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An Analysis of Freight Forwarders' Perception Towards Multimodal Transportation Inchennai

KEYWORDS: Multimodal transportation, Preference, freight forwarders, shippers.

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ABSTRACT *Multimodal transportation is a concept which places the responsibility for transport activities under one operator, who then manages and co-ordinates the total task from the shipper's door to the consignee's door ensuring the continuous movement of the goods along the best route, by the most efficient and, cost-effective means, to meet the shippers requirements of delivery. The research proposed various modes of transportation and the workings of multimodal transportation, which has been extremely helpful to transportation officials. It is believed that freight forwarders can get important outcomes about the main factors affecting their mode choice decisions in general, preference about multimodal transport specifically. Main service provider parties to the shipper and freight forwarding companies such as third party logistics service providers or other carriers can employ the research findings to enhance their service offerings to their customers by understanding their preference about multimodal transportation, areas to be developed and marketing strategies to be followed in order to influence the main stages in the decision-making process.*

INTRODUCTION

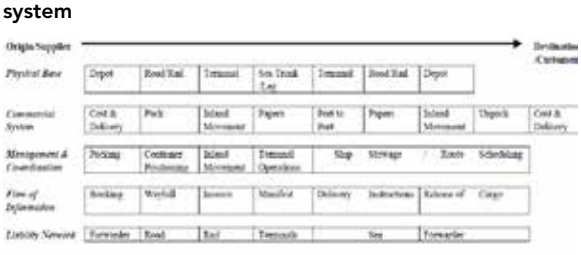
Multimodal transportation is essentially an international through-transport combination with various modes of transport such as ship, rail, truck, aeroplane, etc., primarily through the use of containers. Containers will ensure the transport of unitised cargo from its origin to its final destination, with efficiency and least possible risk.

Figure 1.Multimodal Transport Trip (Transfer Point is Denoted by the Bold T)

Source: Fernandez.C.G, et. al, 2

A simple example of a multimodal transportation would involve the shipping of a customer order that leaves the warehouse by way of a truck. The truck then travels a designated route to a railway, where the goods are unloaded and placed into a railroad car. The rail service is used to transport the goods to an airport, where they are then loaded onto a cargo plane. Upon reaching an airport near the destination, the goods are once again loaded onto a delivery truck, which uses a road system to complete the final leg of the delivery route.

Figure 2. Components of Multimodal transportation system



Source: Adapted from D'Este (1996)

There are some advantages of multimodal transportation in both domestic and international scenarios that make the strategy appealing. In some cases, combining two or more modes of transport can save a great deal of time in terms of the delivery of goods. For example, using road transportation to move goods to an airport for shipment, the flying the goods to a destination will often mean the ability to deliver those goods in a matter of hours rather than days. Customers who need those goods sooner rather than later will often pay more for the inclusion of air services in the mix, allowing the shipper to earn more from the transaction. At other times, the use of multimodal transportation can be used to decrease shipping costs.

This is particularly true when the recipient can afford to wait for the delivery for an extended period of time. This means that even though the delivery point may be overseas, the shipper can make use of ocean-bound shippers and sealed shipping containers rather than the greater cost of moving the goods by air. At both ends of the process, road or rail services may be added to the mix, completing the delivery with the most cost-efficient combination possible. Multimodal transportation can be used efficiently in a number of scenarios and to manage the successful delivery of a wide range of goods. When placing orders, customers should make it a point to ask about various options available with the shipment and determine if a given combination of options would in fact result in a lower shipping cost. Assuming that a given combination would allow the goods to be delivered in a time frame acceptable to the customer, combining rail, air, sea and road travel may be a good idea.

Freight Forwarder is a person or corporation who arranges transport of goods on behalf of either the seller or buyer. In many cases the freight forwarder will also consolidate several small shipments into one larger one to take advantage of better freight rates. In most cases the freight forwarder will assume the legal liabilities of acting as a carrier.

RESEARCH OBJECTIVE

- To analyse the preferences of freight forwarders towards multimodal transportation.
- To ascertain the problems faced by the freight forwarders towards multimodal transportation.

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- To offer suggestions to the industry based on the study.

STATEMENT OF THE PROBLEM

Growing international trade, developments in transportation systems, and the mobility of goods have all created new opportunities for multimodal transport, which involves the use of more than one mode to form an integrated transport chain. In this case, multimodal transport has been added to the mode choice decisions/alternatives of decision making parties. In this dynamic environment, the importance of the main factors affecting the decision makers with regards to multimodal transport and their perceptions towards multimodal transport must be investigated. The Study focuses on preference of various modes of transportation and the perceptions of freight forwarders about the main characteristics of multimodal transport.

REVIEW OF LITERATURE

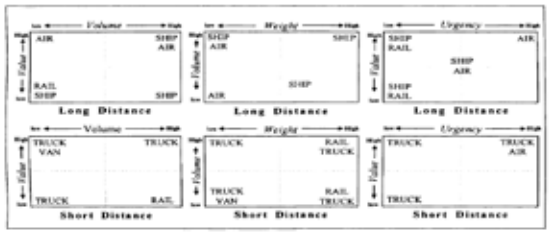
D'este and Meyrick (1992) argued that forwarders attached a much greater importance to the cargo handling technology and to the availability of flexible contracts. Also they have significant investment in cargo handling technology than shippers.

Gourdin (2006) mentioned that from the shipper's point of view, forwarders are engaged in mode and carrier selection, documentation, payment, etc. Forwarders act as a carrier to the shipper and consignee, but they use railroads and sometimes motor carriers for the long haul portion of the carriage. Freight suppliers are either freight forwarders acting as freight supplier intermediaries, or international carriers, or organisations undertaking both forwarding and carriage which are sometimes called forwarder/operators.

WORK ACTIVITIES OF FREIGHT FORWARDERS

- Researching and planning the most appropriate route for a shipment (taking account of the perishable or hazardous nature of the goods, cost, transit time and security);
- Arranging appropriate packing (taking account of climate, terrain, weight, nature of goods and cost) and delivery or warehousing of goods at their final destination;
- Obtaining, checking and preparing documentation to meet customs and insurance requirements, packing specifications, and compliance with overseas countries' regulations and fiscal regimes
- Offering consolidation services by air, sea and road - ensuring cost effective and secure solutions to small shippers with insufficient cargo to utilize their own dedicated units.
- Liaising with third parties to move goods (by road, rail, air or sea) in accordance with customer requirements;
- Arranging insurance and assisting the client in the event of a claim;
- Arranging payment of freight and other charges, or collection of payment on behalf of the client;
- Transmitting data by internet and satellite systems, enabling real-time tracking and tracing of goods;
- Arranging air transport for urgent and high-value freight and managing the risk door to door;
- Arranging charters for large volume, out-of-gauge or project movements by air and sea;
- Acting as broker in customs negotiations worldwide to guide the freight efficiently through complex procedures;
- Arranging courier and specialist hand-carry services;
- Working closely with customers, colleagues and third parties to ensure smooth operations to deadlines

Figure 3.Transport modes and Trade-offs For Freight Carriage



Source: Adapted from Beresford, *et al.* (2007)

- Maintaining visibility and control through all phases of the journey, including the production of management reports and statistical and unit cost analysis.
- Acting as consultant in customs matters
- Maintaining current knowledge of relevant legislation, political situations and other factors that could affect the movement of freight.

FUNCTIONS OF FREIGHT FORWARDERS:

- Best routing
- Packing
- Customs Clearance
- Transport
- Insurance
- Warehousing & Distribution
- Rate and Contract Negotiation
- Findings alternatives
- Grouping & Consolidation

PROBLEMS FACED BY FREIGHT FORWARDERS

On one view, the forwarder's carriage contract should not be called a bill of lading, as to call it a bill of lading is a misnomer, as these documents are not really documents of title but merely receipts. And by calling them bills of lading, forwarders are attracting all the liability (and often more) of an actual carrier. A more accurate name for these documents is consignment note. In addition, a forwarder who asserts he is a principal and thereby sub-contracts to the actual carrier is involving himself unnecessarily as a defendant in cargo claim litigation, and attracting liability for loss or damage caused by the actual carrier which he need not have. When a freight forwarder represents that it is the actual carrier of the goods it is creating a number of problems which can be avoided.

1. Assumes responsibility for loss or damage to the cargo as if it is the actual carrier under one of the international conventions, for example, under the amended Hague Rules relating to sea carriage which imposes a compulsory minimum limitation of 666.67 SDR (about A$330) per package or shipping unit or 2 SDR (about A$1) per kg, whichever is the greater;
2. prevents the cargo interests from pursuing the actual carrier for loss and damage;
3. Voluntarily adopts a package limitation which does not otherwise apply to them.
4. loses the right to exclude all liability;

RESEARCH METHODOLOGY

Research Design

The type of research that has been adopted by the researcher is descriptive research. It described the study on Freight Forwarders in the Chennai sector and the growing importance of Freight Forwarders.

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Sources Of Data Collection:
Secondary data:

- Articles, news from journals, books, magazines and Web sites.
- Past reports from Companies/ Executives
- Thesis reports of researchers who had already done study related to current area of study.

DATA ANALYSIS AND INTERPRETATION

Goods Transport

The number of goods vehicles in Chennai has increased and its movement, particularly the heavy vehicles and trucks are restricted on the city roads. An elevated freight corridor to the port is being built along the banks of river Cooum and along the NH4 to provide seamless access to the port.

Road Network

The city has a radial- circumferential arrangement of road network. The radial pattern road network converges at George Town which is the CBD of the CMA. The road network is primarily based on four National Highways, leading to Kolkota (NH5), Bangalore (NH4), Trichy (NH45) and Thiruvallur (NH 205) as shown in the Figure. Other radial roads include Kamarajar Salai, East Coast Road, Rajiv Gandhi Salai (OMR), NSK Salai (Arcot Road) and Thiruvottiyur High Road. Orbital road network includes Jawaharlal Nehru Road (IRR), Pallavaram- Thorapakkam Road; Chennai Bye-pass Road etc.The road inventory data has highlighted the deficiencies on the road network in terms of road width, as only 31% of roads have widths of four lanes and above.

Rail Network

The commuter rail system in the CMA operated by the Southern Railways consists of four BG lines:

- Chennai Beach – Tambaram line running south-west
- Chennai Central –Tiruvellore line running east-west
- Chennai Central – Gummidipoondi line running north-south
- Mass Rapid Transit System (MRTS) operates on Chennai Beach - Velachery section for a Length of about 20 km.

The Chennai Beach– Tambaram rail line is constrained by the presence of a number of road / rail level crossings. Both the Chennai Beach – Tambaram and the Chennai Central – Gummidipoondi rail corridors witness overcrowding of trains during peak hours. Junctions in the study area are grouped based on the kind of traffic management available at the junction. Accordingly this has been divided into five categories such as Signalized, Un-controlled, Rotary, Grade separated and grade separation under construction. Majority of these junctions were observed as uncontrolled in the study area.

AIR FREIGHT

The Chennai International Airport serves as the city's airport for both domestic and international flights. The airport consists of the Anna International terminal and the Kamaraj Domestic terminal, and handles domestic as well as international flights. It is the third busiest airport in India and handled a staggering 12 million passengers in 07-08 with international passenger traffic alone growing at 20 percent - higher than any other metro airport in the country .The city is connected to major hubs in South Asia, South East Asia, the Middle East, Europe and North America through over fifteen international carriers. The airport is also the second busiest cargo terminus in the country with its large integrated cargo terminal. The Airport lies around 25 km from the city centre and is accessible by road and rail transport services. Chennai air Cargo exported products worth 297.29 billion.

PORTS

The city is served by two major ports namely Chennai Port — which is one of the largest artificial ports – and Ennore Port. Chennai port is India's second busiest container hub, handling general industrial cargo, automobiles, etc. An additional container terminal is being constructed, as well. Chennai Port has 21 alongside berths in three distinct zones of the Chennai port namely the Ambedkar Dock (inner harbour to handle passenger, general cargo and containers), Jawahar Dock (to handle coal, fertiliser, other bulk and break bulk cargo) and Bharathi Dock (outer harbour accommodates ore and oil handling system and a modern container terminal). The Ennore port currently handles cargo such as coal, ore and bulk and break bulk cargo. A new container terminal is also planned for the Ennore port. A smaller harbour at Royapuram is used by local fishing boats and trawlers.

Table 1 :Commodities transaction in Chennai port

Commodity	For May 2015		From April 2015-May 2015	
	May-2015	*RFD Target	Apr 2015-May 2015	*RFD Target
Liquid Bulk	16312		15618	
Dry Bulk	7960		7995	
Break Bulk	2981		3106	
Containers	30268		31339	
Overall	15651	15000	16314	15000

FINDINGS

1. Considering the current trends and future challenges that Chennai is facing, a set of key priorities or principles are devised that under the development of the transport strategy. These key guiding principles/priorities are:

- Provide transport choices for all
- Reduce Congestion
- Integrated Transport Planning
- Efficient transport investment

2. Transport choices oriented strategy more specifically increasing the range of transport options such as, suburban rail, metro rail, MRTS, Mono rail, etc.
- Road system focus transport strategy that increases the supply, capacity and management of the road network
- Demand management strategy that seeks to alter the transport demand and demand characteristics through indirect intervention including control of land use.

3. The cargo volumes handled at Chennai port is 57.49 million tonnes per annum and during the year 2025-26 the traffic forecast is 87.11 M.T out of which 7% only are to be handled by rail mode and rest by road mode.
4. The dry port and multimodal logistics hub proposed by Chennai port in 125 acres of land to be allocated by SIPCOT at Meppadu near Sriperumbudur will contribute to considerable freight movement on NH4.

SUGGESTION

The suggested improvements for Multimodal transport in Chennai include the following:

- Freight forwarders in Chennai have not taken extra

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care in retaining the customers i.e. the CRM strategies followed by freight forwarders companies are not effective in retaining the customers.

- Major problems identified by the freight forwarders in their business operation Stuffing, loading and unloading, non-availability of trailers and trucks, Routing and scheduling .A consortium of freight forwarders could be formed so that problems of non-availability of trucks and containers could be minimized.
- No thought has been given to the name of the document being used by the freight forwarder.Little thought has been given to the issues which should be addressed;
- Terms and conditions are a 'cut and paste' of those used by competitors;
- The freight forwarder wants to represent that it owns or operates the aircraft or ships on which the cargo is carried.

CONCLUSION

Investigation of the buying processes and perceptions of freight forwarders as the buyers/users in the multimodal transport and as the parties having an intimate knowledge of transport alternatives was considered important in order to understand the way and the process freight forwarders make their decisions This study investigated the ideas and perceptions of freight forwarders in terms of multimodal transport. Understanding the situation of multimodal transport with regards to the impact of factors and the main decision makers may provide an appropriate ground for further studies.

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