

EDITORIAL

Welcome to our third issue of our weekly newsletter.

I've just returned back to the office. We were in Panama attending the 10th global conference of CLC Projects Network. While there, we also had the opportunity to see the new Panama Canal locks. It was quite spectacular and well worth the visit; it's something I'd most definitely recommend checking out when visiting Latin America.

Back in the day, getting to Panama was a little bit more difficult, especially since trade and development in South and Central America was limited. Today the region enjoys a lot more business, and it's fair to say that it's only going to grow more.

Cuba's also in the spotlight at the moment with its new trans-shipment facilities that are presently being constructed, so it's definitely an area to keep an eye on. There is also quite a bit of development under way in Puerto Moin, Costa Rica and Kingston, Jamaica.

One interesting thing that is also worth mentioning is that during my visit to the Panama Canal I saw a Hanjin ship anchored outside the Agua Clara Locks. Apparently the vessel (Hanjin Bremerhaven) was arrested by the local authorities, so it's really quite clear that there have been many fallouts and repercussions of this major ship owner filing for bankruptcy.

In this week's newsletter we have an interview with a project freight forwarder who was stationed in China and worked for one of the world's largest Chinese state owned forwarding companies. He offers a lot of valuable insight and advice, which you're bound to find both interesting and beneficial to your business.

Also in this issue, you'll find an interview with an inland waterway transport provider in Europe. We also spoke with a competent accountant in Hong Kong, who I've personally known for 35 years. He gives invaluable advice on how to establish offices in both China and Hong Kong while maintaining good financial control.

Wishing you a continued good week. Until next time...

Bo H. Drewsen
Editor

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Note: You are welcome to contact me directly if you wish to inquire about placing a banner ad with us. At present, we have 26,000 recipients of our newsletter, and these numbers continue to grow, so it might be worth it for you and your business, especially since we only allow 4 banner ads per week.

BEYOND PORTS: EUROPEAN WATERWAYS

Q&A WITH MARTIN STOEGLEHNER OF PANTA RHEI, VIENNA, AUSTRIA (OPERATOR ON THE RHINE/DANUBE RIVER)

We had the opportunity to have a brief chat with Martin Stoeglehner about Panta Rhei Shipping, which is a deep-sea shipping company, and waterway transport within Europe. He kindly filled us in on what's happening in the industry at the moment.

- Can you give us a brief rundown of Panta Rhei's operation times and its owner?

Panta Rhei is a deep sea shipping company that was founded in 1994. Panta Rhei has a number of major shareholders. The main players are Kühne & Nagel Euroshipping Regensburg (65.1%), MSG, a cooperative with 100 river vessels (25.1%) and Dieter Illmayer (9.8%).

- How many employees do you have working in your key European offices?

We have three main offices in Europe. The biggest and busiest one is in Vienna, Austria, which has 12 full-time employees working there. Our Romanian office in Constanta has 5 employees, and the Ukrainian headquarters in Odessa has 3 staff members.

- How long have you been in the shipping and freight forwarding industries and how did you end up working at Panta Rhei?

I've been working in this sector since 1981 where I started with Panalpina, which is headquartered in Switzerland. Between 1986 and 2004 I worked for Schenker & Co AG in Austria. After 23 years of working in the industry for others, I felt that it was the right moment to become more independent. That was when my partner, Dieter Illmayer, who is a part owner at Panta Rhei GmbH decided to establish a shipping company. At present, I'm an 8% shareholder.

- Europe's inland water is often overlooked; what kind of solutions can you provide?

The best alternative is river shipping with transshipments taking place in both sea and river ports. We operate on all of Europe's main rivers, such as the Rhine, Main, Danube, Mosel, Neckar, and Elbe. We also utilise some of the connections via the Main Danube Canal, which includes the Mittelland Canal and the Cerna Voda Canal. This way you can ship Cargo from the North Sea Rotterdam/Antwerp/Amsterdam via the Rhine, Main Danube Canal and Danube up to Constanta and/or Izmail in the Ukraine. Also it is possible to ship from Hamburg via the Elbe, Mittelland Canal and the Rhine to several destinations throughout Germany, the Netherlands, Belgium and Switzerland.

- Which Western European ports do you use to ship to Central Europe?

The Netherlands, Belgium, Germany, Switzerland, and Austria.

- What about from Black Sea ports to Central Europe?

We start from the Danube and pass through Germany, Austria, Slovakia, Hungary, Croatia, Serbia, Bulgaria, Romania, Moldavia, and the Ukraine - basically, there are many ports that can be called at.

- What type of vessel do you typically use and how long is the average transit time?

We use vessels that range between 1.000 dwt up to convoys with 8 barges and up to 10.000 dwt.

As for transit times, the following information can give you a rough guide: Rotterdam/Antwerp – Vienna 11-12 days / Vienna – Constanta 14 days / Duisburg – Linz 10 days / and from Constanta – Regensburg, 20 days.

- **Do you accept break bulk pieces on your barges and what types of barges do you use?**

In Western Europe and on the Danube we use self-propelled vessels. Also, on the Danube, you can use non self-propelled barges.

Our vessels have steel floors, and these are suitable for heavy lift and break bulk pieces. Self-propelled vessels can carry approximately 5 to/m² on the tank top and barges are able to carry about 8 to/m².

We have the ability to move items up to 400 tonnes in weight with the maximum dimensions being 80x10x6m.

- **What kinds of bill of lading covers inland waterway transport and do you have agreements with ocean carriers?**

We don't issue any trough bill of lading instead forwarders are able to use FBL or FCR. Inland waterways are covered by bill of lading, which can only be issued by the owner.

- **What kind of information do you need to offer a quick quotation and who are your usual customers?**

Our main customers are usually forwarders.

When it comes to quotes, we need a packing list with as much information as possible. We most definitely require information about the dimensions and the weight of the pieces. We also require a cargo description, which should state whether it's stackable or not. Basically, the more information you can offer us from the outset, the more accurate the quote.

- **Do you have subagents in all ports?**

It's not necessary to have agents in Western river ports. In Eastern river ports, we do have agents stationed.

- **What flag state do your barges have and where are they typically registered?**

Our river vessels are registered in all the Rhine/Danube countries; these include the Netherlands, Belgium, France, Germany, Slovakia, Hungary, Serbia, Bulgaria, Romania, Moldavia, and the Ukraine. This does not include Austria, as it's too expensive.

We don't have any specific requirements for crew nationalities. They come from several countries.

- **What about the storage on your barges?**

95% of our river units have aluminum hatch covers, all of which are stackable, however, it is not possible to load on deck.

- **What are the advantages of using a barge on European waterways over trucking?**

Barges allow for bigger quantities and they can do a direct takeover from sea vessels.

- **If a potential customer wants to get a quotation, whom should they contact?**

Mr. Dieter Illmayer – illmayer@p-r.at

- **What is the future of your company and do you foresee any changes in the mode of transportation on European waterways.**

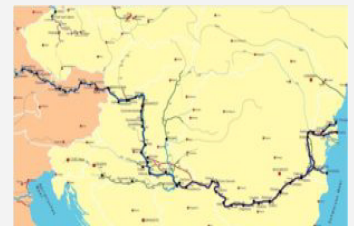
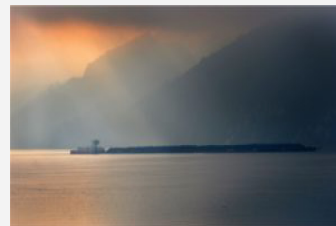
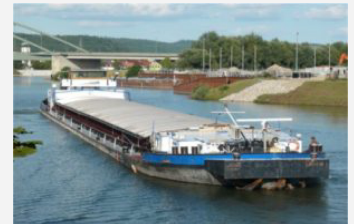
Our main hope is that that the political situation in Europe stabilises and the authorities will make more of an effort to invest in the maintenance of the European waterways because at present, the infrastructure is not suitable.

For Panta Rhei, we don't foresee any changes in terms of our shareholders. We will continue to work hard and aim at increasing our turnover and volumes.

- **Finally, some of our readers are avid travellers, and enjoy travelling by cargo ship. Do your barges accept passengers on board?**

At present we don't accept passengers on board due to owners' regulations, however, if your readers wish to travel these routes, there are a number of cruise liners that offer the Danube river service.

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DOING BUSINESS: SETTING UP A FOREIGN OWNED REPRESENTATIVE OFFICE IN HK

INTERVIEW WITH MR. BENNY POON OF POON & PARTNERS, HONG KONG

We got the chance to catch up with Benny, an esteemed accountant and business owner in Hong Kong. Over the years Benny has successfully established himself as a key business player in Hong Kong, now he, with the help of the rest of his team help other foreign enterprises set up shop in Hong Kong and Mainland China.

Here he tells the ins and outs of setting up representative offices in Hong Kong, working in China and the benefits and drawbacks of it all. He even offers numerous tips to make the process easier.

- **Hi, Benny. Thank you for taking the time to chat with us today. We'd like to start off by asking you about your career in accounting. How long have you been working in the field, and at which point did you decide to open up your own accountancy consultant company?**

I first began my career in accounting way back in 1982 with a 'Big-4' audit firm, Coopers & Lybrand, which is presently known as Price Waterhouse Coopers. This seemed like a natural thing to do at that time as I had just graduated from university with a major in Professional Accounting.

Ten years later, in 1992, I decided to establish my own private professional audit firm. It has certainly grown a lot over the years from just myself working at the beginning to my present team, which consists of 18 full-time employees. At the rate at which Hong Kong and the business are growing, the number of employees is likely to increase in the next few years as well.

- **Foreign companies have long been attracted to operating out of Hong Kong. How easy is it really and is it still a good idea to use it as the Chinese market's regional headquarters?**

Hong Kong has long been a popular place to do business from for foreign enterprises because there are not any restrictions when setting up a company for foreigners; this is so different to other countries. What's more, there are no foreign exchange restrictions for any company or individual in Hong Kong.

It continues to be a popular hub to serve China, mainly because of its geographical advantage. But it's not just China that benefits from it, the whole of the South-East Asian market does.

- **After 1997 there was talk about it being better to start up a company in China instead of Hong Kong, what's the current situation?**

Hong Kong is still in a good position when it comes to headquartering businesses. After 1997, Hong Kong was in a unique position. It fell under the category of one country, but two legal systems. Today, Hong Kong still has a separate legal system to that of Mainland China; this protects all investments within Hong Kong, which also includes investments from overseas.

- **How would a company, which wishes to set itself up in Hong Kong, go about doing this and are there any special 'rules' that you need to follow?**

This is one of the great things about setting up an office in Hong Kong; there are no 'special' rules, as you'd say; it doesn't even matter if the main purpose of establishing your Hong Kong office is to look after the offices in Mainland China.

There's a mutual benefit for Mainland China and Hong Kong. By setting up representative offices in Hong Kong it's easier to follow suit and do it in Mainland China as well. Using Hong Kong-based companies as vehicles rather than any direct investment and establishment from overseas is what makes the whole system work.

It's also much easier and more flexible for a group of companies to have a regional office based in Hong Kong instead of Mainland China when it comes to tackling any kind of restructuring, mergers, acquisitions, and changes of the dispositions of shareholders and investors thereafter.

- **What are some of the advantages of setting up a regional office in Hong Kong?**

Of course there's the geographical advantage of Hong Kong. It's easily accessible and it's also already a well known financial hub, making it the best platform in South-East Asia for fund management, and like I previously mentioned, there aren't any foreign exchange restrictions in Hong Kong at present. Funds can be also made instantly accessible in Hong Kong thanks to it being easy to freely wire money in and out of Hong Kong immediately.

It also makes sense to set up a regional office in Hong Kong since the Hong Kong Dollar is packed with USD, which helps to minimise the exchange exposure of foreign investments into Hong Kong. Then of course there's the Profits Tax Rate in Hong Kong, which is considerably lower than Mainland China at only 16.5%.

- **How long does the whole process of establishing a company in Hong Kong take and is it necessary to have a local Hong Kong person as a business partner?**

This is another huge benefit of setting up a business in Hong Kong. It doesn't take long at all to establish a company. In fact it takes just a few days to do so. If there's more urgency, there are even a number of ready-established companies available to meet the immediate needs of foreign companies and entrepreneurs.

Unlike other places in the world, having a local Hong Kong person for a local Hong Kong business who acts as a partner or shareholder is not a necessity. This is great news for people who want to remain totally in control of their business – a Hong Kong company can be wholly owned by foreign investors!

Also, Hong Kong business laws state that each company, regardless of whether it's a local or foreign one, needs only one shareholder and one director, and these two roles can be carried out by the same individual if you wish.

- **Are there any specific regulations when remitting funds to and from China with a base in Hong Kong?**

Hong Kong is a major world money market, and it's the largest one for RMB, so it's also possible to keep an RMB currency account in Hong Kong.

To transfer money to and from Mainland China, the Hong Kong company needs to just apply for a wire transfer pre-approval, which will allow for easier movement of RMB between Mainland China and Hong Kong companies, customers and suppliers.

Not only having a Hong Kong based headquarters makes it easy to wire money to and from Mainland China, it's also easier for the entire South-East Asia.

- **Do you also assist would-be companies interested in the Chinese market to set up their representative office in China?**

Yes, we do. Either our firm or one of our alliances that is already based in Mainland Chinese can help.

We go to great lengths to help and advise any prospective company that wants to establish itself in either Hong Kong or Mainland China. We provide ideas, advice, suggestions, recommended procedures, and possible alternatives for setting up a Mainland China representative office or subsidiary company.

- Accounting and anything financial for that matter in China has traditionally been a bit of a grey area with documents, such as invoices being faked and so on; what's the situation?

Yes, it's true that there were such cases in the past, however, Mainland China has a number of strict statutory requirements that must be fulfilled before you can even set up your business. There are also a number of things that need to be followed once the business has been established, so foreign investors in China should be aware of such regulations before setting up a representative office in Mainland China. However, such regulations often change fast, so it's imperative that all investors in representative offices in China keep abreast with the updates.

All the financial books, accounting records and financial statements need to comply with the strict regulations and deadlines in Mainland China.

To reduce and prevent any possible irregularities that could possibly occur, the majority of foreign representative companies in Mainland China have their financial records and books reviewed on a regular basis.

- When setting up a business and operating in Mainland China are there any rules of thumb you'd recommend following?

All financial books, records and statements of any representative office of a foreign owned representative office or enterprise in Mainland China should hire an experienced and well-qualified accountant to help them with the documents and the day-to-day financial running of the company.

- Where do most of your clients come from?

It's half and half. Half are from Mainland China and the other half is from abroad from a number of countries near and afar. These countries include the USA, Canada, France, Germany, the UK, Denmark, Russia, the Netherlands, Singapore, Taiwan, Korea, and Japan.

- How do you see the future of Hong Kong?

Hong Kong has enjoyed working under two systems for around 50 years now; this works for both Hong Kong and Mainland China. This way of doing business has been successful, and as long as it will continue to be the way of doing things, the outlook for Hong Kong is very positive, especially with the rate of which the domestic market in Mainland China is growing.

Interviewee:

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POON & PARTNERS CPA LIMITED
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INTERVIEW WITH TYLER GODOFF FROM BOSTON, THE FIRST FOREIGN NEW-HIRE IN SINOTRANS' 60-YEAR HISTORY (PART 1/2)

FOUR YEARS WORKING INSIDE CHINA'S LARGEST
 STATE-OWNED INTEGRATED LOGISTICS COMPANY
 INTERVIEW PART 1 OF 2

- Tell me about your background and explain how a young man from Boston ended up working for one of China's most powerful companies

You are right - it is certainly not the norm for a boy from Boston to end up in Beijing, let alone work for a SASAC-level SOE. As early as 5 years old, my parents would find me leafing through National Geographic magazines searching for pictures of China. For some reason, I was fascinated with everything having to do with China. For my thirteenth birthday, my father decided to take me on a father-son bonding trip. Believe it or not, he let me choose the destination - to use his words, "anywhere in the world!" Not a second went by before I shouted, "CHINA!" My father, who had never traveled to Asia before, let out a big "oh no!" This trip in 2000 to Hong Kong and Guangdong Province sparked a lifelong fascination with the Middle Kingdom.

By the time university came around, I decided to mirror what my Chinese peers were doing: studying at top US universities, mastering English and working for leading US companies. During my junior year I studied abroad at Fudan University in Shanghai. In my senior year, I founded a chapter of the non-profit Global China Connection (GCC). GCC connected me with ambitious Chinese and American students and it created an opportunity for me to travel back to China on a student delegation. While on this delegation, I was able to connect with a vice president at Sinotrans. I provided the vice president with the following pitch - you are a company with global aspirations and yet you do not have a global workforce. I would like to fix this problem. How about I join Sinotrans' new-hire program? Needless to say, he bought the idea, and the rest is history!

- Were you particularly interested in freight forwarding and transportation? Why Sinotrans?

I was not searching for a role in a freight forwarding company. Instead, during my senior year, I spent my time trying to land a position in a leading Chinese company. In 2009, companies like Tencent and Alibaba were certainly relevant, but not nearly as powerful as the State-Owned Enterprises (SOEs). And that is exactly why I jumped at the opportunity to work for Sinotrans.

- How long did you work for Sinotrans, what were your main responsibilities and where were you stationed? Did you live in a foreign compound or did you live "locally?"

I worked for Sinotrans for just under four years. When I joined the company they really had no clue what to do with me. Sinotrans has 100+ divisions and well over 100,000 employees. Placing an American trainee in a "good-fit" division was very low on the list of priorities. Fate would have it though that 9-months after joining Sinotrans the company went through a restructuring. One of the outcomes of the restructuring was the creation of a new division in which I was appointed Director of International Business. In this role I led pre-sales and post-sales support efforts for a portfolio of EPCs, wind energy and oil and gas companies. I was also in charge of maintaining relationships with our vendors i.e. freight forwarders, shipowners and heavy-lift companies. It is through this role that I got to know you, Bo, and your former company, Martin Bencher.



In terms of housing, I lived in two locations during my time in Beijing. Both apartments were what you would consider “local.” I lived on the east 2nd ring and Sinotrans’s HQ was on the west side of that same ring. Because of Beijing’s severe traffic, what should have been a 10-minute drive often took more than an hour. Therefore, I almost always took the subway. The attached photo I took during the morning commute at the Jianguomen Subway stop.

- **Most Westerners are used to having Chinese helping them with the China market, but seldom dealing with a Westerner inside of a Chinese company. What was that like?**

A typical business visit for a Westerner often goes something like this:

- Visit Chinese partner’s office. Exchange business cards, awkward laughs and brief company introductions. Meet the head of the office for a few minutes.
- Head to local restaurant for a “traditional Chinese banquet.” Now at a table with 5 – 8 members of the Chinese company, receive the following comments: Oh wow, you know how to use chopsticks! Can you eat spicy? Oh wow, your Chinese is so good [to when you say Ni Hao and Zai Jian].
- Conclude meeting and agree on 3 concrete next steps.
- 2 months later, you, the Westerner, is frustrated as none of the steps you agreed upon have been completed. What’s more, you spend your time leafing through the 18 business cards you accumulated, trying to remember who is who!

I put forward this slightly exaggerated example to make the point that most Westerners have subpar outcomes from their visits to China. I identified this as an issue, and thus spent my time serving as an internal advocate for my clients and vendors. After meetings concluded, I would liaise between the client and the relevant Sinotrans counterpart to ensure next steps were followed through. Often times I would hear my Sinotrans counterpart say, “Oh yeh, we agreed to do that, but we can’t do it.” To this I would counter, “Well, why did you say yes in the first place? Now we are just wasting each other’s time.” It wasn’t that my colleagues wanted to be untruthful, instead, my Chinese peers were afraid of saying no and were uncomfortable with the idea of pushing back. Over time, I got my colleagues to see the value in being frank and upfront in meetings so that outcomes were realized.

Part 2 of this interview will be released next week.

About Tyler Godoff

Tyler Godoff is passionate about creating thriving client relationships, connecting global business leaders and shaping the US-China relationship. Tyler is a MBA graduate of the Yale School of Management and a magna cum laude graduate of Vanderbilt University.

Tyler has six years of account management and business development experience. Four of those years were spent in Beijing working for Sinotrans – China’s leading shipping and logistics companies. At Sinotrans Tyler led pre-sales and post-sales support efforts for a portfolio of multinational clients. Since returning to the States, Tyler has held roles at two early stage tech companies in Boston and San Francisco.

At Yale, Tyler held several positions including graduate representative to the Schwarzman Center Advisory Committee; board fellow to the Yale-China Association; committee member to the Mory’s Association Membership Committee; and student interviewer to Yale SOM’s Admissions Committee.

Tyler previously served as chairman of the Board of Trustees of Global China Connection (GCC). GCC is a student-run non-profit connecting the future leaders of China and the international community. In 2010, Tyler was one of 50 young entrepreneurs selected by the Alibaba Group to attend its Annual Meeting in Hangzhou, China.

A selection of photo’s from Tyler:



Sinotrans’ Beijing Headquarters



Sinotrans’ 2010 New Hire Class (I am in the middle)

"I like the interviews as in the case with Rickmers it answers actual issues and stifles unfounded rumours."

Albert Pegg, Managing Director, Atlas Breakbulk Alliance

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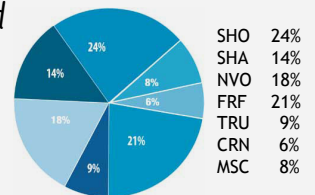
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