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Research Paper Management

A Case study to Understand the Roles and Responsibilities of Shipping Agent in the Operational Activities of Shipping Industry

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ABSTRACT

A company's plan for achieving a competitive edge is its strategy. One way in which companies can gain a competitive edge is by deploying the basic functions of operations management in a more effective manner than their rivals. A Ship's agent represents the interest of the ship owner or charterer while a vessel is in port by providing practical assistance and by carrying out essential duties and obligations that are crucial to minimizing port delays. Operational capability consists of logistics, human resource management and customer service. When ship agencies are able to improve the quality of these activities, they will become world-class. Their profits will rise, which in turn will benefit local economies. This analysis focuses on the shipping industry from the point of view of Ship Agents. The study tries to define the integral role of ship agents in the shipping industry and how their operational activities are performed with the help of a case study.

KEYWORDS : Shipping agent, Logistics, Performance, Services

INTRODUCTION

A Shipping Agency is an agency who is accountable for managing shipments and cargo at ports and harbours and they work on behalf of shipping companies worldwide. The primary role of a ships' agent is to act as the owner's legal representative in the port of call, looking after his interests, organizing the commercial operation and vessel husbandry needs and eventually paying the related vendors on the owner's behalf. The shipping agent is a permanent representative who, in a foreign port of call, looks after the owner's interests, in the latter's name and at his expense. Acting as the local representative of the principal, the agent offers local knowledge and expertise and makes sure that the principal's needs are performed with the utmost efficiency and despatch. Accordingly the agent require to be fully conversant with all the appropriate regulations and requirements relating to the port, area or sector in which they operate, to have a wide range of relevant contacts and be sufficiently well established and founded to be able to provide the level of service and support the principal needs (Bes, 1977, p-10). It is the responsibility of ship agents to ensure that essential supplies, customs documentation crew transfers, and waste declarations are all arranged with the port authorities without any delay. Tahalooa (2013) indicated that in some parts of the world, these ship agents are also referred to as port agents or cargo brokers, depending on whether they handle only cargo or the entire shipment process. There are several categories of shipping agents such as: port agents, liner agents and own agencies, each rendering specific services depending on the shipping company they serve.

Responsibilities and tasks

Michael (2013) suggests that the term Shipping agent refers to the relationship between the principal (in this case the shipping company conveying the goods) and its representative (shipping agent), whereby the principal, expressly or impliedly, authorizes the agent to work under his control and on his behalf. According to Deseck (2014) some of the responsibilities of shipping agents are as follows:

- Ensuring a berth for the incoming vessel of the shipping company
- Drawing up the documents for the customs and harbour service
- Assisting the master to make the necessary contacts with the local authorities and the harbour authorities.
- Arranging for the pilot and the tugs.
- Arranging for the necessary doctor for the crew in case of any medical assistance
- Arranging for storage bunkers, if needed
- Arranging for the necessary ship fresh water and provisions
- Organizing the supply, transport and handling of the goods
- Arranging for the necessary repairs
- Collecting freights, cargoes
- Logistics involved with provisions and fuel
- Paying the crew
- Handling ship services including repairs and maintenance
- Preparing quarantine pre-arrival report (QPAR) which provides details on the crew, the vessel's previous route and any deaths or illnesses which may have occurred during the voyage
- Contacting shippers and the receivers of the consignment
- Conveying instructions to and from the ship owner (i.e., the Shipping company).

Ship agents not only look after the commercial activities but also the non-commercial activities for the shipping companies. These activities include crew replacement, repatriation and arranging stores, bunkers, water and money. A quality ship agent enables ship owners, operators, and charterers to manage risk and realize significant and sustainable cost savings.

Documentation

With regard to documentation, there are certain documents that have to be in possession with the Ship Master on the arrival of the vessel. These documents may also be forwarded to the Ship's agent prior to the vessels arrival, which can be presented to the port or the concerned authorities upon the arrival of the vessel. Ship agents and port agents provide vital and varied role within the overall supply chain and operate in a highly competitive market place for their services. Involving ship agents in shipping activities helps not only in increasing the overall efficiency of the shipping company but also helps in knowing the issues and identifying gaps in the operational process.

The objective of the article is to study the operational activities of the shipping agent and with the help of a case study (Al Manarah Ship Services (MSS)) we are identifying how a service of the shipping agent can be value added in order to improve customer satisfaction.

MSS (Al Manarah Ship Services), a privately owned company, focuses on long term commitments and lasting relationships with customers, suppliers and partners. MSS (Al Manarah Ship Services) takes full advantage of the diversity of their portfolio of services, their infrastructure, resources and expertise to deliver integrated solutions that result in time and cost efficiency. Sectors such as the oil & gas industry, in particular, benefit from MSS's unique ability to offer a tailor-made service package covering ship agency, bunker fuels, offshore services and more. Other sectors that can benefit from their wide range of services include cruise, dry bulk, automotive, retail, technology, offshore, etc. With a strong network of carefully selected partners MSS Services handles vessels agency in many Arabian Gulf ports.

Rajasekharan (2014) identified that MSS arranges the following services

- Technical supervision for loading/discharging operations
- Lashing/securing of cargo, hot work permits, and test certification.
- Specialized trailers, tugs, barges, and landing craft for transportation of units to/from site/vessel.
- Measurements / condition surveys for cargo.

UAE Shipping Industry

The Shipping industry in the UAE spends about half a billion dollars every year to buy materials for building, repairing and servicing ships & vessels. Considering the growth in the shipping industry in UAE, the UAE-based Hamriyah Free Zone Authority (HFZA), Sharjah, is setting up a new maritime city in the zone for marine and maritime-related industries (No author, No date)

The United Arab Emirates Shipping Association (UAESA) is actively participating and interacting with other government authorities / associations and offering marketing support to members that could bring suppliers and buyers closer to each other. The establishment of UAESA will strengthen the industry and add to the overall growth of the shipping community within the UAE (ibid).

Statistical tools used

The statistical tools used for research purpose are:

- Fishbone Diagram in order to find out the cause for the problem faced by the company.
- SWOT analysis in order to find out the potential strengths, weaknesses, opportunities and threats of the organization

Fishbone Diagram

Fishbone diagram is used to assist teams in categorizing the many potential causes of problems or issues that may exist in Business or even in day to day life, in an orderly way and in identifying root causes.

Analysis using Fishbone Diagram

Ishikawa diagram tool have been utilized to illustrate the possible causes of the main problem faced by the company. It has been noticed that there is a considerable amount of delay in time taken for process completion in attending a particular vessel. Delay caused in serving a vessel could mean losses to the vessel owner, which might even lead to termination of contract with the agency.



Fig.1 Main problem faced by the company

In the fishbone diagram fig.1 the head of the fish defines the effect or main problem. Here the main problem the company faced was delay in process completion.

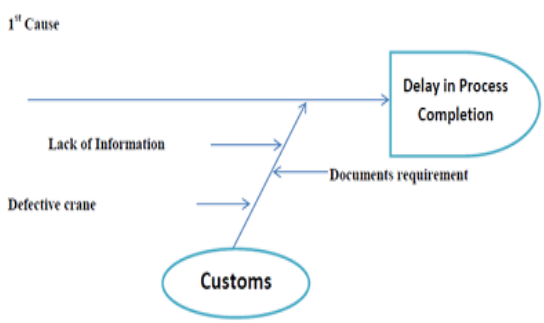

Fig. 2 Fishbone Analysis – Cause 1

Delay in Process Completion

The above diagram Fig. 2 shows the 1st cause of the major problem that is faced by the company. Here the first cause or first bone is Customs. As an agent, the company should always be in touch with the customs and other port authorities. Coordination of agency with customs begins even before the vessel arrives in port. Therefore their coordination with customs is critical and has to be accurate at all times. Lack of complete, uniform and correct port information could lead to delay in serving a vessel. Therefore, the inability of the ship agents to complete the procedures on time is a major disadvantage from their part.

Another cause related to customs is change in documents required by them leads to delay in process completion. Sometime the improper working of the systems could also contribute to the delay.

For loading and unloading purpose, the agency arranges for gantry crane which is already available at port, on behalf of the shipping company. After the vessel arrival, if it is noticed that the crane is not working, then the agents have to arrange for mobile or shore crane from outside which delays the loading and unloading process and could lead to charging of demurrage rates to cargo owners. As a result, this is also a major factor for delay in process completion.

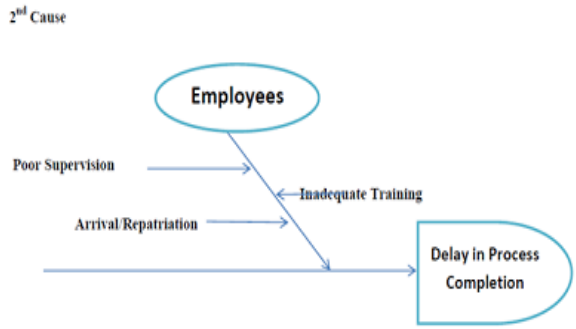

Fig 3. Fishbone Analysis – Cause 2

As the above fig.3 depicts, the second bone or cause for the problem is Employees. MSS Agency has various employees such as Immigration PRO, Ship boarding officer, Tally clerk etc. For example, the tally clerk is responsible for the count of goods being loaded or unloaded to or from the vessel. Inaccurate count is another reason that could lead to delay in process completion. Poor supervision for such tasks could increase the time span for vessel stay in port. The agency employees are responsible for proper documents submission, arranging for port pass at the port gate, timely pick-up and drop-off of crew members and other members of vessel. It is the agency responsibility to ensure that the crew members are picked from the sea port/airport and dropped to the airport/seaport at the desired times. Delay in these responsibilities causes delay in process completion.

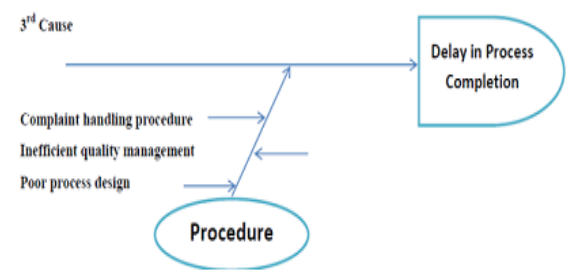

Fig. 4 Fishbone Analysis – Cause 3

Fig 4 depicts the third bone or cause faced by the company, which is the Process/Procedure. Poor process design such as the steps in the order by which it has to be followed is another reason for the process delay. Poor or incorrect training procedures also contribute to the problem. Inefficient or ineffective quality management regarding the service delivery is also a cause of delay. Absence of any formal complaint handling procedure also contributes to the problem.

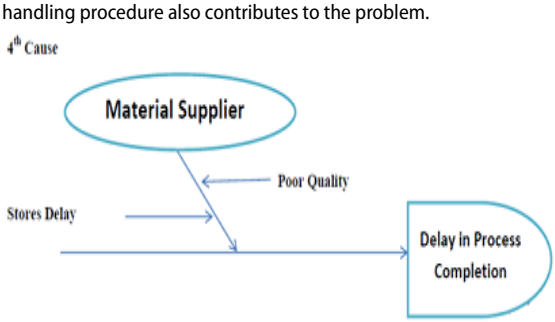

Fig. 5 Fishbone Analysis – Cause 4

As shown in the above diagram Fig 5, the fourth case of delay in process completion is Material Supplier. The agency has to ensure supply of stores on time. Their services include fresh water supply, hot work permit, stationery and other supplies as per the vessel member's requirements. Inability to provide these supplies on time becomes a factor for delay in process completion.

Another fault from material suppliers is that, in case the gantry crane is not working, it is the agency responsibility to arrange for shore crane. In some scenarios, after the shore crane is taken into the port it is realized that there is some fault in its working. As a result they will have to again arrange for another crane for loading/unloading purpose. This all will take a considerable amount of time, which will in turn affect the time by which the vessel will be able to leave the port.

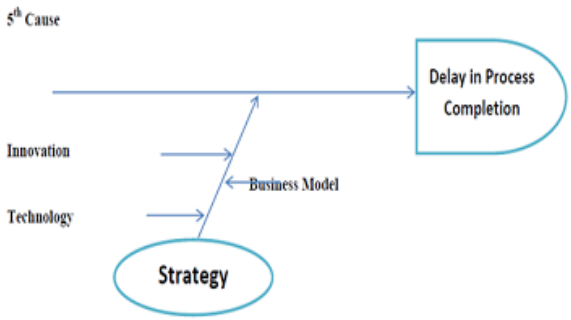

Fig. 6 Fishbone Analysis – Cause 5

Strategy
Fig 6 identified was the strategy adopted by the ship agency. The company was identified as still following the same old methods and technology. There was lack of innovation in the strategy followed by them in serving the customer requirements. The business model was not appropriate enough that identified proper sources of revenue, proper customer base or details of financing.

Following old methods of technology only leads to further time taken in completing the vessel requirements. Adopting the latest and better technology helps to a larger extend in serving vessel needs.

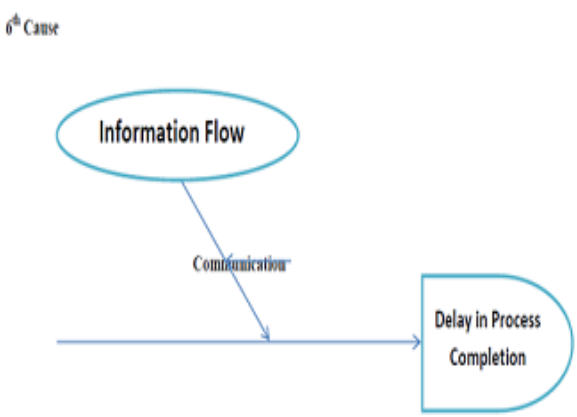

Fig. 7 Fishbone Analysis – Cause 6

Fig 7 shows the sixth bone or cause that is responsible for delay in process completion which is the Information Flow.

In summary, the SWOT identified is as follows:

Strength	**1. Strong Shipping knowledge and experience** **2. Good relation with the Transporters** **3. Strong Financial background**
Weakness	1. Lack of information Transparency 2. Poor Supervision
Opportunity	**1. Latest Technology** **2. Diversify into Logistics**
Threat	1. Competitors Actions 2. Customs and Tariff 3. Shortage of Equipment

Analysis of SWOT
Strategic statement obtained as a result of SWOT analyses are as follows:

1. Exploit strong shipping knowledge and experience to grab the opportunity to diversify into logistics.
2. Exploit strong financial background to grab the opportunity of adopting latest technology.
3. Exploit strong financial background to grab the opportunity of diversifying into logistics.
4. Exploit strong shipping knowledge and experience to ward-off competitor's actions.
5. Exploit good relation with transporters to diversify into logistics

Strategic statement No. 1, 2, 3 and 5 require more investment and forming of a research team to look into all the possibilities and advantages of adopting these strategies. These strategies might require the use of additional resources and is deferred as further decision making is needed. Strategic statement No. 4 is considered to be low investment and can be implemented with little or no resources.

Implementing the ideas of contract logistics and latest technology is time consuming as a research team has to be formed in the first place in order to determine if the idea will be successful. Later the required monetary resources and other necessary materials have to be obtained on order to implement the plans. Therefore it takes considerable amount of time for these strategies to come into action.

Findings
From the interviews conducted and the survey data collected, it was observed that delay in process completion of service delivery pertaining to a specific vessel was most often due to delay from cargo owners in collecting or dispatching their cargo. When there is delay from their part, the agency also suffers in their process completion. Timely arrangements done for the loading and unloading activities by cargo owners also contribute for effective and efficient performance by the ship agency.

This analysis shows that even though the agency does all its operations and documents submission on time, their operational activities is not completed due to failure or delay in cargo handling.

Recommendations
As per the findings from the analysis, it is recommended that apart from the agency services provided by the organization, they can extend their range of services to Land Freight Transportation. By introducing this service, they can have full control over the cargo handling as well.

Through delivery of such a service, the agency will have to handle all documents related tasks of the vessel as well as the cargo. Then the agency itself can simultaneously make arrangements for mobilizing/demobilizing of cargo through their own modes of land transportation and make delivery to the desired location. This also helps the agency to ensure the cargo arrive the port on time and also makes the necessary arrangements to prevent any delay in cargo discharge since they are

well equipped with port procedures.

Since monetary resources are a major strength of the organization, they can consider introducing this concept in their list of services provided.

Conclusion

Land Transportation is a part of logistics function and so by introducing this concept, the organization is helping and improving the supply chain process. It enables the organization to create a strong base of logistics services and supply chain in United Arab Emirates with the commitment to provide excellent services based on function of sourcing and distributing any kind of cargo at its proper place, at accurate time in the actual quantities and with attractive freight rates.

The strong shipping knowledge and experience is the greatest asset possessed by the organization employees. This makes them well equipped to handle any type of problems and threats faced by the company. Though the operations are carried out well by the agency, making an effort to improve the flow of activities can have a positive impact on the company.

The organization still has to make use of various opportunities awaiting them in the shipping industry. They can expand it by making use of latest technological developments through electronic markets. They also have scope of diversifying to logistics in order to expand its operational activities. A careful and serious analysis towards this approach can prove to be at the advantage of the organization.

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