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WORLD MARITIME UNIVERSITY
Malmö, Sweden

FREIGHT FORWARDERS
Their Role in the Indian Context

By

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India

A dissertation submitted to the World Maritime University in partial
fulfilment of the requirements for the award of the degree of

MASTER OF SCIENCE

in

SHIPPING MANAGEMENT
(Commercial)

1997

ACKNOWLEDGMENT

I would like to express my deep sense of gratitude to Sri. R. Vasudevan, the then Director General of Shipping, for nominating me to the course at the World Maritime University and taking personal interest in processing of my candidature till the end. I would also like to place on record the unstinted support that I got from Sri. Praveen Agarwal, the Senior Deputy Director General of Shipping, in this regard.

My indebtedness to the Sasakawa Peace Foundation of Japan who very graciously granted me the fellowship to undergo this course and I feel proud to be a part of the Sasakawa family.

I would like to acknowledge with gratitude the guidance, advice and knowledge which I received from my Professors, David J. Mottram and Patrick Donner throughout my study at the World Maritime University. My thanks to all my course mates and other fellow students whose togetherness has been a source of strength all along.

I express my deepest sense of gratitude to my wife Chi. Sou. KN Revati who had to manage and undergo the hardships alone for these two years; and my son Chi. Sudeep NA, who had to withstand the difficulty of my absence, for the sake of my education. Their steadfastness in seeing their future in mine has always been a source of inspiration for me.

I thank the almighty for all the good things that he has bestowed upon me and my family.

ABSTRACT

Title of dissertation : **Freight Forwarders : Their Role in the Indian Context**

Degree : **MSc**

This dissertation aims to present an overview of the activities of the Freight forwarders with a view to bring out their importance as intermediaries between the shipper and the carrier in facilitating lower total cost and the total quality concept. Their expert knowledge in transportation alongwith knowledge of their shippers' market, the various activities they are involved in and various services they offer have been examined.

Freight forwarders come across different legal regimes in the course of their operation. The difference in their liability to shippers and to what extent that liability is mitigated by their subcontractors like carriers has been investigated in order to have a look at the necessity of insurance cover.

The knowledge of liner trade is important to a freight forwarder as his activities predominantly involves liner trade. Since the dissertation specifically applies to the Indian context, a study has been made of the liner services offered by different liner companies from and to India. A special reference has been made to the LCL (Consolidation) service, which could serve as a potential area in the services offered by the forwarder.

The Indian Multimodal Legislation has given a framework for the Indian forwarder to function in the role of a Multimodal Transport Operator. A study of the Multimodal scenario, including containerisation in India has been made to bring out the problems

and possible solutions together with the future direction of trade and the opportunities there of for forwarders.

Aspects felt critical to a freight forwarder, specially in the context of information technology, as a pointer to the future direction have been discussed. The last chapter arrives at conclusions based on the study done with a list of recommendations for freight forwarders specially in the Indian context.

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LIST OF ABBREVIATIONS

AEX	Asia East Coast Express
ANERA	Asia North America Eastbound Rate Agreement
APL	American President Lines
CHA	Custom House Agent
CIM	Convention Internationale Concernant le Transport des Marchandises par Chemin de Fer
CMA	Compagnie Maritime D'Affretement
CMB	Compagnie Maritime Belge
CMR	Convention Internationale Relative au Transport pe Marchadises par Route
COGSA	Carriage Of Goods by Sea Act
CONCOR	Container Corporation of India
COSCO	China Ocean Shipping Company
CWC	Central WareHousing Corporation of India
EDI	Electronic Data Interchange
ESCAP	Economic and Social Commission for Asia and the Pacific
FCS	Forwarders' Certificate of Shipment
FIATA	The International Federation of Freight Forwarders Association
GIC	General Insurance Corporation of India
IATA	International Air Transport Association
ICC	International Chamber of Commerce
ICD	Inland Container Depot
JNP	Jawaharlal Nehru Port
LCL	Less than Container Load

MT	Multimodal Transportation
MTD	Multimodal Transport Document
MTO	Multimodal Transport Operator
NOL	Neptune Orient Lines
NVOCC	Non Vessel Operating Common Carrier
NYK	Nippon Yusen Kaisha
OOCL	Orient Overseas Container Lines
P&O	Peninsular and Oriental Steam Navigation Company
RBI	Reserve Bank of India
RSE	Red Sea Express
SCI	Shipping Corporation of India
SDR	Special Drawing Rights
teu	twenty foot equivalent unit
UASC	United Arab Shipping Company
US	United States
USEC	US East Coast
USWC	US West Coast
VSA	Vessel Sharing Agreement

CHAPTER 1

INTRODUCTION

Trade as we all know, is characterised by at least a buyer and a seller. When a shipper i.e. either the buyer or the seller is arranging for the transport depending on the terms of the sale contract and wants to transport goods so as to reach the buyer specially in an international trade, has a wide choice of transport modes, vehicles, routes, carriers etc. 'Choice', as a facility is good so long it remains limited. But choice, when it becomes numerous, can be a problem in itself for a shipper. In a deregulated environment of international transport, it is more or less impossible for the shippers to go out of his core activity to select the right combinations of transport modes, routes, timing, carriers etc. This is because, transportation, though a part of the total logistics chain, is an area of specialisation and has its own framework of legal regime, commercial overtones and its own players. For administering the interface between the trade and transportation somebody else is required to make this interface efficient. Thus, are born the intermediaries in transportation.

When we imagine the transportation of goods, specially liner cargo, the intermediary who comes to one's mind immediately from the shipper's perspective is the 'Freight forwarder'.

Ideally, a trade is most efficient when there is a one to one transport arrangement without the involvement of any intermediaries. However, given the dimension of world trade today and given the plethora of transportation choices, it is the intermediaries who can make the trade more efficient and effective. Freight forwarders as third parties are fascinating as they specialise in the transport and know about the trade and more than everything, work on behalf of the shipper. This requires a great amount of adroitness and most of the time is challenging, specially in the context of the ever impinging threat of competition. This competition may not be necessarily from within the community but through the developments in technology like Electronic Data Interchange (EDI)/Internet by which other players in the transport industry like the carriers themselves and other third parties like computer software companies providing logistics solutions have entered the fray.

It is a constant debate whether in today's context of the ever increasing role of technology like the Information Technology (IT), intermediaries like freight forwarders would survive? The debate is decades old but what is true is that intermediaries always have survived and continue to survive albeit, with a changed role. They too are becoming more specialised and niche oriented.

Today, the world is characterised by fast developing economies of which India is one such nation. Drewry Shipping Consultants, London, in a report of 1996, entitled "India - The Emerging Economic and Industrial Power - The potential impact on world shipping and trade", have projected India's export traffic to increase by around 40% to 45% and imports to increase by 80% to 85% by 2005. India generates about 20 million tons of liner cargo. The government is aiming at containerising 70% of the general cargo by 2000. The ESCAP expects an increase in throughput of 34% by the same period. Indian

reefer container exports are around 30000 teus per annum. (Drewry, 1996, page 68). The potential of the national port throughput transport is put at 5 million teus. Some of the areas of significant export expansion identified by them are the Agribulk sector like rice and oil cakes, cement, steel, and manufacturing sector entering the general cargo trade. This points to the potential opportunities for freight forwarders, who operate mainly in liner trade.

Containerisation in India, another area of interest to freight forwarders, is expected to have growing influence but much is dependent upon ports and intermodal practices, both logistically and in terms of tariff structures and minimising the need of permits/authorisations etc. Here is the need for freight forwarders to play their role in facilitating efficient movement of cargo, given the constraints, through their expertise and ingenuity.

In a developing country like India, there are not only big trading and manufacturing houses but also innumerable small and medium manufacturers and exporters. The Garment export industry is one such example. These small shippers/ exporters form the backbone of the economy in terms of fuller potential of trade and employment. Big shippers can afford full fledged shipping departments with a number of people to choose a viable transportation method. But it is these small shippers, who are not specialised in transport, who can not afford to invest in separate departments, who need the support of specialists in transport viz., the freight forwarders in order to get the best transportation solution and make the goods internationally competitive.

In India, owing to trade liberalisation, trade is booming and new business areas of growth are emerging. Examples are agriculture produce of fruits and vegetables, processed foods etc. These can serve as niche markets for Indian freight forwarders. In

the course of facilitating exports, the Indian government has laid a lot of stress in improving the infrastructure like legislation, ports, inland transportation etc. The Indian Multimodal Transportation of Goods Act, 1993, which was promulgated in 1993, has provided impetus to the throughput transportation concept.

In this context, it has been felt worthwhile to examine the role of freight forwarders in India with a view to examine the future prospects. They could be real export trade facilitators as has been the case in the United States and Europe. In these parts of the world their role has changed from traditional documentation oriented entities to logistics providers.

The study being specifically applicable to India, it was difficult to correlate the general principles of Freight Forwarding to India. This was due to the fact that the form of Forwarding business in India is somewhat different than what is found in the developed part of the western world. Moreover, it was difficult to find the information on the Indian forwarders comprehensively documented in any literature and it was beyond the scope of this study to make a real market study. However, within the time and resources available, some of the forwarders were met and interviewed by the author at Bangalore and Mumbai in India during December-January 1996/97 during the mid term break and information collected.

Though Air transport is also widely used by the freight forwarders, the same has not been dealt with much in the dissertation. This is due to the fact that it is an area by itself and it will not be possible to objectively deal with it within the scope of this dissertation. Focus has been laid on Sea transport which carries about 95% of India's trade in terms of volume and 77% in terms of value.

ACTIVITIES OF THE FREIGHT FORWARDERS

2.1 The Role of a Freight Forwarder

Within the context of a transportation contract, the most important aspect of the sales agreement between the buyer and the seller is, who is going to be the shipper, ultimately. Again, the extent of the involvement of the buyer and seller in the transportation contract is going to be determined by the INCOTERM. In either case, their mutual interest will be to see to it that a cheap, timely and safe transport is contracted in order that the landed cost of the goods is competitive.

The machinery of transport is characterised by specialists who may have a smaller or a larger role in it. An individual shipper may be content to leave the job of transportation to these specialists and focus his efforts on his own job. The cost considerations for the shipper would be in matters of insurance, inventory, packaging, interest charges, freight charges, delays or damage to cargo etc. The transport requirements of the shipper are physical, operational, and institutional arrangements to meet his objectives. Adequacy of transport services would be in terms of cost of transport as against service quality (in terms of speed and reliability). A particular matter of importance to the shipper while considering shipping services will be the minimisation of the inventory costs (UNCTAD, 1980, page 3).

The elements of ocean transport requirements to be evaluated by a shipper are:

1. Rates.
 2. Stable rates.
 3. Credit rules.
 4. Frequency of sailing.
 5. Regularity of sailing.
 6. Punctuality.
 7. Services from and to ports.
 8. Speed.
 9. Specialised tonnage.
 10. Conventional tonnage.
 11. Uniformity of documentation.
 12. Claims.
- (ESCAP, 1987, page 34).

A freight forwarder procures transport of goods on behalf of his customer, i.e. the shipper, sometimes himself assuming the role of the carrier. The freight forwarders are estimated to be handling about 75% of the liner cargo in the developing countries (ESCAP, 1987, page 105). Indigenous freight forwarders in the developing countries help promote export trade by procuring economic and efficient means of transport. They contribute in trade facilitation by simplifying trade procedures and documentation so as to achieve savings in total transport cost.

The forwarder may also advise his customer regarding consumer needs, new markets, matters of export strategy, as well as decisions on sale and purchase of goods. As a custom house agent, he is also responsible to them for declaration of correct value, and description of the goods in the statutory documents so that there is no loss of fiscal revenue on those accounts. The forwarder has a significant role in co-ordinating activities of agencies like ports, ship agents, truck operators, insurance

companies, bankers etc./ By groupage of shipments, whether in rail or road or air or ocean transport, he facilitates improved use of available space and thus is able to get more favourable rates. This way, considerable savings can be achieved especially for small and medium sized shippers. Although a forwarder is an intermediary on behalf of the cargo owner, he is also useful to the carrier by way of timely booking of space, negotiating freight rates, arranging presentation of goods at the appropriate time, settling freight accounts with the carrier in the shippers' name etc.

The traditional role of the forwarder has been to act as an intermediary between the consigner/consignee (i.e. cargo owner) and the carrier additionally. He may also act as an agent of the carrier. It is normal for a freight forwarder to be a specialist in a particular field. For example, he may be an expert of the cargo moving to one particular geographical area of the world, as expert in a particular mode of transport or commodity. He may even give guidance of market strategy of a particular product to the exporter. Selecting the best possible route is an important element in the field of activities of a freight forwarder.

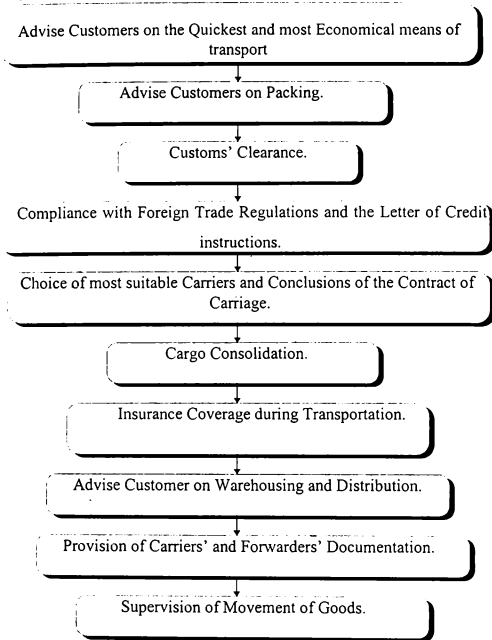
2.2 Services on behalf of the consignee/consignor.

From the point of view of competitive edge, a freight forwarder has to have an extensive network of agents or correspondents in order to have a control over the movement of a client's goods (important specially in any developing country, to establish an overseas network).

One of the specialist services offered by the freight forwarder is warehousing and distribution. Well organised distribution of goods enables fast turnover and frees locked capital and gives a competitive edge.

The generally accepted tasks of a freight forwarder are:

Figure 1. Tasks of Freight Forwarders



(ESCAP, 1987, page 105)

2.3 Services on behalf of the carrier.

As regards the airlines, a freight forwarder acts as their agent and receives in turn a commission or a reduction of tariff. All freight forwarders who want to become specialist airfreight agents, have to be licensed by the International Air Transport Association (IATA). IATA inspects the freight forwarder's office before giving a

licence. An IATA agent receives commission on the freight space sold. The air lines also directly compete with their agents through their own direct sales services. In case of sea transport, it is usual for a freight forwarder to be the representative of the consigner/consignee but sometimes the carrier uses them for consolidation or grouping in return for a commission. For inland movements, freight forwarders engage transport on their own on behalf of customers.

2.4 Services as principal.

Forwarders contract with railways full car loads obtaining reduced rates and marketing space in their rented rail cars at reduced rates to small consigners. This saves railways the trouble of handling small lots while small shippers gain by lower rates than if they had dealt directly. The freight forwarder makes income in the difference of charges. This groupage concept has developed very well in the freight forwarders' role as Multi modal transport operators (MTO). Here in groupage services, a freight forwarder provides the services to shippers in his own name.

As an MTO, a freight forwarder can legally control all the links in the transport chain and can thus to a large extent decide where and how to pay many of the expenses connected with the transport. In this way, he can assist the foreign exchange situation of his country e.g. by insuring with domestic insurance companies or by utilising indigenous carriers as his contractors.

The type and size of freight forwarding companies vary greatly. They also vary in terms of services offered. In developing countries, typically, they are more known by their principal function of customs' clearance. In the developed world, they offer real forwarding services. With the development of containerisation and through transport, the trend has been that the larger companies have been increasingly offering more services through the spread of their overseas network and are slowly squeezing the smaller ones in the process.

In line with the liberalisation process in many developing countries and the resultant expansion of trade, auxillary services such as freight forwarding are needed to be developed. In the developing countries the freight forwarding business is characterised by smaller companies (UNCTAD,1980, pages 3-11).

2.5 Financial aspects of freight forwarding .

2.5.1 Expenses.

Their fixed costs include rent, personnel costs, interest payments etc. The variable costs relate directly to the volume of business. They include fees, charges to sub-contractors, rental of material, advances of freight and customs' dues etc. In order to be profitable, a freight forwarder needs to have a tariff and the FIATA guidelines will be useful in this regard.

2.5.2 Income.

Income is through fees for services rendered. Income can also be earned through ancilliary services like warehousing, distribution, trucking, insurance and agency facilities.

The other major income is through groupage or consolidation. The freight forwarder will enter into guaranteed bookings of space on carriers mostly on a long term basis and receives a freight discount or tariff considerably lower than minimum booked rates and rates offered by himself. Often carriers pay commission / brokerage varying between 1.25% to 10% for space bookings (i.e. getting cargo for them). Services as MTO is another way of income.

The freight forwarding business is a low margin business due to high competition and overcapacity in shipping and as the fees for forwarders are worked out as a percentage of ocean freight, it is low because of reduced freight rates. For example,

the rate for a 20' container from UK to HongKong which was about US \$ 2000 in 1974 has reduced to US \$ 500-600 now. A typical example of the commission income of a freight forwarder in the US is illustrated below :

- Full containerload shipment
- Metal-working machinery FCL one 40 foot container
- Weight : 25,000 pounds/11,339 kilograms
- Size : 1,700 cubic feet/48.139 cubic meters
- Shipment to Pusan, Korea via port of New York
- Value : Ex-works Buffalo, N.Y. - \$ 50,000

Table 1 Example of Commission Income of Freight Forwarders

Charges	Shipper's cost US \$	Gross profits/ commissions. US \$
Inland freight	745.00	25.00
Harbour maintenance fees (to US customs at 0.125%)	63.56	
Forwarding and documentation	125.00	125.00
Banking of letter of credit	75.00	75.00
Communications and Couriers	40.00	15.00
Marine insurance at \$ 62,000 at 0.525 cents AR and war	325.00	
Base ocean freight (includes THC of \$440 bunker surcharge of \$ 120 and currency adjustment factor of 5% at \$ 207.25)	4,912.25	51.81
Total	6,286.31	291.91
Note : Additional fees may apply, including insurance, customs clearance documents, consular documentation, pre-shipment inspection and dock receipts. Sometimes parts of these fees are absorbed by the forwarder.		

Source : American Shipper, October, 1996, page 63.

Forwarders may also earn commission on arranging inland transportation, cargo insurance, freight adjustments, insurance claims or duty drawbacks. Sometimes, if the consignee has agreed to pay the freight charges, the shipper may instruct the carrier to pay the forwarder. At times, even the carriers pay some brokerage to the

forwarder to obtain a business when the going is tough for them under a deregulated environment and when the competition is very high.

Upfront payment is not a wide practice any more and many a times a forwarder has to even extend credit to shippers for as many as 60 to 90 days. Another service has been forced on forwarders, i.e. they pay the shipping freight, container operators and trucking companies and then get paid eventually from the shippers. While they have to pay for the services of the suppliers immediately or within a few days, they have to wait much longer time to get reimbursement from the shipper (Gillis, 1996b, page 64).

2.5.3 Financial requirements.

Freight forwarding is not a very capital intensive business. However, they should have short term credit facilities to cover the periods between the payments of freight, custom dues, etc., and re-imburement from the customer. The investment in the business is limited to modest sum depending on whether he excludes trucking, warehousing, etc which he can subcontract.

2.6 Form of freight forwarding business.

Leaving aside big organisations, which have full fledged sections for freight forwarding and those which work for carriers, there are independent forwarding companies. Many consignors/consignees may not be inclined to give work to freight forwarders known to be affiliated to a carrier. This is prompted by the feeling that the freight forwarder may not have the customers' interest as the top priority but may use the situation to the carrier's advantage resulting in uncompetitiveness of the product.

2.7 Establishment of overseas contact for business.

For all forms of freight forwarding organisations, one of the most important ingredients is to establish contacts/relations outside their country to compliment their services at the other end of the transportation chain. It involves a combination of one or more of the following :-

- Establishment of a network of agents controlled by commercial delegation.
- Acquisition of shareholding in overseas freight forwarding companies.
- Creation of company's own network abroad (UNTAD,1980, page 11).

The choice of the above factors depends on the dynamism of the company, traffic handled, state of regulations in the foreign countries and pressure of competition. The smaller forwarders usually resort to the first one, medium sized forwarders the first two and the large ones, a combination of all three.

Such outside contacts can be on an ad-hoc basis. As it is virtually impossible for a freight forwarder to deal with procedures in all countries for export/import, inland transportation and allied matters, he has to contact the local counterpart to assist in facilitating the delivery of goods and for any information in that regard.

To establish contact with an outside counterpart, a freight forwarder may select a reliable one from directories of freight forwarders. Then he can write to several of them (in respective countries) to compare their rates. Prices should not be the lone factor for selection of a counterpart but efficiency, promptness and reliability are also to be taken account. However, this can come by only after learning from experience of others and, later on, self experience. The list of counterparts in a country can also be obtained from the local national associations of forwarders.

Even though there may not be regular business, contacts can be kept alive by exchange of information. When the business is done not on any specific agreement, but on simple letter or gentlemen's agreement, it is on an ad-hoc basis.

The freight forwarders between themselves charge less than they would normally charge for agreements. Alternatively, they agree on special rates. They may also agree to share the net profit i.e. the difference in their charge to customers and what they pay to the carrier. One other method is for the forwarders in the importing country to be given a fixed sum per unit (e.g. per container) arriving or a certain percentage of the gross freight charged to the merchants. They may not even charge each other but depend on payments made by imports and exports respectively.

In the long run, as the business develops, there will have to be specific business agreements entrusting business at the other end to the respective freight forwarder. Bigger houses may even choose to open subsidiaries or branches.

Specialisation in a particular geographical area, commodity, mode of transport etc. will go a long way in establishing a professional, qualitative and remunerative business.

2.8 Third Party Logistics.

In recent times, the freight forwarders have found a new role for themselves as providers of third party logistics. These freight forwarders are of two kinds and they focus largely on freight management.

1. Asset based.
2. Non asset based.

(Gillis, 1996a, page 52)

While the asset based third party logistics providers can offer traditional freight services through their own substantial assets, the non asset based firms provide freight management expertise through their skills in management and information systems instead of tangible assets such as trucks or warehouses.

The advantage to the shippers is the cost savings they achieve by contracting out their freight management to an outsider firm with expertise in transport or freight movement and the volume leverage, which is naturally inherent in a freight forwarder's business, specially when he acts as a principal. The freight management has become a prime activity for outsourcing when cost cutting has become the name of the game in today's highly competitive world where the shippers would like to reduce their overheads by reduced staff, adequate to handle only core activities. Those freight forwarders who have tangible assets like warehouses and container freight stations, have become asset based logistics providers by providing these facilities and as non vessel operating common carriers.

Freight management as a part of logistics management becomes critical for small to medium sized companies due to lack of available manpower to strike the best transportation arrangement. They have to, therefore, inevitably outsource the freight management activity.

2.8.1 Work Method.

The typical way the third party logistic providers begin their work with the shipper for freight management is the auditing of the company's previous freight bills. If the logistics firm can find the ways to cut the shipper's freight bills and make a profit for itself, the parties negotiate a contract for a full study.

The study will be a comprehensive analysis including post audit of the freight bills paid by the shipper for past weeks say, four to eight or even more. The audit will

check and document the failures by the carriers to comply with rates and service requirements. What is also identified are the inefficiencies within the shipper's organisation. The other items of study would include even interviewing of the concerned shipper's organisation departments. Then they design new bills of lading.

Next, the third party logistics company will interview the carriers already used by the shipper. The result of the study would be recommendations for improvements including a proposed list of preferred carriers. Once the carriers are decided, information is sent to clients and suppliers of the shipper accordingly.

The ongoing administration services of the third party logistic company as a part of their contract, also include handling of damage claims, tracking the shipments, pre-auditing and to produce progress reports for the shipper's senior management. Most of the third party companies have advanced computer technology and, therefore smaller shippers can receive the same benefits as the larger ones from the traffic coordination function of the company.

The staff of the third party companies vary from about a hundred full time employees to as few as a handful. The staff complement would include auditors, analysts, computer technicians, accountants and dispatchers. *Many non asset based companies will also hire freelance staff on a short term basis for start up or spot projects. Information systems being a key to the development of an efficient logistics programme, the third party firms are reported to invest about US\$ 80,000 to 250,000 in hardware and software (Gillis, 1996a, page 60). It has to have the capability of indexing thousands of rates and customer moves to provide reports at the request of the shipper. The technology must be sophisticated to the extent of providing modelling for details on packaging, routing, rating and general management. They also communicate with shippers on EDI.

As far as warehousing is concerned, it has been said that warehousing services should preferably be through short term contracts and that the increased use of the just-in-time delivery concept may reduce the need of owning the warehouses by the logistics companies.

2.8.2 Pricing of Services.

The third party logistics providers have usually the following payment methods:

- Flat rate pricing.
- Transaction based fee.
- Cost plus.
- Percentage of savings.

In the context of the above pay methods, the freight management programme would involve the following activities:

- Determining the inbound movements from manufacturer.
- Selecting warehousing with facilities such as repacking, shortage and kitting and co-ordination.
- Brokering or selecting a broker for inland (domestic) transportation.
- Outbound transportation from warehouses, including brokering.

The flat rate fee could be as a percentage of the total savings brought about through the above freight management programme. The transaction fee is used where the freight management programme has too voluminous transactions, where each transaction is charged a fee. The cost plus, as the name suggests, is a certain fee on the cost of actual freight management services. The percentage of savings payment is similar to the flat rate system but is based on annual savings to the shipper. Since the third party logistics companies are basically in the nature of freight forwarding, their liability is similar to freight forwarders.

The trends predicted are that larger non asset based third parties will continue to take on more clients in the near future and in this process they become more selective and leave smaller contracts to smaller ones. This is expected to leave room for smaller players to emerge. Another expected trend is that the bigger shippers and carriers buy the non asset based third parties and the smaller third parties would be handling all the logistics for their parent companies and also serve their other clients (Gillis, 1996a, page 72).

FREIGHT FORWARDERS' LIABILITY INSURANCE

There is a lack of uniformity between different legal regimes in the world in spite of various international conventions and efforts for uniformity in the regulations and practices. As the major part of trade is carried over sea, there are a large number of legal problems to be sorted out. The issue assumes importance for freight forwarders who have to operate in countries where industry is developing. Practical difficulties arise in handling and settling of claims and recoveries from carriers, specially when the freight forwarder is an Non Vessel Operating Common Carrier (NVOCC).

The specific problem of multiplicity of legal jurisdictions also creates a problem for the forwarders. The forwarders' liability may be determined by the country of domicile jurisdiction but the shipowners' liability will be subject to either the law of the exporting country or what is stipulated in his bill of lading. In such situations, a forwarder would find it difficult sometimes to recover from the shipowner. The time limit of one year under the Hague Visby rules may also create complications for the forwarder. An outsider's claim against him may be unknown to him within the time limit within which he otherwise has to proceed against the actual carrier. To avoid such complications, a freight forwarder will have to incorporate a contractual clause of time limit for claims which would leave him enough time to proceed against the carrier, in his own bill of lading or Multimodal document as the case may be, specially when he is an NVOCC i.e. acting as a principal.

The contract of a freight forwarder may be guided by :

- Standard trading conditions applying to all customers.
- Bill of lading conditions.
- Project contracts.
- National legislation.
- International conventions.

3.1 Forwarders' Liability in Road Carriage.

The convention concerned with the road carriage i.e. 'The Convention on the Contract for the International Carriage of Goods by Road' (CMR), in its latest version came into force on 2nd July 1961. It is a regional convention and does not extend beyond central and western Europe. The main points covered by the CMR are transport documents and liability of the carrier including delay in delivery. It does not deal with question of private law of contract involved in the carriage. Consignment note is the prima facie evidence of contract and receipt of goods by the carrier. Effect of convention ends once goods are discharged even if it is still under the charge of the carrier. (MT Handbook, 1995, page 40).

Under the CMR convention pertaining to road carriage, the status of a freight forwarder is quite ambiguous. The ambiguity is whether the forwarder is the actual CMR carrier and thus has the liability as a principal or whether he can escape this liability by posing himself as an agent of the sender or as the sender himself.

Under CMR, there is an explicit requirement for a consignment note to exist if a 'carrier' is to be established. When a forwarder contracts for carriage of goods from consignor's premises, but consolidates these goods along with others in his premises and sends them under one load, the consignment note is only from his premises to some onward destination. In such a case, the client will have no status under CMR as he is not a sender, and has no right to claim against the carrier or the forwarder.

But this is in conflict with the contract by which the actual shipper is the sender for the entire carriage, right from his premises as CMR carriage.

The forwarder could also claim to be himself as an agent (as is done more frequently) of the shipper in arranging to ship the goods on account of the shipper. The shipper in this case will have a right to claim against the carrier but not against the forwarder.

In any case, when a forwarder charges for the whole transport without specifying whether he is arranging or undertaking the transport, he carries the responsibility of a carrier under CMR. The underlying concept of a forwarder being an agent or a carrier is dependent on his contract to *arrange the carriage or to undertake it*.

Another difficulty can be in the groupage operation of a forwarder. Under CMR, the consignment note is normally issued for the trunk section (main section) of the road carriage and characterises a forwarder as a sender rather than a carrier. Under an international road carriage, when CMR applies, a successive carrier (subsequent carrier at the end of the trunk section for final distribution) can be identified only if a through consignment note is handed over. In groupage shipments, the issuance of consignment notes to each shipment is not conceivable but for the whole consignment or load. In such circumstances, a forwarder is responsible only for discharge of the consignment into a warehouse while arranging for further distribution transport. Thus he can not be a successive carrier and will limit his liability lower than CMR if damage takes place after the trunk section. Even the local i.e. domestic, haulier will also claim a lower limit than CMR which can be viewed as a grey area. Another grey area can also be when the damage takes place in the transit shed. This will have to be covered separately. (TT Club, 1991, pages 1-3).

Though the CMR convention is basically a regional convention, its study is important for a forwarder, as it covers door to door transport of goods i.e. the European portion in the absence of an International liability system (MT Handbook, 1995, page 39-40).

Similar to CMR convention is the CIM convention pertaining to International Carriage of Goods by Rail. It covers most of Europe excluding former USSR and the Middle East and East North Africa which otherwise are connected to European network. The latest version is of 1980. The convention also has consignment note as the prima facie evidence of contract. It provides for an amount of 18.66 SDRs per kg. as the limitation amount. The convention also deals with passengers in addition to cargo (MT Handbook, 1995, page 41).

The Indian Multimodal Transportation of Goods Act, 1993, which is modelled after the Multimodal Transport Convention, provides for the limitation amount of SDR 8.33 per kg as in CMR convention for non localised damage (Appendix 1, page 91).

3.2 Risks associated with unitisation and through transport.

An important measure of preventing liability is to bring the trading condition to the notice of customers. Further, it is better for a forwarder to ensure he deals with only reliable parties and they have adequate insurance for liability specially when they are small. The different operators engaged in a transport chain are shipowners, charterers, terminals, stevedores, depots, freight forwarders (including road hauliers etc.).

The risk areas common to all these are:

- Liability to the cargo owner (or his insurers):
- Third party liability.

- Loss of or damage to equipment used which they own or lease (Thomson, 1988, page 1).

3.2.1 Liability of Freight forwarders.

A freight forwarder can act as an agent or as a principal depending on the contract he makes. His success not only depends on finding the innovative and best ways to move cargo, but also on his role.

3.2.2 Role as an agent.

A freight forwarder acts on behalf of his customer and arranges for third party carriers to carry cargo. His activities or responsibility is governed by the business conditions which provide that he acts as an agent of his client shipper. In case of loss or damage, he limits his liability to the period when the cargo is in his personal care and custody. The loss or damage is also defined by specified clauses and even here, it is only to relatively low limits. As an agent, a freight forwarder also contracts project movements. It is common for forwarders to issue 'Forwarder's certificate of shipment' (FCS) or 'Forwarder's certificate of receipt'. These normally incorporate the forwarder's standard trading conditions. He accordingly maintains the status of an agent.

3.2.3 Role as a Principal.

A freight forwarder can assume the role of a principal under a contract or law. Under Contract law, a freight forwarder can become a principal under following conditions :

- CMR convention, which imposes liability of a principal on the forwarder.
- If a freight forwarder issues his own bill of lading, the Hague or Hague Visby rules will be compulsorily applicable under certain laws.
- Under the Warsaw convention when a forwarder issues a house airway bill of lading.

As already said, a forwarder may issue his own bill of lading which binds him as a principal under the contract. The International Freight Forwarders' Association (FIATA) has published its standard bill of lading with standard trading conditions. This requires that the forwarders are adequately insured.

The effect of being a principal in insurance terms is that the forwarder makes the contract of carriage with the cargo owner and he ceases to be a broker and becomes the underwriter. Just as the underwriter underwrites risks, the principal guarantees or accepts responsibility for the acts and omissions of his sub contractors. He can no more expect the customer to sue the actual carrier directly. If the forwarder is liable, he will have to pay the claim and claim in turn from the actual carrier. ✓

3.2.4 Warehousing.

Despite what the trading conditions state, warehousing is the activity of a principal as goods are in his custody as a bailee. Larger forwarders have their own warehouses. Warehousing risks are covered under standard trading conditions. If it is a transit storage under a bill of lading, liability will be determined by the conditions of the bill. Long term storage is separately contracted.

3.2.5 Customs clearance.

In some jurisdictions, the forwarder is treated as a principal by the customs and in case of default in payment of duty by the importer (like insolvency), the customs will hold the forwarder liable to pay.

3.3 Principal Liabilities of Forwarders.

3.3.1 Loss of or damage to goods.

Under his own bill of lading like the FIATA bill of lading or house Air way bill, a freight forwarder will have the primary responsibility for the safe carriage of the goods subject to the contract terms and conditions.

3.3.2 Recoveries from sub contractors.

While recovering the claim amount from subcontractors after paying out the claims of his customer, a forwarder may face the following adverse conditions.

3.3.2.1 *Insolvency.*

The first situation could be when the actual carrier becomes insolvent. If a shipowner has filed for bankruptcy, the freight forwarder is an unsecured creditor at the bottom of the list.

A subcontractor may become bankrupt before claim reaches trial or he may not be able to meet the claim financially. It is also possible that the subcontractor has covered his liability by appropriate insurance. But, if he has not kept this cover valid by not paying the premium, then, there is no scope of recovering even from his insurance.

3.3.2.2 *Difficulty of proof.*

Where there are several stages in the carriage of goods (specially the containerised cargo) and these stages are performed by different operators, it may not be possible to pinpoint the damage to any particular stage unless it is very apparent. In absence of enforcement of an international uniformly applicable multimodal convention, the freight forwarders will become liable and he will have the burden of proving that a particular carrier received the cargo in good order and condition and that he was responsible.

3.3.2.3 *Back to back bills of lading.*

When a bill of lading issued by a forwarder is covered by the same scope of responsibility and period by the actual carrier, it is known as being back to back. Legally, the forwarder has the right to the same amount of claim from the carrier (viz.-a-viz.,) as his customer has from himself. However, the bills of lading are

seldom completely back to back and there is always some difference, be it in terms of door to door coverage, number of packages, different legal regimes etc. The result could be that the forwarder may end up with a higher limit of liability than his sub contractor i.e. carrier's liability where the sub contractor can escape liability altogether.

3.3.2.4 FCL shortages.

The courts carry the view that although the bill of lading gives the carrier the right to inspect the contents of the container, [?] he does not have a duty to do so. Since many forwarders are consolidators (LCL), when they present the cargo as FCL to the carrier, the carrier is not liable for any inside shortages or damages caused by rough handling, as long as the seal is intact. However, the forwarder would be liable to his customer, i.e. the cargo owner.

3.3.2.5 Defective containers or equipment.

In case the forwarder provides his own or leased containers, he runs, firstly, the risk of physical loss or damage to the container itself. If the container is defective, he also faces the liability for loss or damage to cargo inside. Third party liabilities may also result like property damage or personal injury from defective containers.

3.3.3 Projects.

In project cargo movements, liabilities to a freight forwarder could be very high, firstly, because the client could be very important and secondly, because of high value machinery or parts, which may form the project cargo.

3.3.4 Transhipment.

If for any reason like geographical reasons, a transhipment of the goods takes place, this may create difficulty to a freight forwarder. If the transhipment is not mentioned in the bill of lading, then the courts would take a view that there was 'deviation' and

the forwarder may become liable. In exigencies, like when the documentary credit requires that a direct bill of lading be issued and both the forwarder and the shipper know in advance that there has to be a transshipment, the forwarder has to take precautions. He should in such circumstances obtain a letter of indemnity or a written acknowledgement in the least from the shipper that transshipment of goods is agreed upon. The same has to be specified on the bill of lading. Otherwise, it will prevent the forwarder relying on any exclusion clause or limits of liability and thus he will be fully liable.

When two different sea carriers are used, the risk of loss or damage associated with shortage at the transshipment port will be on account of the forwarder.

3.3.5 Financial loss/errors and omissions.

There could be some professional mistakes by a forwarder, which in insurance is termed as 'errors and omissions'. These are not deliberate or reckless but they may cause financial loss to the client. Such errors or omissions are not uncommon. The errors and omissions could also include selection of an unreliable carrier or wrong method of carriage, inappropriate route selection etc.

The liability claims give rise to various costs and expenses. These could be fees for lawyers, additional freight costs when cargo is accidentally sent to wrong destinations, removal/disposal of damaged cargo etc.

3.3.6 Wrongful delivery.

If the freight forwarder is releasing the cargo against a letter of indemnity, there is the possibility that the person taking delivery of the cargo is not the entitled person. A letter of indemnity can not serve as security by itself and the freight forwarder will not be able to recover any amount for wrongful delivery. In order to secure himself, he has got to get the backing of necessary bank guarantee or some other security from

the receiver of the goods in absence of authorised document like the original bill of lading.

3.3.7 *Non collection of cash on delivery.*

Sometimes, there are instructions/contract with the shipper providing for collection of cash or proof of payment before release of cargo. If a cargo consignment is delivered without cash or proof of payment, and the consignee does not honour his commitment or if he disappears then, a forwarder becomes fully liable if there is a claim (Thomson, 1988, pages 1-16).

3.3.8 *Delay.*

The recent trend in freight forwarding business is to moderately accept delay limited to about one or two times the freight. The delay here would mean unreasonable delay. Hague and Hague-Visby rules do not cover this leaving an ocean carrier without liability. The Hamburg rules and the MT convention provide an amount of 2.5 times the freight payable for the goods delayed but compensation not to exceed the total freight payable under the contract. The Indian Multimodal Act, casts liability on the MTO and provides for compensation when the consignment is delayed, limited to the total freight payable. It provides for presumption of loss if the delay is more than 90 days.

3.3.9 *Other problems.*

The following problems could also arise in respect of bills of lading :

- A freight forwarder has no protection if he delivers the cargo without production of bill of lading if he is doing it as an NVOCC.
- Incorrect details on the bill of lading.
- Illegible bill of lading.
- Insufficient notice of US COGSA and limitation/ad-valorem.

NVOCCs trading to the United States have to essentially incorporate into their bills of lading a specific reference to the US COGSA. A shipper under the Hague or Hague Visby rules may declare the actual value of goods to the carrier and obtain a higher limit of liability by paying ad-valorem freight. But in the US, in addition to the above facility, as per the COGSA, in view of courts there, NVOCCs may better include an ad-valorem 'box' in their bill of lading (ESCAP,1988, page 4-5).

- Limitation clause in fundamental breach of contract.

3.3.10 Customs liability.

The customs liability is on the forwarder in case of his client's failure to meet the customs and excise regulations. The liability could be due to documentary errors, in which case the customs may confiscate the property including goods and equipment used, and impose fines which may add to the shortage claims by customers. The documentary errors could also include quoting of incorrect tariffs. The forwarder may have to provide a bond or a bank guarantee on behalf of the customer.

3.3.11 Third party liabilities.

The third party liabilities could be under contract or tort. This may include damage to ship, loss of or damage to containers (of the carrier), injury to people and indemnities. Liabilities to shipowners could also arise by way of misdeclaration of hazardous cargo and its consequences. The dangerous goods represent the highest exposure of forwarders to third party liabilities. Other third party liabilities could arise in the course of functions like warehousing, packing and local transportation.

3.4 Contribution to General average or Salvage.

A freight forwarder will have to contribute to general average or salvage when the containers are leased or owned by him. In case of consolidation, if the cargo is not otherwise insured for contributions to general average or salvage, the forwarder can not get release of cargo unless he contributes or provides a guarantee. This may also cause shortage claims and perishable cargo may deteriorate.

Overall, a freight forwarder's scope of liability covers a whole lot of transport indemnity aspects compared to ship operators or terminal operators whose liabilities are more directly identifiable (Thomson, 1988).

A freight forwarder should guard against and also take note of any clauses which attempt to exclude or limit liability whether acting as an agent for the shipper or as a principal issuing his own transport document. He should protect himself by taking an adequate and appropriate comprehensive forwarder's liability insurance, which will be essential when he is unable to recover from the actual carrier.

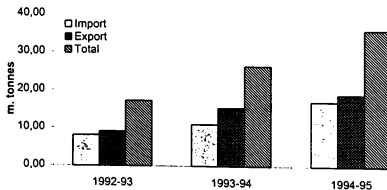
LINER TRADE IN INDIA

4.1 General Cargo and Containerised Cargo.

As already stated, 75% of all liner cargo is estimated to be handled by the freight forwarders i.e. most of their business is in handling liner cargo. This handling could be in their different roles like customs clearance, transportation etc. Cargo could be in the form of containerised cargo (LCL to a large extent) or as break bulk. It is therefore imperative that knowledge of liner trade in terms of cargo moved, carriers serving the trade (with their slot capacity), progress in containerisation of cargo, etc., is essential for a freight forwarder in order that his decision of carriers is appropriate. The topic being primarily on the Indian forwarders, facts about Indian liner trade are discussed here.

The general cargo overseas traffic carried by Indian /Foreign vessels during 1992-95 was as follows :

Figure 2 - Total Indian / Foreign vessels in General Cargo, Overseas Trade.



Source: Drewry, 1996/Indian National Shipowners Association Annual Review 1995-96.

Figure 3- Share of Indian lines

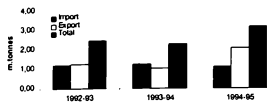
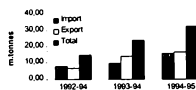


Figure 4 - Share of Foreign lines



Source: Drewry, 1996/Indian National Shipowners Association Annual Review 1995-96.

India's Export and Import trade during 1993-96 were as follows :

Table 2 - Indian Imports

(Million US \$)

	1992-93	1993-94	1994-95	1995-96
Petroleum-crude & products	6,480.9	5,752.4	5,934.7	7548.1
Non-electrical machinery	1,651.0	1,881.4	2,723.5	3964.9
Project goods	1,276.6	1,613.7	1,778.7	2254
Pearls, precious & semi-precious stones	2,439.5	2,644.0	1,598.8	2087.3
Organic chemicals	645.5	887.3	1,417.2	1720.6
Iron & steel	710.7	748.0	1,133.9	1376
Transport equipment	461.4	1,269.0	1,104.4	1083.6
Electronic goods	n/a	912.2	1,102.6	1748.7
Non-ferrous metals	394.5	479.4	856.6	909.2
Inorganic chemicals	780.6	487.5	761.3	857.8
Manufactured Fertiliser	697.8	632.0	748.9	1323.9
Sugar	0.0	0.1	715.5	-
Coal, coke & briquettes	477.1	466.5	703.5	901.4
Metalliferrous ores & metal scrap	663.0	449.6	677.7	786.6
Forest products*	515.0	523.8	666.8	823.6**
Artificial resins, plastic material, etc.		434.5	617.3	816.3
Total	17193.6	19181.4	22541.4	28202

*Combined categories of wood, wood products, pulp and wastepaper, newsprint, paperboard and manufactures.

**Excludes paperboard and manufactures.

Source: Drewry, 1996 /Indian National Shipowners Association Annual Review 1995-96.

Table 3 - Indian Exports

(Million US \$).

	1992-93	1993-94	1994-95	1995-96
Gems & Jewellery	3,068.8	3,995.0	4,502.6	5282.9
Ready-made cotton garments	1,778.4	1,967.7	2,493.6	2837.7
Cotton yarn, fabrics, etc.	1,349.2	1,536.9	2,214.3	2588.4
Marine products	601.3	813.5	1,122.0	1013.2
Leather & leather items	866.4	841.7	1,055.8	1141
Drugs, pharmaceuticals, etc.	528.8	640.6	794.4	1007.8
Transport equipment	533.2	591.5	766.5	929.4
Manufactures of metals	559.6	663.1	749.7	841.9
Machinery & Instruments	541.1	638.8	727.0	850.7
Man made yarns & fabrics etc.	372.3	425.6	616.9	743.3
Oil meals	533.0	740.8	571.7	703.8
Leather footwear	409.8	457.6	501.8	584.2
Dyes, intermediates & coal tar chems	330.3	367.1	473.3	488.3
Plastic & linoleum prods.	149.2	335.8	468.9	582.6
Ready made man made fibre garments	375.1	389.2	445.3	508.8
Handmade carpets	434.4	453.7	437.5	559.0
Iron ore	380.9	437.9	417.0	519.3
Petroleum & crude products	475.8	397.8	417.0	1.6
Electronic goods	212.1	303.5	405.6	651.0
Primary & semi-finished iron & steel	305.8	452.7	384.9	527.8
Cashew	256.9	333.2	395.7	368.6
Rice	336.5	410.2	376.3	1363.1
Coffee	129.8	173.9	324.6	451.8
Tea	336.9	337.6	310.6	350.8
Other ores & minerals*	183.9	208.4	291.8	316.1
Total	15049.5	17913.8	21264.8	25213.1

*Excludes Processed ores and minerals.

Source : Drewry, 1996/Indian National Shipowners Association Annual Review 1995-96.

As can be seen from the table, most of India's overseas trade is carried by the foreign lines. The Indian trade is mostly absorbed by the east-west liner services touching the regional hub ports. The East coast ports of India are linked to Singapore while the West coast ports are linked to Dubai. Colombo is linked to eastern as well as western ports.

Out of the top 20 liner carriers (leaving aside COSCO, Hyundai, and Hanjin, which depend only on third party feeders), the Mediterranean Shipping Company is the only one which has no liftings of the Indian trade. All others have direct connections (with the trade) by their own feeders. Hapag-Lloyd is the only 'mega carrier' to have a direct call in India from Europe by taking slots on the 'Contship/CMB Eurasian consortium to the west coast of India via the Arabian gulf. This operation has 1,600 teu vessels deployed.

The increase in the container cargo from 250,000 teu in 1980 to 3 million teu (estimated for 1996-97), has been attributed to genuine increases in cargo volumes due to Indian economic growth. Out of the 150 million tonnes of cargo that moved through Indian ports in 1993, a large proportion was bulk cargoes. It has been estimated that this bulk cargo proportion has tremendous potential for modal substitution into container trade.

The government of India plans to containerise 70% of the general cargo by 2000. India is turning the South Asian region into a net exporter by actively competing in manufactured items like white goods, telephones, televisions, video recorders and computers and, more importantly, garments, which constituted 17% of Indian exports by value in 1993. ESCAP forecasts a further 34% growth in throughput by 2000 from the 1990 figures. The reefer market of India is 30,000 teus per annum. (Drewry, 1996, page 68).

It has been estimated that as India's trade grows, the throughput is likely to reach 5 million teus in times to come and there has to be direct service calls, as the transshipment through feeders which has eroded the direct services, will not be able to meet the demand. Transshipment is said at present to be handling about 23% of the Indian subcontinent export cargo (Drewry, 1996, page 69).

As intermodalism is very important in India in view of the container traffic, the government set up the Container Corporation of India (CONCOR) as the public sector intermodal operator to develop intermodal activities within India through a network of inland container depots (ICD) and container freight stations (CFS). CONCOR handled about 237,000 teus in 1993/94 and by 1995/96, was expected to handle about 450,000 teus. All ICDs are rail connected and rail handles the majority of the traffic. CONCOR has facilities at 13 custom bonded ICDs. A further 16 ICDs are planned (Bascombe,1996).

The only Indian company operating liner services with fully cellular ships as well as general cargo ships is the Shipping Corporation of India. The main liner schedules services offered by the SCI are :

- India - E.Canada/ US Atlantic - Gulf (every 30 days).
- West India - Europe (every 30 days).
- East India - Europe (every 15-16 days).
- Europe - India (every 10 days).
- Mediterranean/ Red Sea - India (every 30 days) (Drewry, 1996, page 85).

Indian shipping companies/operators control less than 20% of the country's total trade on the Europe/UK, USEC and Asia/Japan routes. SCI has deployed its three 1,896 teu ships on the northern Europe service. Shreyas Shipping Company owned by Transworld group and Shahi Shipping own three 400/442 teu container feeder vessels and operate between India and the hub ports of Singapore, Dubai and

Colombo. From Jan 1996 SCI entered into a co-ordinated sailing and slot charter arrangement with Zim Israel Navigation Company on the Europe/India trade with six container ships of 1,150/1,896 teu, four controlled by SCI. The link operates with 9/10 day frequency.

The fast growing export volumes are reported to have resulted in lower repositioning costs for container boxes (Fossey, 1996a, page 7).

4.2 India US trade.

The balance of India's trade with the US was more southbound in the late 80's. In 1993, there has been total turnaround. While the south bound trade from the US remained stagnant at 55,000 teus, the north bound trade to US reached 140,000 teus with the trade in favour of India at a ratio of 72:28 (Drewry, 1996, page 69).

There are two existing rate agreements in the sector. The first one is ANERA - Asia North America Eastbound Rate Agreement which governs the US-Asia trade. The members are APL, Hapag-Lloyd, K-line, Mitsui OSK lines, Maersk line, OOCL, NOL, NYK and Sealand. The other is the '8900 lines', which covers trade from US to the Middle East. There are about 40 carriers involved in the US/ India trade. The quickest port to port transit time both ways is about 23 days. The US has traditionally been served via the transpacific trade with the east coast served through transshipment, intermodally. Now, several carriers offer direct services to the US East coast. US East coast services have also increased due to feeder services to the Mid-East from where transshipment takes place. The major carrier in the India/US East coast trade is the vessel sharing agreement (VSA) of Maersk, P&O and Sealand. They use 10 vessels of 2,100 teu and now control 40% of all US East coast traffic. US imports from India, move direct to the US east coast while US export trades combine both the Mid-East and India of which Indian trade constitutes 50%. The direct service concept of USA has increased container volumes by 34% in 1994

while the same decreased for the transshipping lines like Evergreen and United Arab Shipping Company (UASC). The rates fell due to competition in this sector.

The joint Asia East Coast Express (AEX) (of Hapag-Lloyd, NOL and NOK) which transship from Colombo to the US East coast offers a port to port transit time of 19 days from Colombo to New York. They claim that this is the reason for their increase of liftings by 48% in 1994. NOL has specially targeted exports of time sensitive garments to the US east coast.

In the transpacific trade, APL controls over 50% of the India/US transpacific trade. NOL has increased its container volumes in this sector by over 40% in 1994 (Bascombe, 1995b, page 55-57).

4.3 Feeder Services.

One of the handicaps in the liner sector is the bureaucratic restrictions viz., requirement of approval for shipments, foreign exchange approvals, etc. Also due to inherent physical inefficiencies at Indian ports resulting in congestion and inspite of a significant trade, Indian traffic is transhipped through regional hub ports of Dubai, Colombo and Singapore by feeder vessels.

It has been estimated that common carrier feeder services probably control between 50% and 60% of the trade. As the growth in trade is very fast compared to improvement of infrastructure at ports, this state of affairs is expected to continue. The feeder operators are said to be more flexible and can offer multiple weekly sailings. This is very important to exporters as it eases the cash flow problems and importers find it convenient to save in stock financing costs and have a better geographical cover. The result is also that, due to pooling from several operators, the feeder services offer competitive rates.

Some of the local network of common carrier feeder operators are Integrated Container Feeder Services and Orient Express Lines as follows :

- French Asia Line - fixed day weekly service to Mumbai, Colombo, Cochin, Tuticorn, Madras and Calcutta via Khor Fakkan and Singapore. The service operates eastbound only.
- Tricon (comprises a slot charter arrangement with Cho Yang Shipping and DSR-Senator Line) - Madras, Calcutta and Cochin and Tuticorn via Colombo to northern Europe. The link operates westbound only.
- Med Club Express (joint service with Yangming) - a westbound link that connects Madras, Calcutta, Cochin and Tuticorn, via Colombo, to a full range of eastern and western Mediterranean destinations.

In the Asia trade route, apart from the service provided by many lines through feedering, SCI provides direct service in separate links from full range of far east ports and west coast of India (fortnightly) and Bay of Bengal (monthly). These are provided with multipurpose ships with slot capacity of 341 teu.

(Fossy, 1996b, page 9).

4.4 Organisation of Third Party Liner Agents.

The third party agents are said to form the fundamental part of India's present day liner industry. With the growing number of foreign lines and with the relaxation of the restrictive legal regime, there is increasingly a number of carrier controlled third parties being established. There is a feeling that with the above development, the third party agencies are threatened but are likely to last at least the next 5 to 10 years.

There is a mushrooming of both third party and carrier controlled agencies in Mumbai, which control more than 60% of container traffic. So are the carrier controlled agencies. Outside Mumbai, lines depend on sub-agency arrangements. The lines are increasingly extending their network to deeper inland areas. The highlighted role of the third party agents is to understand bureaucracy, local customs

and administrative systems. Another reason attributed to the strong presence of third party agents is the great variety of regional cultures and languages that exist. However, due to increased competition from agents set up by the carriers, these third party agents are diversifying to areas like forwarding and NVOCCs.

(Fossey, 1996c, page 13).

The deployment of three 1,896 teu vessels by SCI in the India/Europe sector has resulted in a 40,000 teu capacity each way annually. SCI has reported 100% utilisation eastbound and 70% utilisation westbound. Full capacity on the import leg to India is reported to be based on the ability of the Indian importers to pay in rupees as opposed to foreign currency. SCI has also 26 semi containerised vessels with capacities ranging from 150 teu to 250 teu. The Dubai based operator Orient Express Lines (part of the Transworld group of companies) has six 450 teu vessels of its own and operates another five 300 teu feeder vessels between India-Gulf, India-Colombo and India-Singapore. The Indian member of the Transworld group, Shreyas, also operating feeders, offers Indian customers the chance to pay in rupees and not foreign currency.

(Bascombe 1995a, page 63-65).

4.5 Future Prospects.

India's exports are estimated to have grown by 25% to 30% in 1995. In March 1996, container throughput is said to have reached 1.39 million teus. It has also been forecasted that over the next four to five years, the box traffic will grow at a rate of about 15% to 20% and reach 5 million teus by the end of century.

Owing to the increased cargo flows, major shipping lines have started direct services to Indian ports. Among them are CMA, DSR - Senator line, Ellerman, Zim and P&O from Europe to west coast of India. The Maersk - Sealand consortium has deployed seven 3000/3500 teu ships (phased out due to displacement by 6000 teu ships) into

a weekly service linking North Europe, the Mediterranean, Middle East and India (Jawaharlal Nehru Port-JNP). This is all in recognition of the country's huge trading potential. Maersk/Sealand have their own container yard operation at JNP the experience of which has made them confident about positive results of their operation. The CEO of Maersk Mr. IB Kruse is reported to have said :

'Our aim is to offer Indian shippers and consignees the same reliable and fixed day weekly service as that enjoyed by our other customers in Asia. Our revamped schedule will provide the market with the biggest and the best service around.' - (Fossey, 1996b, page 9).

The pressure of new services is expected to continue towards alignments of different lines into new consortia which could see the softening of rates from the rates shown below in the short run (as in 1996 first half).

Table 4 - Present Liner Tariff. (Rates in US \$)

	20 foot	40 foot
East bound	925/1050	1,600/1,800
West bound	900/1050	1,800/2,000

Source : Fossey, 1996b, page 9.

Mediterranean importers and exporters are said to have benefited the most from the change from 13 day to weekly sailings by integrated market leaders in the routes viz., CMBT and Contship Containers. This frequency was further improved to a departure/arrival every six day by an additional ship (ship sizes employed - 1600 teu and 1800 teu). P&O is said to have 175 teu slots on every sailing.

In 1995, CMBT/Contship carried 21,600 teu eastbound and 47,633 teu westbound (total 70,000), an increase of 20.6% from the previous year. This group represents 44% of the 160,000 teus moved previously. In 1995, CMBT established its own

agency operation in India when the carrier's global freight management entity AMI set up AMI India Logistics pvt. Since June 1995, AMI India has been providing a full range of global LCL and NVOCC services on behalf of Indian freight forwarders and consolidators. The company is also developing intermodal services in the New Delhi/ Mumbai freight corridor and is establishing a service hub in North India in order to enable CMBT to develop a full range of house to house transport services.

As per CMA, during the next five years, some manufacturing currently undertaken in South East Asia will move west to India because of low labour costs. The nature of trade would shift from primary products to higher value consumer goods and fashion accessories. As a result, the Red Sea Express (RSE), consisting of CMA, Ellerman and DSR-Senator, have extended their service itinerary to include the Indian sub continent. Ellerman, (by the end of 1997) is expected to upgrade its schedule to weekly sailings by the end of 1997, in its loop of Europe/Middle East/ Karachi/JNP.

It is projected that the US container trade with the Indian sub continent will have increased by 50% to 400,000 teu by the end of 1996. In 1994, the growth was 22% with Indian exports accounting for 70%. It has been estimated that the trade with the US forms 30 to 35% of the total Indian traffic. This has been attributed to the close relationship between the two governments and increasing involvement of the US industrial companies in India. A gradual rise of imports and exports of components from General Motors, Jeep and the GE Corporation has been predicted and this area of manufactured consumer electronics has been seen as a vital part of future business.(Bascombe, 1995b).

4.6 Indian Reefer Trade.

Meanwhile, the reefer market has grown in size. In 1994, 30,000 teus of reefer commodities were exported representing about 6.5% of the total container exports. An average of 2.7% annual growth is projected. The reasons for the projected

growth in exports of Indian food products, much higher than the world-wide estimation, have been attributed to increase in demand and the ability to develop supply. The ingredients making Indian goods attractive are said to include :

- Low cost of the labour.

Labour and land costs are cheap and grants are readily available for investments in agriculture ventures.

- Quality and variety of product (specially in the seafood sector).

High value products like lobster and black tiger prawns at low price. Quality of the agricultural products in general are said to be improving (apples, grapes, mangoes, melons, okra, onions and pomegranates).

- A change in consumer tastes in US and Europe.

The buying habits of consumers are changing as they want to taste different products. As a result, there is a demand for the Indian products like fish (like pomphret and kingfish).

The carriers, in an effort to increase their business, seeing a great potential in the trade, are giving attention to the logistics management aspects of co-operation with shippers.

- Provision of expertise and equipment.
- Development of technology to make the products exportable and withstand the vagaries of transport.
- Education and raising of quality standards (specially with respect to perishable products).
- Looking for new products and trade developments.

Currently, fruits and vegetable products account for 5% of the total reefer market. (Bascombe, 1995c, pages 69-71).

4.7 LCL Market for Forwarders (NVOCCs).

About 5-10% of the Indian containerised trade is in LCL. Container lines/operators, with their huge capital investment have focused on FCL cargo rather than LCL, to fill their ships. Therefore, LCL customers do not get the same customer service as the FCL customers by the lines. The NVOCC operation is therefore the niche market of the freight forwarders. The relationship between lines and the NVOCCs is complementary. NVOCCs serve the objective of FCL cargo (to lines) without the hassels of consolidation services and the corresponding efforts in marketing, documentation, liability coverage etc. An NVOCC need not buy any container, as he can get it readily supplied by the line. On the other hand, the NVOCCs also offer their valuable services of consolidation to small shippers who can thus save on full container rates.

A majority of NVOCCs operating in India try to focus on shippers who can provide FCLs rather than concentrating on LCL shippers. But it is better for an NVOCC to focus on LCL. This is because the lines, having invested heavily in container trade, in case of a rate war, or when rates are under pressure, can have the strength (financial base) to survive whereas an NVOCC, due to his limited financial strength, will not survive in FCL services under such circumstances. The result is that they loose their customer confidence. An NVOCC focusing on LCL service, would continue to operate steadily and, in fact, can get the benefit of lower rates under rate war conditions from the lines. Presently from India, it is the lines who are handling much of the LCL freight. The following reasons have been attributed.

- Lack of superior LCL service providers.
- Past inability to operate in India as NVOCCs.
- Stringent controls and regulations.
- Low credibility.
- Banking laws.
- Infrastructure.

However, owing to the recent liberalisation efforts, the economy is emerging and the banking laws are getting more flexible. The infrastructure permitting intermodalism and LCL services such as the Container Freight Stations (CFS) and Inland Container Depots (ICD) have increased. This permits the facilitating concepts of the Hub operations and distribution systems. Thus, the opportunities specially for a serious NVOCC is tremendous.

Most of the ports in India at present are mostly serviced by the feeders. At present, the slots available on these feeders are in excess of demand. Thus, they are readily offered by the feeder operators to anyone who would want them. This is one of the reasons why most of the NVOCCs and MTOs are more in FCL service and limited to the region serviced by the feeders as they can easily offer cheaper ocean freight rates to shippers, which brings them into competition with the lines. But then, the feeders are faced with the risks of losing in the battle of rates (in FCL) with the lines who do everything to regain the market.

With the improvement in India of the infrastructure for intermodalism, an NVOCC will be able to offer better LCL service deep into interior points. Two distinct advantages of this are :

- Suppliers can offer the buyers smaller quantities.
- There will be increased trade as, new buyers who deal in small quantities will treat India as a sourcing point.

(Phillips,1997).

MULTIMODAL TRANSPORTATION AND THE INDIAN SCENARIO

5.1 Freight Forwarder in Multimodal Transportation.

Multimodal transportation, which is known by the term Intermodal transportation in the United States has been defined by Gerhardt Mueller as “the seamless and continuous door to door transportation of freight on two or more transportation modes. It is logistically linked and handled as one continuous through shipment under the authority of a single freight bill”.(Mueller, 1995, page 1).

The United Nations Convention on multimodal transportation of goods defines multimodal transportation as “the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country”.

The freight forwarders, along with custom brokers (and in some cases warehouse operators or stevedoring companies) belong to that category of Multimodal transport operators who do not own any kind of transport. These MTOs sub-contract for all modes of transport. Some of these non vessel owning MTOs (NVO-MTO), have bigger turnovers than many vessel owning MTOs.

It is the expectation of the UNCTAD that non-vessel owning multimodal operators (NVO-MTOs) (which would include the freight forwarders who may assume this

role) who have been established with the exclusive aim of providing multimodal transport services, in future may be the ones to take over the dominant position of the vessel owning MTOs. It has been said that these MTOs offer the developing countries in transition the best scope for participating in multimodal transportation. By avoiding investments in transport and equipment they have the flexibility of choice of different combinations of transport/modes of transport, efficient and economically suitable to customer needs. As they are not committed to own investments, they are better placed to have their customer as their focus (MT Handbook, 1995, page 12).

For a freight forwarder, the hardware viz., transportation modes, equipment etc., remain the same. But it is the process viz., one total cost and one single contract which he has to get into to change his role as a multimodal transport operator. This process of total cost and one total contract fits well into today's' logistics concept, which concentrates on reduction of total cost and total time.

'An important characteristic of multimodal transport is its potential for reduced door to door transport time and through this resulting in a reduction of financial costs (shorter transit time = shorter interest payment period = lower cost)' (MT Handbook, 1995, page 131).

There is an incentive for the MTO to ensure the fastest possible delivery so that the container is back with him for the next cargo load to earn revenue.

The most important asset for an MTO is a highly qualified staff well versed in international transport procedures. This kind of personnel is available mostly with the freight forwarders apart from the shipping companies and airlines. Needless to say, that the freight forwarding industry has served as the root of many NVO-MTOs.

Freight forwarders just have to extend the scope of their service to multimodal transportation services and become MTOs.

In addition to the services already rendered by the freight forwarder as explained in chapter 2, the multimodal transportation affords the following additional features or advantages :

- Reduction of burden of documentation and other formalities connected with segmented transport.
- Avoids/reduces the tying up of capital when the Multimodal transport document is accepted by the banks at a CFS/ICD as it enables the exporter to negotiate it with banks to realise money immediately after handing over charge of the goods to the multimodal transport operator.
- There is a resultant reduction in costs also in the through freight rate and cargo insurance.
- Single window dealing for the shipper including settlement of claims.
- For the shipper, negotiation of the sales contract with the foreign buyers on the basis of delivered prices becomes easier because of one/through rate.
- Overall competitive rates of exports.

As far as a freight forwarder is concerned, the issues connected with his role as an agent and as a carrier continue to be the same even in the context of Multimodal transport. The rules for different modes of transport differ in basis as well as limitation of liability. When only one contract is made in the context of multimodal transport as opposed to separate contracts for segmented transport, his liability would depend on either the network principle i.e. localisation of loss or damage to a particular mode, or not depend on localisation of loss or damage, i.e. uniform liability system. Freight forwarders fall into the category of non-vessel operating (NVO) MTO, and as an undertaker to procure the performance of the multimodal transport, faces the same liability as that of a vessel owning MTO. The Indian

Multimodal legislation like most others follows the network liability principle. By providing a legal framework for multimodal transportation, the Indian legislation has made up for the infirmities or vacuum created by absence of uniformly accepted international law on the subject.

5.2 Indian Multimodal Legislation.

The Multimodal Transportation of Goods Act of India was promulgated on 2nd August, 1993 (Appendix 1). The preamble to the act states that the act is applicable to multimodal transportation of goods only from any place in India to a place outside India. Important features of the act are :

1. The Multimodal transportation has been defined as the “means of carriage of goods by two or more modes of transport from the place of acceptance of the goods in India to a place of delivery of the goods outside India”.
2. The act provides for issue of either negotiable or non-negotiable multimodal transport documents.
3. Definition of “Goods” includes live animals along the lines of the UNCTAD/ICC rules.
4. Expressly prohibits the multimodal operator to act as agent.
5. Sets out the criteria to be multimodal operator as follows :
 - Applicant is a shipping company or a freight forwarding company in India or abroad (now being amended to include individuals and partnerships).
 - Minimum turnover/ subscribed capital of fifty lakh rupees.
 - Has offices or agents or representatives in not less than two countries.
6. Provides for registration of the multimodal operators with competent authorities.
7. Provides for multimodal transport contract through multimodal document having important features as follows :
 - Should contain general nature of the goods/character of the goods.
 - Apparent condition of the goods.
 - Date and period of the delivery of the goods.

- The intended journey route, modes of transport and places of transshipment, if known at the time of its issue.
 - Reservations by the multimodal operator of the inaccuracies with respect to the declared nature or quantity of the goods and his consequential liability for non statement of reservations.
8. Liability of the consignor for inaccuracies in his statement of the goods.
 9. Liability for loss or damage to goods and limitation thereof (2 SDRs per kilogram or 666.67 SDRs per package, whichever is higher, where the stage of transport is not known. Where there is no involvement of sea or inland waterway, the limitation provides for an amount not exceeding 8.33 SDRs per kilogram).
 10. Where the stage of transport of loss or damage is known, then the liability will be determined according to the provisions of the applicable law.
 11. Liability for delay in delivery (Limited to the freight payable. In case of delay more than 90 days, goods treated as lost).
 12. Presumed liability of fault or neglect on MTO's part or that of his servants or agents unless otherwise proved. Loss of limitation is case of act or omission with intent to cause damage or delay or recklessly and with knowledge that such a loss, damage or delay would probably result (Benefit of exemption from liabilities arising in ocean carriage on account of error in navigation and management of ship not provided at present but being included through an amendment (Economic Times, 1997).
 13. Right of lien of multimodal operator for payment of contracted charges.
 14. Notice period of nine months from date of delivery of the goods.

The act has been modeled after the UNCTAD/ICC rules and multimodal convention of the UN (Indian multimodal transport act, UNCTAD/ICC rules and MT convention of UN)

There are at present about 80 registered MTOs under the Act. However, the shipping lines, who are also included in this figure, have not started issuing the Multimodal transport document (MTD) as required by the act meaning they have not started multimodal transportation in its true sense. They have some reservations about the applicability of the higher liability regime, akin to the Hamburg rules, in the Indian legislation. Other registered MTOs, however, have started issuing the MTDs and function as true MTOs.

5.3 Foreign Remittances.

Based on the Indian multimodal transportation of goods act, 1993, in order to facilitate multimodal transportation, the RBI (Reserve Bank of India), which is the central (apex) bank in the country, has permitted the remittance of foreign exchange to meet the expense of fees and commissions payable by the MTOs to their agents abroad for handling the consignments and cost of transportation from the port of discharge to the point of delivery. They have also permitted the remittance of slot hire charges directly to shipping companies abroad by those MTOs who enter into slot arrangements with shipping companies. These are allowed on prepaid cargoes only. These are verified on the basis of the invoices received from agents abroad and slot hire agreements/invoices from the shipping companies. The facility for remittance also exists in respect of transshipment expenses from agents abroad. All these remittances are permitted after verifying the clearance from the income tax authorities.

The RBI has also allowed remittance of insurance premia to foreign insurance companies by the MTOs to cover their operations as the General Insurance Corporation of India, which is the apex insurance authority in India, has expressed its inability to cover such operations. However, this is allowed after a no objection certificate from GIC (Discussions with the MTOs in India).

5.4 Containerisation .

As per the statistics for 1995-96, exports by air from India is about 35% by value while that by sea is about 65%. Break bulk transport of general cargo from the hinterland for exports by rail is more or less ruled out because the Indian railways have adopted a policy to transport any bulk cargoes only in full train loads. Thus the transportation of break bulk cargoes is possible only by road for exports. Ideally, to avoid the delays in road transportation, which is congested, it is better to export these break bulk cargoes as LCL cargoes to the nearest CFS/ICD (Container Freight Station/Inland Container Depot) for containerisation. After all, the benefits of containerisation are door to door transport, speedy intermodal transfers, low packing costs (also preferred by the buyers in developed countries to avoid costly labour in unpacking), reduced pilferage, low insurance and early payment to exporters.

Container Corporation of India (CONCOR), a state owned undertaking, was set up in 1989 to establish ICDs and dedicated block container trains to service these ICDs, thus facilitating intermodal (multimodal) transportation in India. CONCOR has now registered itself as an MTO under the Indian multimodal act 1993. The government of India has now liberalised the establishment and operation of ICDs/CFSs and block train services. No private party has yet started these. However, two competitors to CONCOR are expected to emerge and start these services. First is the US intermodal giant CSX corporation which is the parent company of Sealand services, in joint venture with the Indian industrial group of Mahindra. The second one is the joint venture between the Indian Kirloskar company and the US Wahash National Corporation. Still, CONCOR has a big advantage over others due to its vast, established network of services. As a strategy to maintain the upper hand in competition, it is planning to further extend its network of ICDs and allied services. As a result, its throughput, which was 65,000 teus in 1990/91, is expected to increase to 700,000 teus in 1996/97 (Boscombe , 1996, page 14-15).

CONCOR has established a wide network of ICDs all over India as follows :

Table 5 : Network of ICDs by CONCOR.

TERMINAL	PORTS CONNECTED	FREQUENCY OF SERVICES
Tughlakabad	Mumbai Nava Sheva Chennai Haldia	1 Train per day 2 Trains per day 1 Train per week 1 Train per week
Ludhiana	Mumbai Nava Sheva	2 Trains per week 2 Trains per week
Moradabad & Panipat	Mumbai Nava Sheva Chennai Haldia	Road linked to Tughlakabad Then onwards by train.
Agra	Mumbai Nava Sheva	By road
Amigoan (Guwahati)	Haldia	3 Trains per week
Ahmedabad	Mumbai Nava Sheva Kandla	1 Train per week 1 Train per week Train on demand
Indore	Mumbai Nava Sheva	By road
Nagpur	Mumbai Nava Sheva	On demand by road and rail.
Pune	Mumbai Nava Sheva	By rail as per demand
Hyderabad	Mumbai Nava Sheva Chennai	1 Train per week 1 Train per week 2 Trains per week
Bangalore	Chennai Cochin	4 Trains per week 1 Train per week
Coimbatore	Cochin	3 Trains per week

Source : Sharma, S.K., MD, CONCOR, page 4.

There is a case for establishment of more CFSs/ICDs deeper in the hinterland considering that India has vast hinterland and that containerisation has to reach as deep as possible to facilitate exports. This would also avoid bottlenecks at gateway ports. Establishment of CFSs/ICDs deeper into the hinterland also facilitates movement of import containers to these places, thus reducing the movements of empty containers all the way from gateway ports (imbalance in containers and resulting repositioning costs) for which the exporters have to pay making their exports costly and less competitive. However, to enable establishment of CFSs/ICDs

inland, there is a requirement of reducing the mandatory manning levels of customs personnel at these places which is not related to the volume of business at present, as these costs are to be borne by the CFSs/ICDs and not government. In addition to this, export promotion incentive schemes being provided at the gateway ports are required to be extended to hinterland facilities along with some of the mandatory certification facilities for exports, which are at present available only at gateway ports. Other facilities required are duty exemptions on container handling equipment used at CFSs/ICDs and infrastructural facilities like scheduled container trains to gateway ports. These will attract private investments in establishment of private CFSs/ICDs further facilitating exports and which has tremendous advantages (Sharma, 1997).

5.5 Some Infrastructural Problems.

A pointer to port inefficiencies, leading to bottlenecks in exports, is an observation by a World Bank study that the cost of moving a container through an Indian port is about US \$ 150 more than that in foreign ports. The consequence is that Indian exports become less competitive to that extent. The problems at Indian ports have had an effect not only on multimodal transportation but on India's trade in general. Thus the inefficiencies due to infrastructure are high on the agenda for improvement of the government (Economic Times, 1997).

5.5.1 Inland haulage cost and transit time.

A task force set up by the Indian ministry of commerce back in 1996 on inland container freight services has the following observations :

Both the inland haulage cost as well as the transit time compared to the ocean transportation from India, were high. The comparative ocean transportation costs were:

Table 6 -Haulage Costs and Transit Time of Containers Inland. (Costs in US \$)

Sector	Inland haulage cost	Ocean freight	Total freight	Inland transit time days	Ocean transit time days	Total transit time days
UK/N.con tinent	560	1200	1760	10	18	28
Singapore	450	650	1100	10	6	16
Dubai	500	550	1050	10	4	14
USA	500	1800	2300	10	35	45

Source : Multimodal Times, 1995, page 5.

Thus, in many cases the inland costs and transit time turn out to be equal or higher compared to the ocean transportation.

Due to imbalance of trade on land and the high repositioning costs, the shipping lines were unable to provide the required number of empty containers at many inland locations from the gateway ports. For example, repositioning costs per teu from Mumbai to Delhi were about Rupees 8000 to 9000 (Direct cost of railway, port charges, labour costs, lease hire of container, rent and survey fee). Movement of containers (import) to inland instead of getting destuffed at gateway ports specially when this cargo has to move inland, will have a positive effect on repositioning costs and on the total cost of imports. These repositioning costs have to be paid by the exporters inland, making their products costlier. To avoid this situation and to facilitate movement of import containers inland, the present customs procedures regarding transshipment permission at the gateway ports needs to be simplified and rationalised. This can also avoid bottlenecks at ports.

5.5.2 Containerisation of Break Bulk Cargoes at Inland Locations.

Due to high repositioning costs of containers, moving break bulk cargoes by trucks to gateway ports was more economical than moving the same in containers from the

inland locations, which is a sort of anti-thesis of containerisation. Between railway and road (for movement of break bulk specially), transit time was almost half by road. In spite of all the difficulties, containerisation of cargoes was preferred because of other logistic advantages.

Stowage capacity of containers could be increased by 15% by avoiding packing in wooden crates/boxes. Again, by stuffing the containers at shippers' CFSs or warehouses rather than by the port labour, stuffing capacity of the container increased by another 15% because of the lower productivity at the ports. Thus the total savings of containerisation at an inland location rather than moving the break bulk from inland to port for stuffing into containers at the ports was about 30% which translated to about Rupees10,000 or US \$ 300 per teu. The buyers (specially in developed countries) preferred containers rather than wooden crates/boxes as it is said to save them unpacking costs (due to high domestic labour costs) to the tune of US \$ 250. Thus the total costs are reduced by US \$ 550. Conversion of break bulk movements by conventional trucks to container trucks is also expected to reduce the congestion on roads and improve the transit time. It has also been stated that movement of import/export containers in sealed condition do not require idling at octroi (local toll) posts as this cargo is free of local municipal taxes (Multimodal times, 1996).

It has been reported that after the Multimodal legislation in India, shippers are increasingly resorting to Multimodal transportation due to the much simplified paperwork. Otherwise, paperwork and procedural aspects can contribute as much as 10% of the value of the traded commodity. However, the problem of documentation in the overall chain still persists with the customs procedure carrying with it the cost of inefficiency in the system. It is stated that for clearing imports, there are 23 documents to be processed while there are 118 for exports. These documents would require about 22 hours to fill in. The result is that there is a mushrooming of

clearing agents who charge US \$ 120 to US \$200 per container for processing documents (Economic Times, 1996). The above documentation problems, along with transshipment problems of import containers from ports due to customs restrictions, point out the truth of the statement made by UNCTAD as follows :

"In many countries the advantages of door to door transport can not be realised owing to lacking or inferior physical infrastructure. However, sometimes this is also due to an inappropriate administrative framework which results in sub-optimal utilization of existing infrastructure and equipment"- (MT Handbook, 1995, page 97).

The sheer vastness of India in continental dimensions makes it an ideal place to facilitate the growth of multimodal transportation. Given all the existing problems, it has been said that Multimodal transportation in India can work well for several reasons. Among them is that the containerised traffic has grown phenomenally from 151,000 teu in 1981-82 to 800,000 teu in 1992-93 and an estimated 3 million teu in 1997. The other reason is that the volumes of containerisable exports and imports are almost equal which makes the Multimodal transportation feasible. Since empty returnables can be made negligible, there is optimum utilization of containers.

(The Economic Times, 1996).

CRITICAL ASPECTS OF FREIGHT FORWARDING.

The world is changing. The expectations of the customers in transport are growing. This has placed great demands on the freight forwarders to provide value added services. This has changed the face of the freight forwarding business away from the traditional documentation based to logistics service providers with the help of information technology. In this context, it would be useful to identify aspects which can prove critical to freight forwarders towards possible adaptation in view of the changing demands on them. The identified aspects which could be critical are dealt with below.

6.1 Quality Assurance in Freight Forwarding.

In today's world of competitiveness, specially in an area like freight forwarding, where there are scores of them working, a shipper is bound to be very conscious of the reputation of the forwarder while making his choice. He is also judged by, amongst other things, the standard of his office, equipment and people. Most reputable forwarders are members of their respective national forwarding associations.

However, irrespective of the size of a forwarding company or other considerations, the singlemost important yardstick will be the Quality Assurance. This can serve as

the best marketable tool as well. It also makes the job of the shipper easy in selecting a freight forwarder.

In transport parlance, with which a freight forwarder is associated, quality assurance would mean that the supplier of the transport service must deliver exactly what has been promised, First time, On time and Every time. A forwarder forms only a part of the logistics chain in which transport is included. It is essential that external suppliers and subcontractors are included in the quality management system, as the failure of any part of the service will inevitably affect the performance of the whole. Liability cover is part and parcel of such a quality assurance which the shippers expect from the freight forwarders. A quality management system will have to aim and achieve 100% perfection as even 1% failure could result in disasters. Otherwise, loss, damage or delay would result in costs to both the customer and the supplier which could ultimately lead to lack of confidence in the supplier of service further leading to loss of business. While insurance can only lessen the cost burden in case of loss, it can not replace the customer's confidence and the insurance cost would eventually increase in case of loss or damage, i.e. claims.

The aim of the quality assurance in transport is to ensure that the cargo arrives

- At the correct destination.
- On time.
- In original condition.
- Every time.

(Wilkins, 1993, page 7).

Needless to say that the same applies to freight forwarding. A freight forwarder may specialise in certain geographical areas, trades, commodities etc. Nevertheless, he has to state and document what service he intends to provide and provide it.

6.2 EDI in Freight Forwarding.

It is important for a freight forwarder to consider, a very pertinent a question from the customer's point of view, why a customer should bother with a freight forwarder at all? Why not cut out the middle men? To answer this, would be to answer what are his business or service requirements.

The key to any business today, and more so in an intermediary business like freight forwarding, is value addition. In this context, it would be inevitable for a freight forwarder to assess all aspects of his business critically from the customer's point of view to find whether he is adding value. The critical aspects should cover procedures for administering these services and the people involved. It should make an economic sense to a customer to use the services of a freight forwarder.

A self analysis, in all probability would reveal that certain services offered differ widely in standards. Operation of some of the services may not be cost effective either. One of the main objectives of such an analysis could be to improve the level of net profit per employee considering that all resources of the company, including its human resource, should add value. This is inevitable if a company has to be competitive. It has to save every penny possible and keep the costs to the minimum possible. Cost effectiveness is the only way to keep the prices of services at a minimum.

As a part of cost competitiveness, it is handling of information which is critical as a process to facilitate the just-in-time delivery system of customers which itself has become inescapable to reduce capital costs in inventory. For this, EDI is an inevitable tool.

A freight forwarding company already knows or has adequate information from shipping lines, customs clearance agents and hauliers, when exactly the goods are to pass through various critical stages of cargo flow. When pieces of information on this is compiled through EDI, it enables formation or availability of a consignment tracking service which can be offered to customers - a value addition. By this tracking system, it is possible to determine when exactly a container/consignment of particular goods are due to arrive or pass through customs for clearance etc. This process would also reveal any delay, which otherwise could be unexpected, enabling appropriate and timely action. More than the price for a particular service, it is the reliability of a system that is very important to customers to plan their just-in-time deliveries. This service has become a requirement to most customers as they can save on inventory/warehousing costs. It saved US \$ 7 million a year to Chrysler company by closing down a warehouse in Michigan when they had the advantage of such a service (Hone, 1997). Handling information and serving through EDI would enable customers to send their cargo bookings to a freight forwarding company and receive confirmations, all paperless. The EDI also enables a freight forwarding company's link to its suppliers and shipping lines.

The use of EDI also enables trading on credit terms by consignor and consignee with each other. Title to the goods passes when the goods are paid for and the shipping line would deliver only when it is told to deliver without having to bother about the title to the goods. In such a case there is no need for a document of title. In its place, a memorandum document or an 'Express bill of lading' can even be faxed from the shipping line concerned to the consignee or customs clearance agent. This procedure can avoid often encountered errors which can prove costly, such as small mistakes in the letter of credit which can destroy the entire supply chain of sale of goods.

However, this is possible only when the consignee and consignor specifically agree on these terms and thus have trust with each other.

It has been recognised, in view of the growing trade in India and the Far East, by the freight forwarding community that offering a prompt and reliable service to consignees in India and the Far East, and being able to give them the benefits of the consignment tracking system as well, are vital elements of service (Hone, 1997).

The Bolero project, so much heard of today in connection with electronic trading i.e. EDI, is an arrangement which allows negotiable documents such as the bills of lading to be processed electronically. By using a central registry, the Bolero bill of lading is created by one party, 'signed' electronically and is passed on to others in the chain as the transaction progresses. At each stage of the transaction, the registry verifies that the messages sent from the parties are *bona fide*. The pre-condition for such an arrangement is that the parties to the transaction have to agree to a set of rules to have the legal sanctity of the electronic bill equivalent to the paper bill of lading. The Bolero project avoids the inconvenience of differing traditional legal complications of the participating countries. Now there is a Bolero association to oversee the entire process.

To remain in the business, which is ever-growing in sophistication by methods like the EDI, where the shippers can easily contact a carrier of choice electronically, the freight forwarding companies must ensure that they can provide services which customers would not be able to perform themselves, either due to lack of expertise or funding or right connections in the total cargo flow chain, and let the customers avoid devoting time away from their core activity. This is the secret of value added service. Effective handling of information is as important as handling of the goods themselves.

The value added services that the Bolero would afford are:

- Consignment tracking service for customers.
- Information from a wide variety of sources in a form that can be tailor made to suit customer needs.

Appreciating the fact that all shippers may not be in a position to become a member of Bolero, the freight forwarding company can act as a 'gateway' on behalf of the shipper (Hone, 1997).

6.3 The Changing Face of Freight Forwarding.

An American shipper study indicates that forwarders are shifting their traditional function as transaction based middlemen to a broader role as managers of information and logistical services. Mr. Manfred Engst, executive vice president and chief operating officer of Schenkar International feels that there is no future for traditional freight forwarding. According to him, the total supply chain management is the name of the game (Gillis, 1996, page 49).

Freight forwarders are increasingly discovering that they have no choice but to change their focus from a traditional documentation oriented business to today's needs in warehousing, consolidation, logistics management and consultancy.

Adding competition to the already competitive freight forwarding business, new comers such as Integrated air carriers like Federal Express and United Parcel Services, ocean carriers and other cargo consolidators are entering the fray. The freight forwarders are feeling the squeeze from everywhere while at the same time shippers expectations have grown very high.

While some feel that even a small sized forwarder can operate very well if he has a good knowledge of the market he is in, some feel that the opportunities are fading

away for beginners. They feel that while earlier, one could start the business of freight forwarding just with one telephone and little expertise, it may not be feasible now. Today's trend is 'One stop shopping' where customers would like to entrust all responsibility to one entity. Thus it has been possible only for large freight forwarders to provide logistics services.

However, depending on the size, forwarders offer business/services as follows :

- Large forwarders attain growth to achieve global coverage and close supply chain links with customers by acquisitions and expansions.
- Medium size forwarders with a handful of offices, focusing on a particular region or a few key commodities.
- Small forwarders made up by entrepreneurs or family businesses serving a narrow niche or a specific trade.

Apart from the above, some forwarders operate as franchisers, subsidiaries or independent members of global networks. Leaving aside large forwarders who have achieved growth by acquisitions, forwarders have followed the strategy of increasing/establishing their global coverage by joint ventures or agency relationships. These companies specially the larger ones, have found that joint ventures are better than acquisitions because acquisitions have risks of unhappy staff of acquired companies leaving also taking away customers. For smaller ones of course, there is the question of capital requirements.

6.4 Growing Business of Fruits and Vegetable Exports.

There is an increase in the overall consumption of fresh produce of fruits and vegetables in northern Europe. This is in line with a trend towards healthier diets. The restaurants and supermarkets have cashed in on this taste of people by providing a wide variety of fruits and vegetables. The preference has turned into a desire and a year round need. In fact, it is said that it is the containerisation which has created a demand for it. This has created new business opportunities for European lines who

have tried to provide the required service of moving the produce from tropical and southern hemisphere suppliers.

Fresh fruits and vegetables as already said are containerisable. Their storage times are limited and, therefore, fast transit times are essential. They also need very careful handling as they can get spoiled from the touch. Due to shorter life, i.e. nature of perishability, they are to be shipped in small quantities and regularly to avoid storage problems. They are susceptible to changes in temperatures and humidity. The exports of fruits and vegetables are growing phenomenally. The transport mode has now changed from the earlier air to sea transport as 'controlled atmosphere' technology has improved sea transportation. The technology is based on manipulation of the levels of oxygen and other gases, to levels which slow down the ripening of fruits and vegetables after picking. Thus the vegetables and fruits survive longer at sea. This also enables picking them in ripen condition to reach the markets in a fresher condition and better flavour. This technology has also helped to shift transport from reefers to containers as a container can be effectively sealed. Containerisation also helps secure handling in a developing country like India where the infrastructure is yet to develop for a smooth flow of cargo and multiple handling. Containerisation offers better control (Conway, 1995, page 71-72).

The only problem with export of fruits and vegetables is that they are seasonal and move in surges which the shipping lines find hard to arrange containers for due to imbalances and different traffic patterns. As the reefer trades are also in the same direction, freight rates are high. To quote an example of the seasonality of these, there was a glut in tomatoes in a place called 'Kolar' in the southern state of Karnataka. Expecting a great demand for tomatoes in the Northern states as in the previous years, the local farmers grew an increased yield only to find that the demand has suddenly vanished as the farmers in other places too had followed the suit in growing the high yielding variety. The result was a distressed sale of Rupees 0.50

per kilo. This incident was even reported on the TV. Difficulties are also faced by the farmers of wheat growing areas of Punjab and Haryana at times when they find that there is no storage space to store food grains specially wheat. The knowledge of Freight forwarders of markets abroad and ofcourse of how to move such unexpected surpluses of the seasonal products can be a great asset.

This area has been discussed here as a new area for growth as well as opportunities because of seasonal variations where the freight forwarders in India can find a niche. To that extent, it can be considered as a critical aspect for Indian freight forwarders. However, this is not to suggest that in general, from a business point of view of an Indian freight forwarder, it is essential.

6.5 LCL Groupings.

It has been found that a substantial proportion of shippers prefer to move their LCL traffic with specialised operators (like freight forwarders). This is because of their value added services including collection of cargo before shipment, customs clearance and delivery at destination, which may not be available from many ocean carriers. The advantage with consolidators like freight forwarders is that they are better placed to offer more frequent departures than shipping lines as they have a wide choice of carriers and as the ocean carriers would confine liftings to their own sailings or their consortium/joint service members. Moreover, lines provide groupage services only to the destinations they sail whereas forwarders can provide services to many or all destinations.

Consolidators in US (or maybe in general), who are able to consolidate container traffic from at least three shippers can obtain incentive LCL rates from shipping lines, which enable them to quote LCL rates to shippers which are generally 10% lower than the lines' direct groupage rates to exporters. For single and small

shipments, variations in costs may not be significant but may be substantial when a larger number of individual shipments are accounted for over a period of time.

A small shipper's cargo for groupage will be valuable to a forwarder but may not be of much interest to a major ocean carrier because of the small yield which may not be commensurate with their large scale of operations. Thus, the forwarder's business with the small shipper will have a personal element which may not be present so with an ocean carrier (Eller, 1996a).

6.6 Customer Service.

The two important criteria that shippers apply to a carrier or transportation are 'Price' and 'Reliability'. The third but most important is the 'Customer service' they offer. Customer service could mean how responsive the carrier is or how easy it is to do business with him. Instead of talking to a number of people in the office, the customer should be able to talk to one person who is a professional and who can give services of complete information on pricing, cargo tracing or order taking. The customer service is a whole gamut of action from booking of the cargo till they are loaded on the carrier and delivered at the consignee's end. It has been increasingly recognised that the competitive advantage rests with that organisation which can provide customer service and information. Customer service quality can be a marketing and differentiation tool for a freight forwarder. In today's world, customer service is also inevitably driven by telecommunications and electronics.

The customer service has to be inbred as a culture in an organisation. To understand the concept of customer service, one has to understand the anxiety that a customer would have while shipping his cargo. Anxiety is the basic underlying factor which has to be objectively reduced. About shippers' anxiety, Mr. Christopher Ranking, president of the then P&O containers, North America says :

“Think of how you feel when you wait for your suitcase at an airport baggage reclaim. After five minutes, if nothing comes, you start worrying. Then you may wait and calm down. Then, after half an hour, you will be very anxious. It is the same for shippers or exporters. They have a lot of other things to worry about. We are trying to reduce the anxiety of shippers.” (Damas, 1996, page 43).

A good customer service will also mean being pro-active. It is also the question of creating confidence in the customer's mind. If there is potential delay, it is better to call the customer and advise them suitably rather than him calling you. Some of the key elements of customer service identified by P&O containers are :

- Customer service includes every activity from price quotation through delivery to billing.
- A philosophy of ‘under promising’ and ‘over delivering’.
- Everyone in the company ‘owns’ his or her part of the business.
- Decentralising the decision making process close to the customer's doorstep.

Major carrier companies also have on their customer service menu, the prompt attendance to the customer's complaint. The trend in the world today and in particular North America is to standardise and automate the delivery of customer service. Similarly, other areas capable of being standardised are ‘tracing’ information relating to shipment status, container damage or identification, customs clearance etc.

However, certain specialised areas like hazardous cargo related answers to queries can not be standardised but need direct information. A system of establishment of detailed ‘profiles’ of customer needs including when and how they want to be notified of shipment arrival (in port and inland) is needed to formulate pro-active procedures, in turn enabling better service.

The pinnacle of customer service through automation and standardisation is when a customer does not need to contact company after booking cargo, because there is total reliability.

6.6.1 Information and Logistics for customers.

Talking about the need of information as a service to customer, Mr Claus Czisla, director of sales and marketing for Asia and Pacific of Asia's leading freight forwarding company Kuehne and Nagel (K&N), says that the pure movement of freight is a sideline. Their business is more about the handling of information. He also feels that freight forwarders typically do not invest heavily in transportation assets and that this is particularly true in Asia because of the rapidly changing environment. He says that creating regional asset facilities, like a warehouse could become obsolete due to changing and unpredictable patterns of freight movements. As already known, when a freight forwarder owns assets like warehousing etc., he tends to lead the client to using these facilities though there may be better alternatives. Thus non-asset based freight forwarders could be better placed to serve the customer based on information. A non-asset based freight forwarder (or a third party logistics provider) can keep the fixed cost variable, which is what the customer would prefer.

The typical relationship of K&N as a freight forwarder is relating to the client more as "consultancy". K&N designs a logistical solution involving two important business elements of raw material handling and distribution of finished product. Some clients hand over the responsibility of management of suppliers globally. The connected inventory management enables better management of the flow of work in the pipeline. By knowing exactly when the supplies are leaving the factory, better transportation alternatives can be chosen, thereby improving the timing of delivery. This gives two major advantages of reducing the cash tied up in raw material supply

management and cutting of storage costs. The reduction of goods in the supply chain also offers flexibility of changes according to market needs.

This is how the freight forwarders are finding their own niche in third party logistics management as they have expertise in transport and sometimes other sectors of logistics.

It is no more a search for a cheap transport from the shippers but how transport fits itself as an activity in the total logistics chain. The trend now is to re-engineer processes, squeeze non-value added activities out of the supply chain, create new forecasting tools (to change response to anticipation) and increased importance of software and technology. With the realisation that decentralisation of decision making is the need of the day, firms now-a-days group logistics activities by type like inbound and outbound transportation, handling activities, storage activities and information systems so that skill based economies and strategic decision making can be maximised in these areas.

It has also been recognised by firms that it is for cost effectiveness that some of these areas could be contracted away to third parties where specialist skills and expertise could be utilised and, at the same time, capital outlays could be avoided. Thus the practice of outsourcing has become particularly popular in transport, warehousing and the assembly sector (Flymn,1997).

It is said that today, information and its collection and storage may well be replacing boxes and packages as the inventory of the future. Also, different parts of the world currently have logistics in different stages of development depending on how sophisticated the consuming markets, transport infrastructures and regulatory measures are.

6.6.2 Customer Expectations.

One of the surveys of shippers conducted by the Containerisation International is on the subject of services shippers expect out of their freight forwarders. Some of the important findings are :

- In FCL shipments, forwarder to select ocean carriers - 35%
- Freedom to freight forwarders in arranging local transport of containers till they are loaded on to a vessel - 43%
- Will be guided by the freight forwarder in signing conference agreements - 51%
- Expect freight forwarders to keep shippers informed all the time with regard to changes in freight rates and ocean carrier service charges - 42%
- In export documentation, forwarder instructed to prepare only shipping documentation such as B/L, way bills, certificates of origin etc. - 70%
- Expect forwarder to assist in obtaining payment from overseas customers by becoming involved in negotiating documents through banks, especially when letters of credit and sight drafts are involved- 30%
- Expect forwarder to provide logistics facilities like order processing when orders are placed with suppliers, warehousing and distribution -35%
- In LCL shipments, freedom for forwarder to select groupage operators - 40%
- In regard to negotiation of ocean freight rates, done in conjunction with forwarders - 27%
- Forwarder asked to negotiate on shipper's behalf - 19%
- Negotiate service contracts with ocean carriers in conjunction with forwarders - 47%
- In negotiation of overseas sales contract, expect forwarder to guide as to the most appropriate INCOTERMS - 23%
- Expect forwarder to have a global network of offices and freight handling facilities and be involved in country of shipment as well as destination country - 65%

- Expect forwarder to have the ability to use Information Technology and communicate electronically - 79% (Eller, 1996b).

This gives a good indication where the world is going and what is expected of the freight forwarders. Most important are the necessity of a global network, use of Information Technology and the Customer Service.

CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 Conclusion.

As a part of the sales contract between a buyer and a seller, transportation forms one of the important ingredients of the total logistics chain. It takes specialists to arrange for transportation of goods from the shipper to the consignee. Arrangement of transport is not as simple as it sounds. It involves a myriad number of ways of transportation - transportation modes, vehicles, routes, time, freight rates etc. It needs a very close knowledge and acumen to arrange for the most appropriate method of transport from the total cost, total time and total logistics points of view.

For the purpose of arrangement of transport, therefore, a shipper, whether big or small, needs a third party to bail him out. For medium and small shippers the dependence on the third parties is inevitable, as they are limited by their resources of capital and manpower. Even for big shippers, it makes economic sense to out-source the transportation arrangement as their organisation has to remain slim and trim to avoid extra expenditure - cost savings being an important ingredient in international competitiveness.

The third party the shippers could depend on should be independent and not affiliated to any carrier, like a freight broker in which case they would have a bias to utilise the

carrier's transport irrespective of the shippers interest or the objective total logistics solution. Even among the third parties, those who own assets like warehouses or some inland transport, would again be biased towards utilisation of their assets. Freight forwarders, who have expert knowledge of the whole gamut of transportation, who understand the importance of total logistics solution and those who are non-asset based are the best bet as third parties to objectively look after the interests of the shippers and provide the best transportation solution, specially for medium and small shippers who do not have the negotiating power with big carriers. They relieve the shippers of hazels of extra activities like transportation and let them focus on their core activities. They also have the flexibility to choose any carrier who can give the maximum advantage. In today's world of high competitiveness, the non-asset based freight forwarders have an edge as they have the least capital investment to service and thus can keep their cost of service down.

There are various types and sizes of freight forwarding companies. Sizes vary from just one man firms to big global companies who have worldwide offices and who even own ships. Increasingly, the activities of freight/forwarders are changing from mere customs clearance to total transport providers and, in the developed part of the world, as third party logistics providers. In developing countries like India, freight forwarding predominantly is still akin to customs clearance. The traditional role of a freight forwarder in India has been to provide the custom clearance services and he is known as 'Clearing and forwarding agent' or 'Custom house agent'(CHA). Traditionally a CHA has organised for the local regional transportation and other logistical necessities which extend within the country. He has acted as an intermediary between the trade, customs or an international freight forwarder. It is estimated that over 80% of the container cargo being handled at the gateway ports are handled by the CHAs and the remaining 20% by other agencies like CONCOR; CWC; Steamer agents etc (Engineer, 1997, page 2).

However, the trend is changing here also to provide transportation, warehousing, inland transport etc. In developing countries, freight forwarders handle most of the liner cargo (estimated at 75 % in 1987 and which would still be substantial today) and are thus very important to these economies. They have a big role to play in making the exports competitive by providing the optimum transportation solution.

In India, which is a developing country, the economy is booming and new markets and new business opportunities are emerging. The export part of the trade does not consist of only the big trading or manufacturing houses but innumerable small and medium sized exporters and manufacturers, among whom are substantial new entrants to the trade. These are the ones who would find the genuine services of freight forwarders invaluable to launch their products effectively in the international market. Big ocean carriers or other third parties may not always find it possible to give these small parties personal level attention because of their scale of operations. It would be more profitable for them to focus their resources on shippers of high value and/or high volume cargo and, comparatively may not find the small and medium shippers very important. But for a small or medium sized freight forwarder every shipper even if he is small, is an important customer and thus is in a better position to give personalised service. According to personal conversations/interviews which the author had with some leading as well as small and medium freight forwarders in the cities of Bangalore and Mumbai in India during the preparatory period of this dissertation in early 1997, most of the freight forwarders in India are very small or medium sized, many of whom may constitute one or two person offices. Leaving aside those who neither have expertise nor capability to provide proper transport arrangements and many of those who are unscrupulous, these freight forwarders may be the ones who could play a major part in facilitating competitive exports in India. It may not be possible for all shippers to adequately invest

in Information Technology given their limited resources. It will be for those genuine freight forwarders to adequately invest in Information Technology in providing better quality of customer service to the small and medium shippers. As already said, there is evolution of newer markets and trades, like for example the growing fruits and vegetable exports or other processed foods etc. Keeping in mind the limited resource capabilities of small and medium freight forwarders in India, it is better for these forwarders to specialise and focus on niche markets to attain competitiveness by keeping their risk element low with maximum possible thrust.

As brought out in chapter 4, owing to the booming trade in India consequent to liberalisation, carriers are increasing their service facilities and levels tremendously. As a result, there is now a very wide choice for the freight forwarders in India. This coupled with the very competitive freight rates induced by heavy competition in container liner trade, the Indian freight forwarders should find the going to their liking and take this opportunity to find the best possible transportation to their shippers, and with ethical conviction, share the benefits of the competitive rates obtainable from the carriers in this competitive environment with their shippers. The objective should be of a long and fruitful relationship i.e. a win-win relationship rather than making a fast buck. It is very certain and natural, as it happens in many countries, that there are many fly by night operators, who take the advantage of new and gullible shippers and spoil the name of the freight forwarding community. It will be for the national association of freight forwarders in India to formulate a system whereby all freight forwarders can enroll or register with some sort of commitment to liability. It could be widely and effectively advertised through the media, impressing upon the shippers to use the registered freight forwarders who could also be guaranteed in some way. Alternatively, the Indian government could provide a system of registration of the freight forwarders in

consultation with the community, wherein the forwarders provide some bank guarantee or proof of insurance with regard to his liability so that any shipper could avail himself of the services of a registered forwarder, fully confident that he is doing the business with a genuine party.

Internationalization and globalisation of the services is inevitable if freight forwarders are to remain in the field as shown by the survey of shippers as brought out in chapter 6. While it is easier for big operators to either open their own offices abroad or establish agencies or contacts of some sort, the smaller and medium forwarders would find it hard to establish such capital investment oriented contacts. It will be easier and better for them to either find a partner of similar scale outside the country and have a mutual business agreement to handle each others interests. Alternatively, smaller ones could operate as franchise forwarders, which does not call for heavy investments. In the United States the small forwarders are joining international networks such as the Global Logistics Association, United Shippers, Hi-Tech Forwarders Network and the World Air Cargo Association. These groups unite small forwarders, customs brokers and Non Vessel Operators(NVOs) domestically and abroad. Thus working together gives the small forwarders as a group, an ability to compete better against larger companies on a world wide basis and give them better profits. Such networks also gives them the opportunity to utilise each others' facilities like warehouses and provide common bills of lading, which in turn gives better bargaining power with the carriers. One of the above mentioned network companies, Medallion, offers its members door-to-door service almost anywhere in the world. Others offer different such services to members. Several of the networks are developing electronic information systems for planning transport options, spotting supply chain problems etc.(Chris Gillis, 1996b, page 55). It would be

worthwhile for the Indian forwarders to look for such arrangements to expand their international network of operations.

A Freight forwarder has to get involved in different legal regimes in the world in the course of his operations (He faces the risk of being liable to the cargo owner, a third party or lessor of any equipment he might be using). When he acts as a principal, at times he may find himself in an unenviable position of becoming liable to the cargo owner or a third party or a lessor of some equipment but at the same time not able to recover from different carriers, either due to limitation of liability of the carrier, i.e. his own liability being higher than that of the carrier, or conflicting provisions of different legal regimes or some other reason. Additionally, he may also be personally liable for those services he renders on his own, like the warehousing. He will have to, therefore, consider all such eventualities which he may face in the course of his business and adequately cover them by appropriate insurance.

It is a very good development that the Indian Multimodal Legislation has been promulgated. It provides a legal framework within which the Indian forwarders can assume the role of Multimodal Transport Operators (MTOs) and, to a large extent, mitigate the problems of absence of an accepted uniform international legal regime. However, it is intriguing why the Act is applicable to only exports and not imports. The only reason that comes to mind is that it may be because it is only in case of exports that the Multimodal transport document is issued in India on which the Act has jurisdiction. The Act could have still achieved its objectives by keeping itself open to both imports and exports as, if any outside party wants to issue a Multimodal document as per the Indian Act's provisions in the absence of any local legal regime, he could well do so. It is understood that some amendments are being carried out -including Air transport as a

mode under the Act, enabling individuals/partnerships to register themselves as MTOs etc. The Act also stipulates that a prospective MTO seeking registration, should have either a turnover or capital base of Rupees 5,000,000. It is felt that this restriction inhibits the growth of and opportunities for small but genuine freight forwarders. If the objective is to eliminate the unscrupulous forwarders and protect shippers, then it would be better to provide a condition by other means, like bank guarantee for the value of shipments or proof of insurance coverage for liability etc., which could always be checked by the customs at the time of shipments. After all, what is the guarantee that a registered MTO does not ship goods valued more than the limit of Rupees 5,000,000? In order for Multimodal transportation to fully succeed in India, apart from the efforts to improve physical infrastructure like ports and ICDs, it will also be very important to remove the impediments like extra documentation with the customs and restrictions on movements of import containers (including empties) from ports to inland destinations. These movements can give impetus to containerisation of cargoes inland.

In India, forwarders are still concentrating on FCL shipments. With tremendous expansion of services by the liner operators/carriers to and from India, and with their better resource capabilities like information technology, global network capabilities and customised customer service departments, they will be in a better position to service the FCL shipments and it will only be a matter of time before all FCL shippers (who are essentially big) will start booking directly with them. The freight forwarders in India would find it definitely better to involve themselves in providing LCL shipment services where they will find better rates to operate profitably and where small and medium shippers who are numerous in India, will need them. Carriers will also welcome them as it will save them the trouble of diverting their resources, which probably they would like to employ better elsewhere or save costs.

Customer service in today's context, largely goes with information technology. It was brought out in chapter 6 that handling information will become more important than handling goods themselves. Precise exchange of data/information, properly tied up with different stages of movement of goods with a total logistical solution in mind is what is important. Gerhardt Mueller describes intermodal transportation (in our context, intermodal transportation would mean Multimodal transportation) as warehousing on the move. In his opinion, where the goods stop moving it is no more a intermodal transportation but warehousing. If the goods are to move in a seamless, continuous, door to door manner, usage of information technology is inevitable. The Indian freight forwarders would find investing in adequate information technology as the most invaluable tool both from the customer service point of view (which in itself is a marketing tool) and from the point of view of establishing overseas contact. Today, in the international context, information technology is a necessity rather than a choice. If the Indian forwarders do not invest in IT, there will be interfacing problems with their outside counterparts and they will not be able to take advantage of the IT.

7.2 Recommendations.

7.2.1 For the Indian Freight Forwarders

1. It would be preferable for the Indian freight forwarders to be non-asset based since such freight forwarders are increasingly finding preference in general as they offer more flexibility.
2. They should change themselves in line with the trend (all over the world), over from the traditional documentation oriented activities to total logistics providers and take

full advantage of the framework provided by the Indian Multimodal Transport Legislation.

3. They should adequately invest in information technology with the aim of providing better customer service and also from their own business point of view.
4. It is better for them to be niche oriented in order to have a better business focus and customer service and in view of limited resources.
5. They should have the shippers interests as their top priority on the basis of a win-win long relationship.
6. They should expand their global network of operations by entering into partnership with similarly placed freight forwarders and other third parties abroad or on franchise basis for mutually covering each other's interests.
7. Domestically also, they could enter into arrangements with each other, to form joint ventures to compete effectively with the bigger, foreign third parties.
8. They should concentrate on LCL shipments, which gives them better operating leverage, rather than the FCL shipments which is not their bread and butter.
9. They should operate in keeping with moral and ethical values to keep the business clean and towards long and good relationships with shippers.

7.2.2 Others

10. It would be preferable to make the Indian Multimodal transportation legislation applicable to both imports and exports.

11. The financial requirements for registration as MTO should be modified to a much lower level to enable even smaller freight forwarders to register. To check unscrupulous ones, it is better to put a condition to provide for a bank guarantee or appropriate insurance cover to cover the value of each shipment which can be checked by the customs at the time of shipment.

12. To avoid unscrupulous ones in the business, an appropriate system could be formulated, either by the national association of freight forwarders or the government, to register the genuine freight forwarders.

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APPENDIX 1.



भारत का राजपत्र
The Gazette of India

EXTRAORDINARY

भाग II—खण्ड 1

PART II—Section 1

प्राधिकार से प्रकाशित

PUBLISHED BY AUTHORITY

सं० 51] नई दिल्ली, शुक्रवार, अप्रैल 2, 1993/चैत्र 12, 1915
No. 51] NEW DELHI, FRIDAY, APRIL 2, 1993/CHAITRA 12, 1915

इस भाग में विभिन्न पृष्ठ संख्या दी जाती है जिससे कि यह प्रतय संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed
as a separate compilation.

MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
(Legislative Department)

New Delhi, the 2nd April, 1993/Chaitra 12, 1915 (Saka)

The following Act of Parliament received the assent of the President on the 2nd April 1993, and is hereby published for general information:—

**THE MULTIMODAL TRANSPORTATION OF GOODS
ACT, 1993**

No. 28 OF 1993

[2nd April, 1993.]

An Act to provide for the regulation of the multimodal transportation of goods, from any place in India to a place outside India, on the basis of a multimodal transport contract and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the Forty-fourth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Multimodal Transportation of Goods Act, 1993.

(2) It extends to the whole of India except the State of Jammu and Kashmir.

(3) It shall be deemed to have come into force on the 16th day of October, 1992.

2. In this Act, unless the context otherwise requires,—

(a) "carrier" means a person who is engaged in the business of transporting for hire goods by road, rail, inland waterways or sea;

Short
title,
extent and
commence-
ment.

Defini-
tions.

(b) "competent authority" means any person or authority authorised by the Central Government, by notification in the Official Gazette, to perform the functions of the competent authority under this Act;

(c) "consignee" means the person named as consignee in the multimodal transport contract;

(d) "consignment" means the goods entrusted to a multimodal transport operator for multimodal transportation;

(e) "consignor" means the person, named in the multimodal transport contract as consignor, by whom or on whose behalf the goods covered by such contract are entrusted to a multimodal transport operator for multimodal transportation;

(f) "delivery" means,—

(i) in the case of a negotiable multimodal transport document, delivering of the consignment to, or placing the consignment at the disposal of, the consignee or any other person entitled to receive it;

(ii) in the case of a non-negotiable multimodal transport document, delivering of the consignment to, or placing the consignment at the disposal of, the consignee or any person authorised by the consignee to accept delivery of the consignment on his behalf;

(g) "endorsee" means the person in whose favour an endorsement is made, and in the case of successive endorsements, the person in whose favour the last endorsement is made;

(h) "endorsement" means the signing by the consignee or the endorsee after adding a direction on a negotiable multimodal transport document to pass the property in the goods mentioned in such document to a specified person;

(i) "goods" includes—

(I) containers, pallets or similar articles of transport used to consolidate goods; and

(II) animals;

(j) "mode of transport" means carriage of goods by road, rail, inland waterways, or sea;

(k) "multimodal transportation" means carriage of goods by two or more modes of transport from the place of acceptance of the goods in India to a place of delivery of the goods outside India;

(l) "multimodal transport contract" means a contract entered into by the consignor and the multimodal transport operator for multimodal transportation;

(m) "multimodal transport operator" means any person who—

(i) concludes a multimodal transport contract on his own behalf or through another person acting on his behalf;

(ii) acts as principal, and not as an agent either of the consignor or of the carrier participating in the multimodal transportation, and who assumes responsibility for the performance of the said contract; and

(iii) is registered under sub-section (3) of section 4;

(n) "negotiable multimodal transport document" means a multimodal transport document which is—

(i) made out to order or to bearer; or

(ii) made out to order and is transferable by endorsement; or

(iii) made out to bearer and is transferable without endorsement;

(o) "non-negotiable multimodal transport document" means a multimodal transport document which indicates only one named consignee;

(p) "prescribed" means prescribed by rules made under this Act;

(q) "registration" means registration of multimodal transport operator under sub-section (3) of section 4.

CHAPTER II

REGULATION OF MULTIMODAL TRANSPORTATION

3. No person shall carry on or commence the business of multimodal transportation unless he is registered under this Act:

No person to carry on business without registration.

Provided that a person carrying on the business of multimodal transportation immediately before the commencement of this Act, may continue to do so for a period of three months from such commencement; and if he has made an application for registration within the said period, till the disposal of such application.

4. (1) Any person may apply for registration to the competent authority to carry on or commence the business of multimodal transportation.

Registration for multimodal transportation.

(2) An application under sub-section (1) shall be made in such form as may be prescribed and shall be accompanied by a fee of ten thousand rupees.

(3) On receipt of the application, the competent authority shall satisfy that the applicant fulfils the following conditions, namely:—

(a) (i) that the applicant is a shipping company or a company engaged in the business of freight forwarding in India or abroad with a minimum annual turnover of fifty lakh rupees during the immediate preceding financial year or an average annual turnover of fifty lakh rupees during the preceding three financial years as certified by a chartered accountant within the meaning of the Chartered Accountants Act, 1949;

(ii) that if the applicant is a company other than a company specified in sub-clause (i), the subscribed share capital of such company is not less than fifty lakh rupees;

(b) that the applicant has offices or agents or representatives in not less than two other countries,

and on being so satisfied, register the applicant as a multimodal transport operator and grant a certificate to it to carry on or commence the business of multimodal transportation:

Provided that the competent authority may, for reasons to be recorded in writing, refuse to grant registration if it is satisfied that the applicant does not fulfil the said conditions.

(4) A certificate granted under sub-section (3) shall be valid for a period of one year and may be renewed from time to time for a further period of one year at a time.

(5) An application for renewal shall be made in such form as may be prescribed and shall be accompanied by a fee of two thousand rupees.

Cancellation of registration.

5. The competent authority may, if it is satisfied at any time after registration that—

(a) any statement in, or in relation to, any application under sub-section (2) of section 4 or its renewal under sub-section (5) of that section, is incorrect or false in any material particular; or

(b) any of the provisions of this Act or the rules made thereunder has been contravened by the multimodal transport operator; or

(c) the multimodal transport operator has not entered into any multimodal transport contract during the preceding two years after his registration,

cancel by order the certificate of registration:

Provided that no such registration shall be cancelled unless the multimodal transport operator has been given a reasonable opportunity of showing cause against the proposed action.

Appeal.

6. (1) Any person aggrieved by an order made by the competent authority under section 5 may prefer an appeal to the Central Government within such period as may be prescribed.

(2) No appeal shall be admitted if it is preferred after the expiry of the prescribed period:

Provided that an appeal may be admitted after the expiry of the prescribed period if the appellant satisfies the Central Government that he had sufficient cause for not preferring the appeal within the prescribed period.

(3) Every appeal made under this section shall be made in such form and on payment of such fees as may be prescribed and shall be accompanied by a copy of the order appealed against.

(4) On receipt of any such appeal, the Central Government shall, after giving the parties a reasonable opportunity of being heard and after making such inquiry as it deems proper, make such order as it thinks fit.

7. (1) Where the consignor and the multimodal transport operator have entered into a contract for the multimodal transportation and the multimodal transport operator has taken charge of the goods, he shall, at the option of the consignor, issue a negotiable or non-negotiable multimodal transport document.

(2) The multimodal transport document shall be signed by the multimodal transport operator or by a person duly authorised by him.

8. (1) Every consignee named in the negotiable or non-negotiable multimodal transport document and every endorsee of such document, as the case may be, to whom the property in the goods mentioned therein shall pass, upon or by reason of such consignment or endorsement, shall have all the rights and liabilities of the consignor.

(2) Nothing contained in sub-section (1) shall prejudice or affect the right of the multimodal transport operator to claim freight from the consignor or enforce any liability of the consignee or endorsee by reason of his being such consignee or endorsee.

9. The multimodal transport document shall contain the following particulars, namely:—

(a) the general nature of the goods, the leading marks necessary for identification of the goods, the character of the goods (including dangerous goods), number of packages or units and the gross weight and quantity of the goods;

(b) apparent condition of the goods;

(c) the name and principal place of business of the multimodal transport operator;

(d) the name of the consignor;

(e) the name of the consignee, if specified by the consignor;

(f) the place and date of taking charge of the goods by the multimodal transport operator;

(g) the place of delivery of the goods;

(h) the date or the period of delivery of the goods at the place of delivery;

(i) whether it is negotiable or non-negotiable;

(j) the place and date of its issue;

(k) freight payable by the consignor or the consignee, as the case may be;

(l) the signature of the multimodal transport operator or of a person duly authorised by him;

(m) the intended journey route, modes of transport and places of transshipment, if known at the time of its issue;

(n) terms of shipment and a statement that the document has been issued subject to and in accordance with this Act; and

(o) any other particular which the parties may agree to insert in the document, if any such particular is not inconsistent with any law for the time being in force.

Reserva-
tion in
the multi-
modal
transport
document.

10. (1) Where the multimodal transport operator or a person acting on his behalf knows, or has reasonable grounds to suspect, that the particulars furnished by the consignor in the multimodal transport document do not accurately represent the goods actually taken in charge, or if he has no reasonable means of checking such particulars, the multimodal transport operator or a person acting on his behalf shall insert in the multimodal transport document a reservation specifying the inaccuracies, if any, the grounds of suspicion or the absence of reasonable means of checking the particulars.

(2) Where the multimodal transport operator or a person acting on his behalf fails to insert the reservation in the multimodal transport document relating to the apparent condition of the goods, he shall be deemed to have accepted the goods in apparent good condition.

Evidentiary
effect of
the multi-
modal
transport
document.

11. Save as provided in section 10,—

(a) the multimodal transport document shall be *prima facie* evidence of the fact that the multimodal transport operator has taken charge of the goods as described in the document; and

(b) no proof to the contrary by the multimodal transport operator shall be admissible if the multimodal transport document is issued in negotiable form and has been transmitted to the consignee or transferred by the consignee to a third party, if the consignee or the third party has acted in good faith relying on the description of the goods in the document.

Responsi-
bility of
the
consignor.

12. (1) The consignor shall be deemed to have guaranteed to the multimodal transport operator the adequacy and accuracy, at the time the multimodal transport operator takes charge of the goods, of the particulars referred to in clauses (a) and (b) of section 9 as furnished by the consignor for insertion in the multimodal transport document.

(2) The consignor shall indemnify the multimodal transport operator against loss resulting from inadequacy or inaccuracy of the particulars referred to in sub-section (1).

(3) The right of the multimodal transport operator under sub-section (2) shall in no way limit his liability under the multimodal transport contract to any person other than the consignor.

CHAPTER IV

RESPONSIBILITIES AND LIABILITIES OF THE MULTIMODAL TRANSPORT OPERATOR

Basis of
liability of
multi-
modal
transport
operator.

13. (1) The multimodal transport operator shall be liable for loss resulting from—

(a) any loss of, or damage to, the consignment;

(b) delay in delivery of the consignment and any consequential loss or damage arising from such delay,

where such loss, damage or delay in delivery took place while the consignment was in his charge:

Provided that the multimodal transport operator shall not be liable if he proves that no fault or neglect on his part or that of his servants or agents had caused or contributed to such loss, damage or delay in delivery:

Provided further that the multimodal transport operator shall not be liable for loss or damage arising out of delay in delivery unless the consignor had made a declaration of interest in timely delivery which has been accepted by the multimodal transport operator.

Explanation.—For the purposes of this sub-section, “delay in delivery” shall be deemed to occur when the consignment has not been delivered within the time expressly agreed upon or, in the absence of such agreement, within a reasonable time required by a diligent multimodal transport operator, having regard to the circumstances of the case, to effect the delivery of the consignment.

(2) If the consignment has not been delivered within ninety consecutive days following the date of delivery expressly agreed upon or the reasonable time referred to in the *Explanation* to sub-section (1), the claimant may treat the consignment as lost.

14. (1) Where a multimodal transport operator becomes liable for any loss of, or damage to, any consignment, the nature and value whereof have not been declared by the consignor before such consignment has been taken in charge by the multimodal transport operator and the stage of transport at which such loss or damage occurred is not known, then the liability of the multimodal transport operator to pay compensation shall not exceed two Special Drawing Rights per kilogram of the gross weight of the consignment lost or damaged or 666.67 Special Drawing Rights per package or unit lost or damaged, whichever is higher.

Limits of liability when the nature and value of the consignment have not been declared and stage of transport where loss or damage occurred is not known.

Explanation.—For the purposes of this sub-section, where a container, pallet or similar article of transport is loaded with more than one package or unit, the packages or units enumerated in the multimodal transport document, as packed in such container, pallet or similar article of transport shall be deemed as packages or units.

(2) Notwithstanding anything contained in sub-section (1), if the multimodal transportation does not, according to the multimodal transport contract, include carriage of goods by sea or by inland waterways, the liability of the multimodal transport operator shall be limited to an amount not exceeding 0.33 Special Drawing Rights per kilogram of the gross weight of the goods lost or damaged.

Limits of liability when the nature and value of the consignment have not been declared and stage of transport where loss or damage occurred is known.

Liability of the multimodal transport operator in case of delay in delivery of goods under certain circumstances.

Assessment of compensation.

Loss of right of multimodal transport operator to limit liability.

Limit of liability of multimodal transport operator for total loss of goods.

15. Where a multimodal transport operator becomes liable for any loss of, or damage to, any consignment, the nature and value whereof have not been declared by the consignor before such consignment has been taken in charge by the multimodal transport operator and the stage of transport at which such loss or damage occurred is known, then the limit of the liability of the multimodal transport operator for such loss or damage shall be determined in accordance with the provisions of the relevant law applicable in relation to the mode of transport during the course of which the loss or damage occurred and any stipulation in the multimodal transport contract to the contrary shall be void and unenforceable.

16. Where delay in delivery of the consignment occurs under any of the circumstances mentioned in the *Explanation* to sub-section (1) of section 13, or any consequential loss or damage arises from such delay, then the liability of the multimodal transport operator shall be limited to the freight payable for the consignment so delayed.

17. (1) Assessment of compensation for loss of, or damage to, the consignment shall be made with reference to the value of such consignment at the place where, and the time at which, such consignment is delivered to the consignee or at the place and time when, in accordance with the multimodal transport contract, it should have been delivered.

(2) The value of the consignment shall be determined according to the current commodity exchange price, or, if there is no such price, according to the current market price, or, if the current market price is not ascertainable, with reference to the normal value of a consignment of the same kind and quantity.

18. The multimodal transport operator shall not be entitled to the benefit of limitation of liability under any of the provisions of this Chapter if it is proved that the loss, damage or delay in delivery of consignment resulted from an act or omission of the multimodal transport operator with intent to cause such loss, damage or delay or recklessly and with knowledge that such loss, damage or delay would probably result.

19. The multimodal transport operator shall not, in any case, be liable for an amount greater than the liability for total loss of goods for which a person will be entitled to make a claim against him under the provisions of this Act.

20. (1) The delivery of the consignment to the consignee by the multimodal transport operator shall be treated as *prima facie* evidence of delivery of the goods as described in the multimodal transport document unless notice of the general nature of loss of, or damage to, the goods is given, in writing, by the consignee to the multimodal transport operator at the time of handing over of the goods to the consignee.

Notice of loss of or damage to goods.

(2) Where the loss or damage is not apparent, the provisions of sub-section (1) shall apply unless notice in writing is given by the consignee of the loss of, or damage to, the goods within six consecutive days after the day when the goods were handed over to the consignee.

CHAPTER V

MISCELLANEOUS

21. (1) Where the consignor hands over the prescribed dangerous goods to a multimodal transport operator or any person acting on behalf of such operator, the consignor shall inform him of the nature of the dangerous goods and, if necessary, the precautions to be taken while transporting such goods.

Special provision for dangerous goods.

(2) Where the consignor fails to inform the multimodal transport operator or the other person acting on behalf of such operator of the nature of the dangerous goods and such operator or person does not otherwise have knowledge of the dangerous goods—

(a) the consignor shall be liable to the multimodal transport operator or the other person acting on behalf of such operator for all loss resulting from the multimodal transportation of such goods; and

(b) the goods may at any time be unloaded, destroyed or rendered innocuous, as the circumstances may require, without payment of compensation.

22. (1) The multimodal transport operator who has not been paid the amount of consideration stipulated in the multimodal transport contract shall have a lien on the consignment and on the documents in his possession.

Right of multimodal transport operator to have lien on goods and documents.

(2) Notwithstanding anything contained in sections 13, 16 and 18, the period during which the goods are in possession of the multimodal transport operator in exercise of his right of lien referred to in sub-section (1) shall not be included for the purposes of calculating the time of delay under any of those sections.

23. Notwithstanding anything contained in any other provision of this Act, it shall be lawful for the parties to the multimodal transport contract to include in the multimodal transport document any provision relating to general average.

General average.

Explanation.—For the purposes of this section, "general average" means loss, damage or expense reasonably incurred in order to avert danger to property in common peril and in the common interest involved in the multimodal transportation.

Limitation on section.

24. The multimodal transport operator shall not be liable under any of the provisions of this Act unless action against him is brought within nine months of—

- (a) the date of delivery of the goods, or
- (b) the date when the goods should have been delivered, or
- (c) the date on and from which the party entitled to receive delivery of the goods has the right to treat the goods as lost under subsection (2) of section 13.

Jurisdiction for instituting action.

25. Any party to the multimodal transport contract may institute an action in a court which is competent and within the jurisdiction of which is situated one of the following places, namely:—

- (a) the principal place of business, or, in the absence thereof, the habitual residence, of the defendant; or
- (b) the place where the multimodal transport contract was made, provided that the defendant has a place of business, branch or agency at such place; or
- (c) the place of taking charge of the goods for multimodal transportation or the place of delivery thereof; or
- (d) any other place specified in the multimodal transport contract and evidenced in the multimodal transport document.

Arbitration.

26. (1) The parties to a multimodal transport contract may provide therein that any dispute which may arise in relation to multimodal transportation under the provisions of this Act shall be referred to arbitration.

(2) The arbitration proceeding may be instituted at such place or in accordance with such procedure as may be specified in the multimodal transport document.

Delegation of power.

27. The Central Government may, by notification in the Official Gazette, direct that any power exercisable by it under this Act, except the power under section 30, shall, in such circumstances and subject to such conditions, if any, as may be specified therein, be exercisable also by such officer or authority as may be specified in the notification.

Multimodal transport contract to be made in accordance with this Act.

28. No person registered as a multimodal transport operator shall enter into any contract for multimodal transportation except in accordance with the provisions of this Act and any contract, to the extent it is inconsistent with the said provisions, shall be void and unenforceable.

Act to override other enactments.

29. The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than this Act.

30. (1) The Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Act.

Power to
make
rules.

(2) In particular, and without prejudice to the generality of the foregoing provisions, such rules may provide for all or any of the following matters, namely:—

- (a) the forms in which applications shall be made under section 4;
- (b) the period within which appeal shall be preferred under subsection (1) of section 6;
- (c) the form in which an appeal shall be preferred under section 6 and the amount of fee payable in respect of such appeal;
- (d) dangerous goods for the purpose of section 21;
- (e) any other matter which is to be, or may be, prescribed.

(3) Every rule made under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

31. On and from the date of the commencement of this Act, the enactments specified in Parts I, II and III of the Schedule shall be amended in the manner specified therein.

Amend-
ment of
certain
enact-
ments.

32. (1) The Multimodal Transportation of Goods Ordinance, 1993 is hereby repealed.

Repeal
and
savings.

(2) Notwithstanding such repeal, anything done or any action taken under the said Ordinance, shall be deemed to have been done or taken under the corresponding provisions of this Act.

THE SCHEDULE

(See section 31)

AMENDMENT OF CERTAIN ENACTMENTS

PART I

Amendment of the Carriers Act, 1865

(3 of 1865)

In the Carriers Act, 1865,—

(a) in section 2, in the definition relating to "common carrier", after the words "engaged in the business of", the words "transporting property under multimodal transport document or of" shall be inserted;

(b) in sections 6, 7 and 8, for the words "property delivered", the words and brackets "property (including container, pallet or similar article of transport used to consolidate goods) delivered" shall, respectively, be substituted;

(c) in sections 9 and 10, for the words "goods entrusted", the words and brackets "goods (including containers, pallets or similar article of transport used to consolidate goods) entrusted" shall, respectively, be substituted.

PART II

Amendment of the Indian Carriage of Goods by Sea Act, 1925

(26 of 1925)

In the Indian Carriage of Goods by Sea Act, 1925.—

(a) in the Preamble, after the second paragraph, the following paragraph shall be inserted, namely:—

"AND WHEREAS the said rules were amended by the Protocol signed at Brussels on 23rd February, 1968 and by the Protocol signed at Brussels on 21st December, 1979;"

(b) in section 7, in sub-section (1), for the words and figures "sections 331 and 352", the words, figures and letters "section 331 and Part XA" shall be substituted;

(c) in the Schedule.—

(i) in Article I, in clause (c), after the word "merchandise", the words "containers, pallets or similar article of transport used to consolidate goods if supplied by the shipper," shall be inserted;

(ii) In Article III,—

(1) in paragraph 4, the following shall be added at the end, namely:—

"However, proof to the contrary shall not be admissible when the bill of lading has been transferred to a third party acting in good faith;"

(2) in paragraph 6, in the third sub-paragraph, the following shall be added at the end, namely:—

"This period may, however, be extended if the parties so agree after the cause of action has arisen;

Provided that a suit may be brought after the expiry of the period of one year referred to in this sub-paragraph within a further period of not more than three months as allowed by the court;"

(iii) In Article IV, in paragraph 5,—

(1) for the words and figures "amount exceeding 100 l. per package or unit", the words and figures "amount exceeding 666.67 Special Drawing Rights per package or unit or

two Special Drawing Rights per kilogram of gross weight of the goods lost or damaged, whichever is higher" shall be substituted;

(2) after the first sub-paragraph, the following sub-paragraphs shall be inserted, namely:--

"Where a container, pallet or similar article of transport is used to consolidate goods, the number of packages or units enumerated in the bill of lading and as packed in such article of transport shall be deemed to be the number of packages or units for the purposes of this paragraph as far as these packages or units are concerned.

Neither the carrier nor the ship shall be entitled to the benefit of limitation of liability provided for in this paragraph if it is proved that the damage resulted from an act or omission of the carrier done with intent to cause damage, or recklessly and with knowledge that damage would probably result.

Where the nature or value of the goods has been knowingly mis-stated by the shipper in the bill of lading, the liability of the carrier or ship shall not exceed the value so stated."

PART III

Amendment of the Sale of Goods Act, 1930

(3 of 1930)

In the Sale of Goods Act, 1930, in section 2, in clause (4), after the words "railway receipt," the words "multimodal transport document," shall be inserted.

K. L. MOHANPURIA.
Secy. to the Govt. of India.