting factor in growing the solar energy market.

Success of many solar projects in the Middle East stems from tariffs which tend to form one of the biggest barriers to entry for new players," Hattar added.

Despite the challenges, the sustainability chief noted that the solar energy market in the UAE is "moving faster now than it ever has before", in part due to a focus on easing procedures, rules and regulations.

Earlier this summer, Aramex launched a 3.2 megawatt solar photo-voltaic plant in partnership with IMG Solar to power a new logistics facility in Dubai.

The plans, which consists of 9,000 solar panels spread across a total roof area of 38,000 square meters has an energy yield of around 5 GWh per year, helping avoid over 3,000 tons of CO2 emissions per year.

During the interview, Hattar highlighted plans to complete Phase 2 of the project, that will see the plant's capacity expand to 7 Megawatt.

Daiwa House Group Deploys GreyOrange Butler Robotics at Intelligent Logistics

Photo: Butler robotics system offer total logistics solutions that are shared

GreyOrange and GROUND announced the deployment of its Butler robotics operations at the Ichikawa logistics center of Daiwa House Industry Co. Ltd (TSE: 1925). The Butler robotics system operates in a 7,000sqm facility offering total logistics solutions that are shared and used for multiple shipper companies. At this site, named 'Intelligent Logistics Center PROTO', the innovative Butler goods-to-person solution automates material movement to deliver higher throughput and productivity.

Junichi Akiba, President and CEO of Daiwa Logitech Co Ltd, the company which operates logistics in the center, commented, "We have created this new model of shared logistics facilities using robots as our shippers require comprehensive logistics services. The Butler robotics system allows us to offer higher performance and realise higher productivity through shared logistics services. This delivers additional and exceptional value to each shipper to support their service level requirements."

The robotics systems will handle a variety of items, reducing time for order fulfilment and cost per shipment, thus enhancing the productivity for each of the shared users. The Butler system is powered by GreyMatter™, a software platform from GreyOrange™ that uses Artificial Intelligence and Machine Learning to optimise complex operations. It integrates multiple automation systems to synchronise material flow to gain the highest efficiencies.
The users include airCloset, a subscription-based online fashion rental service for women, Tokyo Otaku Mode; a leading e-tailer for Japanese Pop Culture and Waja, an e-commerce site which operates three marketplaces – Worldrobe for imported brands, Reason Outlet and Fashion Charity Project.

Nalin Advani, CEO - APAC, GreyOrange said, "With 70% of the population shopping online,Japan is one of the fastest growing e-commerce markets in the world. We are honoured to partner with Daiwa House Group and GROUND Inc to deploy the Butler system to accelerate order fulfilment and consolidation, and ensure consumers get their orders quickly."

GROUND, the Japan exclusive distributor for the Butler goods-to-person robotics system from GreyOrange, in mid-2017 formed a business alliance to jointly develop with the Daiwa House Group a new generation of 'Intelligent Logistics Center' to significantly improve the productivity of logistics facilities.

Hiratomo Miyata, CEO of GROUND said, "The labour shortage in the logistics industry has become a critical issue. Automation of key processes for e-commerce fulfilment is a necessity for companies to maintain a competitive edge. We are pleased to be a part of such innovative initiatives with the Daiwa House Group. We look forward to working closely on supporting their clients and their businesses with the Butler system."

The Butler™ system enables high-speed operations by automating inventory storage (putaway) and order fulfilment. It has been deployed in distribution centers in Japan, Hong Kong, India, Europe and the Americas for industries such as 3PL, e-commerce and retail.

MARKET MOVES

Global Mergers and Acquisitions News

In conjunction with Logistics Executive Group Corporate Advisory | www.LogisticsExecutive.com

The fear of global trade tensions taking a turn for the worse, combined with a move away from globalisation across key regions have only intensified in recent months. American tariffs on key imports from Asian giants took effect in mid-July, while retaliatory Chinese tariffs immediately followed.

India's rupee continues its landslide and China's second quarter GDP growth fell short of expectations, while smaller Asian countries suffer the effects of declining demand for intermediary goods that play a key role in the region's exports. Furthermore, at the time of writing this article, Britain's inability to come up with a concrete EU exit plan adds to the worrisome uncertainty in the global economic outlook.

What does this mean for mergers and acquisitions in the global economy? For one, in less fortuitous times for globalisation, strengthening regional and local footprints becomes evergreen. As expected, strategic regional consolidation is becoming more prominent, from behemoths like Coca Cola choosing to acquire Costa as it expands its footprint in growing markets such as China, to smaller logistics players in Asia that are looking to pool resources, technology and infrastructure while optimising margins as local trade becomes increasingly significant.

Consequently, it should come as no surprise that Intralinks' Deal Flow Predictor anticipates Asia-Pacific to continue to dominate M&A activity in the second half of 2018. The indicator is neither based on forecasts or leaks, but rather early stage M&A activity gathered mostly from Thomson Reuters data. However, there are numbers to back the claim, with deals in the first half of 2017 valuing 61% higher compared to the first half of 2017.

The increasing activity in Asia is mostly attributed to the energy and power sector as well as technology, media, telecom, and raw materials. Country-wise, the report notes the most active participants being Japan, India, China, South Korea, and Taiwan.

As the common saying goes, when one door closes, another eventually opens. Here's to seeing whether the window of opportunity presented by the growing significance of local and regional trade shall result in a door large enough to allow the global economy to breeze through looming challenges.

Siemens, Alstom merge to champion mobility in Europe

Siemens and Alstom have signed a Memorandum of Understanding to combine Siemens' mobility business, including its rail traction drives business, with Alstom. The transaction brings together two innovative players of the railway market with unique customer value and operational potential. The two businesses are largely complementary in terms of activities and geographies. Siemens will receive newly issued shares in the combined company representing 50 percent of Alstom's share capital on a fully diluted basis. Despite concerns raised by Australia's competition watchdog, the two companies have expressed confidence that the rail merger shall proceed as planned.

Walmart acquires Chinese logistics player with JD

Walmart Inc. and JD.com Inc. have invested about $500 million in Chinese logistics company Dada-JD Daojia, with about $320 million coming from Walmart. Walmart owns more than a 10 percent stake in Dada. The target will use the investment to improve its supply chain technology services. Dada uses scooter-riding drivers in about 400 cities to deliver online orders ranging from packages to groceries, promising to deliver within one hour. The company works with about 1.2 million online merchants. Walmart's China-based supermarkets are one of Dada's clients.

Mahindra shares rise as board approves investment in Transtech

Shares of Mahindra Logistics climbed 4.7% towards the end of August as the company acquired a sizeable stake in Transtech Logistics through subscription to its shares. The board of directors of the Indian logistics player has approved an investment of an amount upto Rs 7 crore in Transtech Logistics to acquire up to 1,15,554 compulsory convertible preference shares and 100 equity shares. The acquisition is expected to reach completion by Q3 2020. With its latest purchase, Mahindra aims to to further consolidate shareholding of its subsidiary Lords Freight.

Coca Cola Company Snaps Costa for $5.1 billion

The Coca-Cola Company has reached a definitive agreement to acquire Costa Limited from parent company Whitbread PLC for $5.1 billion. For Coca-Cola, the expected acquisition adds a scalable coffee platform with critical know-how and expertise in a fast-growing, on-trend category. Costa ranks as the leading coffee company in the United Kingdom and has a growing footprint in China, among other markets.

M&A INSIDER

Merger & Acquisition Deals & Transactions

BUSINESS FOR SALE

Logistics Joint Venture Opportunity

One of Oman's leading and largest local conglomerate

Seeking expertise partners

As one of Oman's largest local conglomerates, this group offers the financial and business horsepower required to capitalise on Oman's focus on developing the international and domestic logistics sectors. With an intention to invest in and create a world class 3PL Logistics Warehousing and Transportation business, our client is seeking expression of interests from leading global and regional 3PL's who would be interested in a joint venture relationship bringing experience, know-how and technology as part of the relationship. The Group is well funded, has the capital resources and internal / external relationships to drive supply chain and existing logistics activity to the new business.

Australian based Logistics Supply Chain Company

State of the art warehouse; Asset Light Model

Circa USD$3,800,000

Strong prospects for growth with long term signed customer contracts. This well established and highly regarded 'local hero' has an excellent reputation, staff group to manage the business and brings excellent systems technology. Present owner is seeking to retire.

UAE contract transport company with locked in customer contracts

Transportation / Trucking

United Arab Emirates | POA

Regional transportation business with more than 30 years' profitable track record in the UAE. Excellent growth prospects with new customer contracts locked in and implementation for 2018-2019. Large company owned fleet including of an excellent age and strong reputation for services, compliance and safety management.

Highly profitable and well established services firm in the UAE

United Arab Emirates | POA

10+ year old International Project Management firm specialising in the full spectrum of construction and project management services. Strong forward customer contracts (guaranteed backlog of projects for 2019-2020) and stable staff of 60+ employees across the GCC region. Revenues more than USD$8.0m+ and cash-flow of USD$2.5m+. Profit margin 38%+. Financial Audit Reports from one of the big four international auditors are available.

Globally recognised player in the eCommerce technology and cross border space

Revenue: USD$20m+

Headquartered in Australia maintaining an impressive list of clientele, many of whom have worked closely with this organisation since inception and leverage both their cross border operation as well as their white labelled technology solution. This profitable, USD$20m+ business is made up of two distinct divisions – one being the supply chain operations on a global level with origin hubs in most of the major eCommerce export gateways, and the other being their technology stack that has enjoyed significant investment over the last few years. Both divisions are profitable (or have enormous future white labelling opportunities under discussion) and combine seamlessly to offer the clients a world class eCommerce customer experience.

SEEKING TO BUY

Sales Leaseback Interest Sought in the GCC

Opportunity to capitalize on the market value of real estate assets while maintaining occupancy and control

- ***Do you need cash to grow your core business or for any other purpose?***
- ***Are you seeking a creative off-balance sheet, long term-financing solution?***

Logistics assets (warehouses, logistics facilities, open yards) sought by long term investors for development. We are presently engaged and working with several institutional and high-net-worth real estate investors with a mandate to acquire logistics, warehousing, and manufacturing real estate assets, and entering into long-term lease back arrangements with the current owners/operators.

Large to Medium size freight forwarding business in the UAE

Freight Forwarding or like

Target Geography: United Arab Emirates

Our client is an expanding regional logistics firm with strong capital backing. The seeking to accelerate their GCC growth in Forwarding and Logistics through acquisition. Deal size would be the region of companies with a turnover of AED50m – AED250m and who have well established operations of 5 years plus.

Currently under MOU

Capital Raising - European / UAE Manufacturing

Capital Sought: USD$16,500,000

Manufacturing: Sustainable Materials

Germany / UAE

Seeking a strategic partners and investors to establish a company in the GCC to manufacture and sell premium, high demand products using sustainability waste to meet the growing needs of the construction and auto manufacturing industries. With patentable technology, this major environmental waste management business has strong government interest, has already received major innovation awards and has MOU's in place with major European Distributors underwriting 100% of the factory output (guaranteed sales). The project is highly economically feasible and generates attractive returns

Small to Medium size freight forwarding and warehouse business in East Africa

Logistics / Freight Forwarding

Target Geography: East Africa (Kenya / Rwanda / Tanzania)

Seeking small to medium size forwarding business or businesses complete with business licences to be part of a new market entry for a Regional Logistics Services provider. Could be a small regional operator with multiple offices or a single business.

3PL Logistics Warehousing Business

Logistics / Freight Forwarding

Target Geography: United Arab Emirates

Prominent UAE organisation seeking to expand its logistics operation through strategic acquisitions in areas of 3PL warehousing, transportation (trucking) and cold chain. Strong investor in growth.

*** In addition to those listed, Logistics Executive Group has mandates for similar businesses from trade buyers and investors. Please contact us for more information.*

MERGERS, ACQUISITIONS & MERGER INTEGRATION STRATEGY

Integrated approach. Accelerated value. Synergy realisation.

Logistics Executive Group Mergers and Acquisitions Group combines deep market and industry expertise to create and execute robust M&A, alliances, integration and divestment strategies while mitigating risk.

Across 14 global offices, Logistics Executive Group provide a suite of mergers, acquisitions and merger integration services that can help companies capitalise on today's opportunities and position themselves for high performance.

Contact one of our experienced principals for more information.

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How Resilient is Your Organisation to Disruptions & Distraction in the New World Order?

Part 1 - Understanding What is Resilience

We are all well aware that we live in a world of disruptions and distractions, with daily twists and turns in the social, political and economic environment. The speed at which events and breaking stories unfold is a true testament of how interconnected the world really is.

The geo-political and economic events that surround us, are a constant stream of disruptions hat can lead to distractions. The recent hefty tariffs imposed on Turkey, may have a major impact of immediate distractions and disruptive consequences.

As we are in the European holiday season, the reality may not have yet fully hit home. We could expect a wide spectrum of businesses as well as financial institutions affected by this occurrence. Was this expected, could it have been predicted and how do you prepare for it?

In Part 1 of this paper, we will explore what is resilience and what is the impact of ignoring this in our business planning, management leadership and organisational structure.

WHAT IS RESILIENCE ABOUT?

Which brings me to the question of Enterprise Resiliency. This topic is frequently underestimated and is only appreciated when a crisis or unexpected disruptors strikes an organisation. Even then it seems that an approach of "every-man-for-himself" tends to prevail. And often tackling the remedial actions occur in isolated pockets of effort and focus. Maybe this is because it is believed that resilience is only associated with disasters and the recovery of an immediate and singular perimeter. Without the consideration of other factors that surround the reality. I recount the massive earthquake that hit the 3 towns in Italy just a few years ago. No one was prepared. Yet the resilience of everyone around the tragic scene both from the vicinities and beyond, was remarkable - with speed and positive responsiveness.

To better understand this topic, we should try to define resilience in the business context. A concise definition of Business Resilience can be described as the following: "the capacity and ability an organisation has to recover quickly from a difficult or tough situation & return to its original or stable state of operations".

There are other variations to this definition but the operative meaning is constant – it is the inherent capacity and ability within the organisation that enables the controlled normalisation of business operations in the shortest possible time after the occurrence of significant disruptive elements.

It is therefore logical to say that the proof of Enterprise Resiliency could be measured in the time it takes to restore an organisation's capability to function in a manner that delivers the desired business performance. But the key question is how does one know if their Organisation has the capabilities to render it Resilient before a crisis occurs?

There are no clear indicators or easy tests of how to gauge enterprise resiliency. This is because enterprise resiliency does not only deal with the physical aspects. But more importantly deals with enterprise culture and people mindset, not least the enterprise leadership. And these are the challenge we face, when dealing with interdependent tangible and intangible factors. That when combined, give that ability to return quickly to a normalised state of profitable or non-loss making operations.

The challenge is therefore to understand that resiliency, is not only about defending risk. It is about minimising the impact of vulnerabilities. And it is crucial to note that sometimes vulnerabilities could result in Risk, if they are not properly contained. So knowing your position of exposure & risk is the most logical starting point to assess the business state of resiliency of an organisation.

IDENTIFYING AND ASSESSING VULNERABILITIES

There are no leaders nor organisation, that relish the though that they could be exposed to vulnerabilities. Like it or not, we are all faced with such exposures. But knowing what they are and understanding how they arise, is a fundamental task of identification and assessment. Vulnerabilities are effectively weaknesses that could harm the business and operational harmony, should there be abnormal interference in the business workings. The identification process is an in depth analysis of what could disrupt the business continuity with the consequential impacts that could ensue. This is a deep searching process that probes into the heart of the organisation's workings. It is something that needs to be done seriously and the findings must not broadcasted beyond very limited and trusted people.

The challenge is therefore to understand that resiliency, is not only about defending risk. It is about minimising the impact of vulnerabilities. And it is crucial to note that sometimes vulnerabilities could result in risk, if they are not properly contained.

Table 1

ROBUSTNESS	RESILIENCE
a. Defined Structure	a. Confront the Unforeseen
b. Process Discipline	b. Defend Sources & Types of immediate threats
c. Policy & Procedures Adherence	c. Pre-emptive of Disruptive Factors
d. Measurement & Control	d. Simulated Scenarios & Models
e. Time for Corrective Actions	e. Agile Mindsets & Adaptable Resources
f. Stable & Controlled Environment	f. Being Pro-active vs Reactive in Crisis mode

The assessment process is to rank the identified weakness and exposures in some form of priority of disruptive impacts. This can in itself be a major challenge, as the timing and conditions of disruptions could be subject to different causes and conditions. But in making such an assessment it will be necessary to set-up some assumptions to enable the completion of an assessment model. The model can be re-used and adjusted accordingly once the model takes shape and tested with the variable conditions.

The identification and assessment process needs to be driven in a very confidential but realistic manner to ensure that right results are achieved. The people entrusted with such a task, need to be also well versed with such assessment methodologies.

As soon as some firm results have been established, the next phase will be render the organisation, its processes and workings more robust. This is a stage that is necessary before tackling the question of resilience. Many organisations need to attain robustness of their business operations and financials as the fundamental building blocks towards resiliency.

ROBUSTNESS AND RESILIENCE – HOW DO THEY DIFFER?

Understanding resiliency is an important fundamental and that has to be aligned within the organisation being assessed. Often resilience is confused with robustness. This is a common mistake, and could also be a very costly one to make. Robustness and Resiliency are not same thing. The differentiation between the 2 conditions are very important.

Firstly, Robustness deals with the Known Conditions where a process is already in place, procedures are installed to govern the policy and metrics are defined to measure and control the process. In addition the degree of robustness can also be tweaked as conditions change and as the organisation's strategies are updated.

As for Resiliency on the other hand, deals with the Unknown Conditions which are not prevalent in the daily business life. These are often disruptors that could be foreseen in some form. But never in a complete dimension where a defensive plan can be formulated in advance. Another key factor is the timing and intensity of a disruptive occurrence which is often not known or clear in its form.

For reference, the differences between Robustness and Resilience are summarised in the table above. It helps to distinguish the key elements to better define a coherent understanding for the assessment and review processes.

The comparison table also illustrates some of the key differences in the approach needed to deal with Disrruptions & Distractions. This understanding can define the degree of enterprise resiliency that one can achieve. When dealing with the unknow, it will be necessary to make some assumptions of the possible scenarios that could create a disruption to the business and to its stability of operations.

DISRUPTIONS, DISTRACTIONS AND ROBUSTNESS – HOW THEY ALL INTERPLAY?

Any sort of disruption to business continuity, can upset that balance and harmony in the Enterprise. It is well know that following any kind disruption, it is common to have distractions ensue and possibly throw people into confusion. As this is a normal pre-emptive state of events, it need to anticiptaed and well managed. It is for this reason that the Robustness of an organisation's systems, processes and people behaviour are very important. When an organisation's machinery and workings are well oiled, they are considered Robust. This condition can strongly mitigate the distractions that are caused by the disruptive influences of any occuranences.

To clarify a key point. A Robust organisation will not be completely immune to disruptive factors.

But the degree of an Enterprise Robustness will determine how long an organisation could sustain disruptors and distractions before it can re-organise itself to return the balance and harmony of its normal operations without any major loss of its productive capabilties.

This interplay is a very important fundamental is building Resiliency of which Business Continuity Planning and People Competencies are key contributors to Enterprise Resiliency.

CONCLUDING COMMENTS

In the understanding of Resiliency we can appreciate that there is not one single element that creates resilience. Preparing and sustaining for Enterprise Resiliency is about starting the journey by ensuring that the key areas of exposure are firstly rendered robust in normal operations. This will create a strong platform from which the defensive strategies can be built. This is crucial to ensure business continuity plans and enabling the restoration of operational robustness, is achieved in the shortest possible time horizon.

The review and assessment methodology has to be deployed throughout every functional department within an organisation. To use a well known cliché, "an organisation is only as strong as its weakest link".

THE TRANSFORMATIONAL MANAGEMENT PROCESS

For a CEO or Business Entrepreneur, the need-for-change is a very likely and necessary step for their business development and sustainability. However starting a journey of transformation within their organisation can be hugely daunting.

Founder of ESP Consult, Joe Lombardo, has co-authored & published several papers to show how an integrated Adaptive Supply Chain Business Model can work for you.

This introduction to Enterprise Resiliency, illustrates that it is not as complicate or as expensive as it may seem. But the rewards and benefits will be significant.

ESP Consult has used this model to facilitate and successfully implement Adaptive Supply Chain driven organisations. For those involved it has been an enlightening and motivating experience.

Joe Lombardo
Founder
ESP Consult

Joe Lombardo is the founder of a specialist consultancy whose mission is pivotal on delivering a core vision of enabling sustainable performance. ESP Consult an independent Business Consultancy (since 2014), offering consulting & advisory services in Business Performance Management, supporting programs for Transformational Business Management, improvements in the Supply Chain Logistics Management and Trade & Customs Compliance programs. ESP Consult brings the technical understanding and practical knowledge to develop Performance Execution Programs to deliver Company Business Strategies.

For more information about the about the article and publications to improve your supply chain refer to **joe.lombardo@esconsult.biz**

The Lost Promise of International e-commerce in Australia

Starting 1st July, e-commerce giant Amazon stopped shipping directly to Australian addresses from its US and other international sites. Instead, a reduced but growing selection of goods retailed by Amazon on its US site are listed on Amazon.au. The local site of the e-commerce multinational corporation.

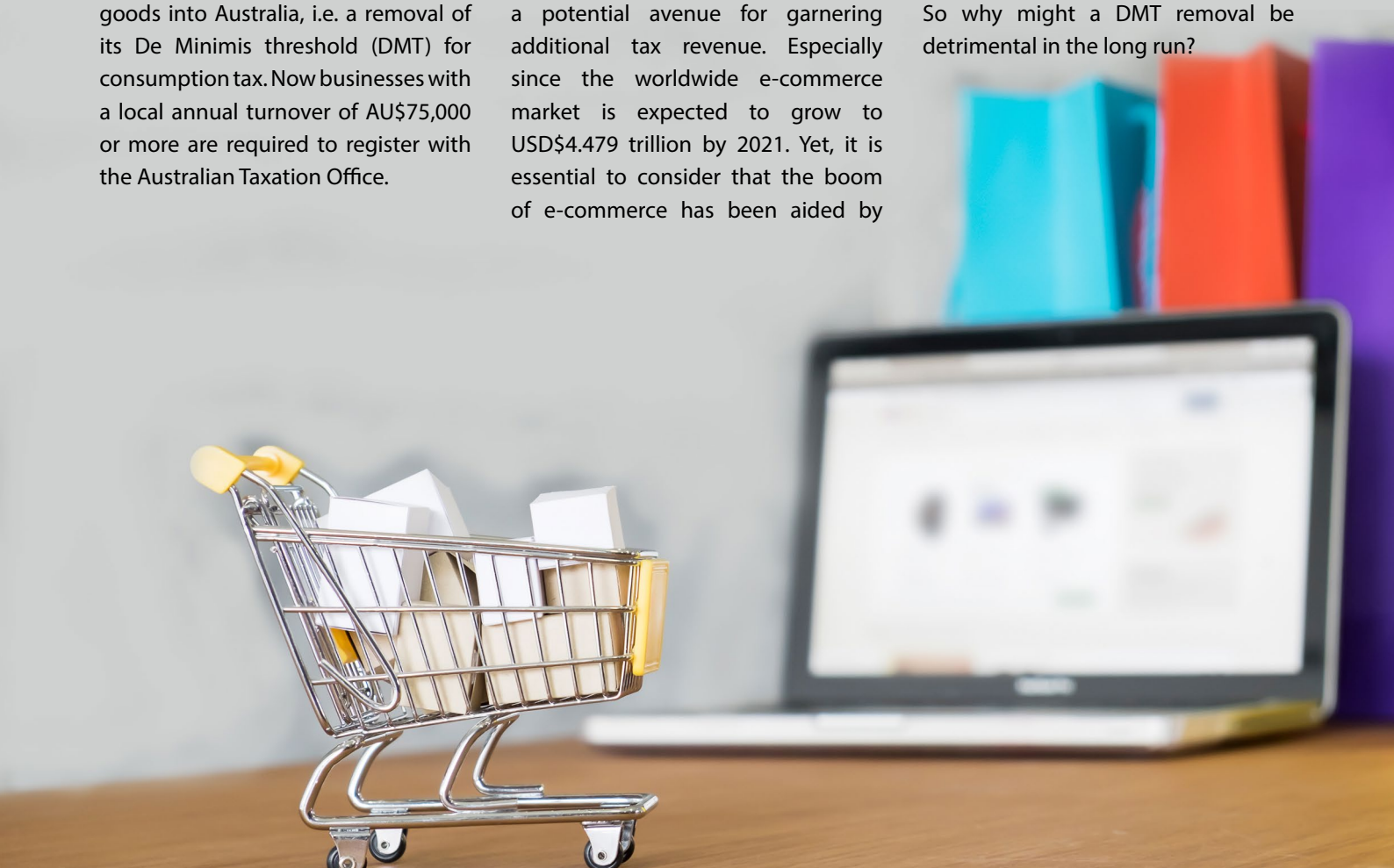
Amidst an outcry from online shopping enthusiasts. The online giant's move was in response to a decision by the Australian government to impose a 10 per cent tax on all imported goods into Australia, i.e. a removal of its De Minimis threshold (DMT) for consumption tax. Now businesses with a local annual turnover of AU$75,000 or more are required to register with the Australian Taxation Office.

The DMT is a government-imposed limit under which imports are exempted from taxes, import charges and most customs duties, with limited clearance processes and data requirements. Previously, the tax was imposed only on imported items worth more than AU$1,000; imported goods below this amount remained duty-free up until 1st July 2018.

The move attempts to maximise tax revenue for what governments consider a major untapped source: digital trade. E-commerce is certainly a potential avenue for garnering additional tax revenue. Especially since the worldwide e-commerce market is expected to grow to USD$4.479 trillion by 2021. Yet, it is essential to consider that the boom of e-commerce has been aided by the very absence of rigorous taxation policies across digital borders.

The removal of DMT in Australia, signifies an unusual measure of protectionism. In the age of e-commerce, it is a stance that many other countries are considering adopting. This presents a new situation for technology giants (like Amazon) who are striving for liberalisation stand at crossroads with governments looking to capitalise on the digital economy.

So why might a DMT removal be detrimental in the long run?



COSTS OUTWEIGH POTENTIAL REVENUE

Supporters for removing DMT have commonly cited lost tax revenue from e-commerce as an issue. According to the Australian government, this exclusion on taxing low value imports has cost Australia roughly AU$390 million annually since 2013-14, and grows exponentially every year.

We should however note, that there is no certainty that revenue will outweigh expenditure required for policy implementation. There is no border processing or enforcement required under the Australian legislation. But it seems inevitable that the government will need to address these shortcomings in the model over time. This will require investments in systems, staff and infrastructure to ensure overseas vendors comply with the law.

The European Commission announced plans to tax low-value imports in December 2016. Intending to improve cross-border VAT rules in light of the burgeoning e-commerce market. However, studies evaluated that instead of improving growth, a removal of the VAT exemption on low-value imports in Europe would actually impede the growth of e-commerce.

Customs, e-sellers and delivery personnel would face the burden of additional screening, compliance and delivery time for a high volume of small-value imports, with additional processing costs. This is estimated to amount to a hefty €1 billion. In addition, paperwork completion adds to the tedious process, due to a lack in consistency for each countries' administrative procedures.

From an operational point of view, a tax exemption on low-value goods complicates processes. As costs of collecting tax for low-value items may outweigh potential maximum revenue collected through tax, the removal of the tax exemption directly runs counter to basic taxation principles.

Instead of lamenting over e-commerce earnings not yielded, a DMT should be approached in a practical perspective. Its implementation should reduce cross-border complications at customs. This would allow authorities to concentrate resources on illegal goods trafficking and fraudulent transactions.

UNEQUAL PLAYING FIELD FOR SMALLER FIRMS

Supporters of e-commerce tax often cite the entrance of global e-commerce giants resulting in drastic reductions in domestic consumption and profit margins. The move attempts to equalize domestic and foreign retailers. But the greater issue at stake is the widening chasm between small and large firms, with small businesses ultimately placed at a severe disadvantage.

Small and large businesses alike currently benefit from DMTs; regardless of their size, customs exemptions on low-value goods would reduce overall costs for firms. Furthermore, small businesses particularly rely on tax exemptions to have a competitive volume of sales against large businesses.

The removal of a DMT will mean a smaller firm being subjected to the same taxes and compliance costs as large companies. Unlike bigger firms that have advantages of economies of scale yielded from bulk purchases, small firms are unable to capitalise on cost savings. The creation of artificial barriers for small e-sellers to compete is detrimental, especially when Small and Medium-sized Enterprises (SMEs) account for over 95% of economic activity in many countries.

The qualifying AUD$75,000 for registration with the Australian Taxation Office continues further distortion between small and large businesses. Cautious traders in smaller firms, who believe they are at risk will register to pay taxes, will incur additional costs. Small traders who choose not to register, but have an unexpected upsurge in sales, will be burdened with unbudgeted tax liability, and possibly be fined for failure to comply with taxation rules. This places smaller firms at a competitive disadvantage, where tax could be greater than their profit margin on already sold goods.

Furthermore, small traders selling through tax-compliant marketplaces will have GST applied from the first dollar of their sales, whereas their competitors selling direct to Australian customers will not. This will distort the market, as small traders looking to harness the tools and capabilities of marketplaces will be placed at a price disadvantage to non-compliant competitors.

For small e-commerce business owners who regularly import, a lack of sales tax can make the distinction between cessation and continuity; adhering to compliance costs equates to unnecessary revenue loss that small businesses can hardly afford.

With Australia removing DMTs, countries that import Australian products could retaliate by removing their respective DMTs or specifically removing DMT on Australian imported goods.

Tit-for-tat moves are petty. But bad precedence is being set and could be copied in the global stage vis-à-vis the

U.S- China trade war.

CONSUMERS LOSE OUT IN THE END

Consumers would be the biggest losers with increased costs, reduced varieties or even the withdrawal of goods shipped in from abroad, as seen from the Amazon example.

A high DMT decreases administrative costs, eases import processing, encouraging more e-commerce retailers and suppliers to expand their businesses offshore and diversify their range of products and quality of service. A "no-questions asked" returns policy is something many e-commerce platforms tout.

The removal of DMT will complicate the returns process. Tax rebates on products imported, would also raise any likelihood of getting a tax refund due to cumbersome processes. For many a small business owner or e-commerce practitioner, efficient delivery and returns creates a distinguishable brand for them to ensure customer loyalty.

Even for larger firms, administration of an e-commerce tax is not favourable for fear of losing customers. For instance, luxury retailers like, Matches Fashion, Gucci and Prada, have absorbed Australia's online sales tax for consumers as an advertising tactic. Customers are informed of the company's full subsidy upon checkout of purchases. But how long can this be sustained for?

However other retail giants like Marks & Spencer from the U.K, and US fashion retailer J.Crew, are examples of companies who have chosen not to add Australian sales tax to final prices of their goods. Choosing to conceal their tax obligations at the expense of keeping customers satisfied with low prices. It remains to be seen how the Australian Tax Office can successfully enforce taxation laws on imports in the long run.

NO EASY SOLUTION

For the legislator, the intent to capitalise on untapped e-commerce revenue may appear to be a good idea. But the reality is fraught with complications that extend beyond unhappy suppliers and consumers.

For many Government and trade officials worldwide, a deferral to remove the DMT is worthy of further consideration until a balanced approach is found.

For Australia, this marks the misplacement of dreams for digital trade.

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Dr Raymon Krishnan is the foremost thought leader on Supply Chain Management in the region and currently works as Director of Corporate Advisory at the Asian Trade Centre where he works with clients on supply chain diagnosis, supply chain and business strategy and network design. Raymon currently also serves as President of the Logistics & Supply Chain Management Society and Secretary-General of the Asia Business Trade Association.

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Renette Lee is a final-year Sociology undergraduate from the University at Buffalo, who concluded an internship with the Asian Trade Centre. She takes a keen interest in the understanding of social relations through through public and trade policies. As a proponent of constant learning, Renette embarked on a gap year off her studies to gain professional experiences. Upon graduation, she hopes to find a career in the trade/international relations sphere.

EVENTS

September

77TH RWTA CONFERENCE & EXHIBITION
September 19th - 21st 2018
Peppers Noosa Resort & Villas
www.rwta.com.au

SUPPLY CHAIN INNOVATION SUMMIT
September 18th - 20th 2018
Pullman Melbourne on the Park
akolade.com.au/events/supply-chain-innovation-2018/

WAREHOUSE INNOVATION SUMMIT
September 18th - 20th 2018
Pullman Melbourne on the Park
akolade.com.au/events/warehouse-innovation-summit-2018/

SUPPLY CHAIN & LOGISTIC ARABIA
October 23rd - 24th 2018
The Address Dubai Marina, UAE
www.sclarabia.com/index.aspx

October

OASIS AFRICA FUNDRAISER
October 11th 2018
Sydney, Australia
www.oasisafrica.org

Noveber

LogiSYM DIGITAL 2018
November 22nd 2018
Singapore, Dubai, Sydney, Hong Kong, Kuala Lumpur
www.LogiSYM.org/digital2018

The Logistics & Supply Chain Management Society, The Association for Supply Chain Management Professionals and LogiSYM ink Memorandum of Understanding at LogiSYM Malaysia.

In Photo: (Left to Right)
Secretary of ASCMP - Mr. Mohan Suppiah, LSCMS ExCo Member - Mr Safian Samian, President of ASCMP - Mr. Roy Nunis Abdullah,
LSCMS President - Dr. Raymon Krishnan, and
Director of LogiSYM - Mr Kim Winter and Mdm. Heena Shah

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