CHAPTER-IV

ROLE OF CLEARING AND FORWARDING AGENTS

4.1 HISTORY OF LOGISTICS

Before going in to the details about the services of clearing and forwarding agents and their role in the enhancement and facilitation of export business one should have a clear view of Logistics under which head clearing and forwarding falls.

Logistics as a branch of commercial activity/service can be defined as providing the right type of products and/or services at the right price, at the right place, at the right time and in the right condition.

The birth of Logistics can be traced back to ancient war times of Greek and Roman empires when military officers titled as 'Logistikas' were assigned the duties of providing services related to supply and distribution of resources. This was done to enable the soldiers to move from their base position to a new forward position efficiently, which could be a crucial factor in determining the outcome of wars. This also involved inflicting damage to the supply locations of the enemy and safeguarding one's own supply locations. Thus, this leads to the
development of a system which can be related to the current day system of logistics management.

During the Second World War (1939-1945), Logistics evolved greatly. The army logistics of United States and counterparts proved to be more than the German army could handle. The supply locations of German armed forces were inflicted with serious damages and Germany was not able to wreak the same havoc on its enemy. The United States military ensured that the services and supplies were provided at the right time and at the right place. It also tried to provide these services when and wherever required, in the most optimal and economical manner. The best available options to do the task were developed. This also gave birth to several military logistics techniques which are still in use, albeit in a more advanced form.

4.1.1 CLEARING AND FORWARDING – THE MAIN ASPECT OF LOGISTICS:

Clearing and forwarding evolved itself as an art and science. However, it cannot be termed as an exact science. It does not follow a defined set of tables nor is it based on skills inherited from birth. An agent of this service performs his duties and responsibilities based on his educational experiences, skills, past experiences and intuition. These
skills are nourished by a constant application of the same by him for the betterment of his organization. The agent ensures that the company is benefited by an effective and efficient system of freight management. He also needs to ensure that he has completed the task of delivering the export items concerned at the earliest or at the prescribed time, whether inside the organization's premises or delivery of shipments outside the premises of the organization. For the Forwarding of the goods after the customs clearance it demands precise planning and effective execution with the help of the required transports for obstacle free freight movements depending on the route, distance and destination.

Clearing and forwarding service has come to be a kind of relief for many organizations that formerly looked upon it as a burden. Companies nowadays are hiring people with the requisite knowledge to deliver sustainable enhancements in the field of supply chain management. As has been the case throughout most of clearing and forwarding history, the task of a freight forwarding and clearing agent involves a clear vision and a drive within to deliver results under strict deadlines in addition to his usual responsibilities.
4.2 THE SERVICES OF CLEARING AND FORWARDING AGENTS

An international Clearing and Forwarding agent is an agent for the exporter/importer in moving the cargo to an overseas destination. These agents are familiar with the import rules and regulations of the foreign countries, the export regulations and methods of shipping, and the documents related to Foreign trade. Clearing and Forwarding agents are licensed by the International Air Transport Association (IATA) to handle air freight and Federal Maritime Commission to handle ocean freight.

Clearing and Forwarding agents by undertaking international transport run the most dynamic and fastest changing industries in the world. They play a significant role in facilitating international trade by fulfilling a number of distinct functions. In basic terms they act on behalf of the exporters to buy and manage transportation services. These usually include air and sea freight as well as the land transportation required to move the goods from the shipper to the port.

Manufacturing concerns are currently stressing on the need for efficient clearing and forwarding agents to manage their warehousing and distribution to the consumers.
Though the warehouse in-charge (usually the manufacturer's representative), is entrusted to look after the compliance and smooth operations, it is the duty of the Clearing and Forwarding agent to ensure unloading of the material at the warehouse, proper storage and re-dispatching to final consumers.

CLECAT (Comité de Liaison Europeen des Commissionnaires et Auxiliaires de Transport) - the European forwarders’ association, provides a comprehensive definition of the current forwarding industry. It states that Clearing and Forwarding and logistics services include services of any kind relating to the carriage (performed by single mode or multimodal transport means), consolidation, storage, handling, packing and distribution of goods as well as the related ancillary and advisory services. The latter includes customs and fiscal matters, declaring goods for official purposes, procuring insurance and collecting or procuring payment or documents. Clearing and forwarding services also include logistical services with modern information and communication technology in connection with the carriage, handling or storage and de facto total supply chain management. These services are tailored to meet the demand of the clientele.
4.3 CUSTOMS BROKERAGE

Along with buying and selling capacity from carriers, Clearing and Forwarding agents play an important role in liaising with various customs authorities, acting on behalf of the exporter or importer. This is often referred to as Customs brokerage and includes the preparation of the requisite trade documentation as well as the payment of customs duties on behalf of the shipper. This calls for knowledge of trade regulations, quotas and tariffs.

Clearing and Forwarding agents have their trade association in national and international level which takes care of training and qualifying personnel to execute this function.

A customs broker will also undertake bonded warehousing which allows a shipper to defer payment of duties and taxes until a later stage in the sales process. For instance it will be able to store imported goods until they are sold, at which time the duties become payable.

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57 Krishnaveni Muthiah, Logistics Management & World Seaborne trade” September 2001, 1st edition
4.4 NON VESSEL OWNING COMMON CARRIER

A specific type of operation exists in the sea freight sector known as Non Vessel Owning Common Carrier (NVOCC). This is not only a term to describe a specific business function in the Clearing and Forwarding industry, but in some markets, mainly in USA, it also carries legal weight.

In functional terms a Non Vessel Owning Common Carrier (NVOCC) buys space from a shipping line and then retails usually to the other Clearing and Forwarding agents on a Less Container Load (LCL basis). This provides a service to the forwarders who do not have the necessary volumes to book a full container load directly with the shipping line. Non Vessel Owning Common Carriers buy bulk space by entering into service contracts with ocean carriers that require the shipment of a minimum quantity of cargo throughout the year or the payment of charges.

Because of the variety of considerations and constraints involved in the physical export process, most exporters, both new and experienced, rely on an international forwarder to perform customs clearing and forwarding of export and import goods. The international Clearing and Forwarding agent acts as an agent for them in moving the cargo to or
from the overseas destination. These agents are familiar with the import rules and regulations of foreign countries, methods of shipping, government export/import regulations and the documents connected with foreign trade.

Clearing and Forwarding agent acts as an exporter’s/importer’s agent who performs almost all aspects of physical distribution necessary to move the cargo to overseas destination in the most efficient and economic manner. The Clearing and Forwarding agent can represent shippers in both air and ocean freight shipments because the procedures and documents required are very similar. The Clearing and Forwarding agent’s major contribution to the exporter is many folded. They are

1. Their ability to provide traffic.
2. Undertaking documentation responsibilities for international freight movements and customs clearance.
3. Selecting the mode of shipping.
4. Taking control of local Government export regulations and overseas import regulations.

The Clearing and Forwarding agent starts assisting an exporter right from the very beginning by getting shipment ready for overseas by providing the necessary guidance such as assistance in preparing
quotation, advice on freight cost, port charge, consular fee, cost of special
documentation, insurance cost, recommending degree of packing needed
and arranging to have merchandise packed or containerized. Apart from
the above said the Clearing and Forwarding agent prepares ocean bills of
lading, getting any special consular documents ready if needed and
reviews letters of credit and packing list to ensure that all procedures are
in order.

The customs clearance formalities are generally considered to be
cumbersome by the exporters. The forwarding agent renders them easy
by carrying out still more services like assisting in processing shipping
bills covering the shipment, paying export / import duty on behalf of the
shipper, obtaining carting order from the shipping company and carts
down the goods from the factory to the docks, delivering the goods to the
stevedores and obtaining master receipt from the ship captain and
obtaining bill of lading from the shipping company and submits the same
after proper checking.

To sum up, we must say that, the forwarding agents’ service covers
almost all aspects of export and import except production of goods.
4.5 WAREHOUSING

Warehousing standards are related to the type of product stored. Storage of fertilizers would be different from the storage of food and Fast Moving Consumer Goods (FMCG) items. Storage of fertilizers can set off chemical reactions, and is likely to damage the flooring of the warehouses. Filled fertilizer bags can be stacked one over the other in a warehouse till permissible heights, but fast moving consumer goods items which are delicate in nature and have to be dispatched in small amounts, need to be properly stored in racks. Storage of one carton over the other may damage the contents.

The role of the Clearing and Forwarding agent normally gets more complicated as he/she moves towards smaller retail items such as cosmetics which are directly consumed by the customer. In case of handling the Fast Moving Consumer Goods items, the manufacturing units normally send a large consignment as one item to the warehouse for achieving economy of scale. The consignment thus needs to be unpacked at the warehouse and repacked as per the retailer's demand.

Handling the consignments and unloading, storage and re-dispatch hence requires development of efficient processes, which can be easily offload to Clearing and Forwarding agents. Normally, the manufacturing
unit's Enterprise Resource Planning (ERP) system is extended to the warehouse to integrate and facilitate operations through the Clearing and Forwarding agent.

Out of the three basic functions of warehousing viz movement, storage and information transfer, movement function has been receiving the most attention as organizations focus on improving inventory turns and speeding orders from manufacturing to final delivery.

In case the outward delivery function is hampered due to non-availability of trucks, warehouse function would suffer a major setback. Thus a Clearing and Forwarding agent is normally appointed from the operating transporter pool which has a proven track record as a carrier.

The storage of pharmaceuticals and pesticides poses a further challenge as they have to be stored on the basis of expiry dates and promotion plans. It would be a loss to the enterprise if the product crosses expiry date during its tenure in the warehouse without being noticed. Similarly, if a promotion plan tenure ends and products related to the plan still lie in the warehouse after the tenure, it would be considered as a failure of warehouse functions. These items should also be stored in a designated area in the warehouse, so that an outgoing truck can touch relevant loading docks in the warehouse without undergoing much strain
during pickup. So Clearing and Forwarding agents need to be extra careful to ensure compliance.

4.6 WAREHOUSING ACTIVITIES

The following activities are regularly undertaken at a warehouse by Clearing and Forwarding agents.

1. Receiving

2. Transfer or putaway

3. Order picking / selection

4. Cross-docking

5. Shipping

The receiving activity includes the actual unloading of products from the transportation carrier, the updating of warehouse inventory records, inspection for damage, and verification of the merchandise count against orders and shipping records.

Transfer or put away involves the physical movement of the product into the warehouse for storage, movement to areas for specialized services such as consolidation, and movement to outbound shipment.
Customer order selection or order picking is the major movement activity and involves regrouping products into the assortments of customers' desire. Packing slips are made up at this point.

Cross-docking bypasses the storage activity by transferring items directly from the receiving dock to the shipping dock. A pure cross-docking operation would avoid putaway, storage and order picking. Information transfer would become paramount because shipments require close coordination.

Cross-docking has become common place in warehousing because of its impact on costs and customer service. For example, most of the food distribution involves the cross-docking of products from supplier to retail food stores. Eliminating the transfer or putaway of products reduces costs and the time goods remain at the warehouse, thus improving customer service levels.

4.7 CUSTOMS CLEARANCE – EXPORT

For clearance of export goods, the exporters or their agents have to undertake the following formalities.

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4.7.1 REGISTRATION

The exporters should obtain Permanent Account Number based on Business Identification Number (BIN) from the Director General of Foreign Trade prior to filing of shipping bill for clearance of export goods. Under the Electronic Data Interchange system, PAN based BIN is received by the customs system from the DGFT (Director General of Foreign Trade) through online. The exporters are also required to register authorized foreign exchange dealer code and open a current account in the designated bank for credit of any drawback incentive.

(Whenever a new airline, shipping line, sea port or airport comes into operation they are required to be registered into the customs system).

4.7.2 PROCESSING OF SHIPPING BILLS

Under Electronic Data Interchange systems, declarations in prescribed format are to be filed through the service centers of customs. A checklist is generated for verification of data by the Exporter/CHA (Customs House Agent). After verification the data is submitted to the system by the service center operator and the system generates the shipping bill number, which is endorsed on the printed checklist and returned to Clearing and Forwarding agent of the exporter.
4.7.3 ARRIVAL OF GOODS AT DOCKS

The goods brought for the purpose of examination and subsequent ‘let export’ is allowed entry to the dock on the strength of the checklist and other declarations filed by the exporter in the service centre. The port authorities have to endorse the quantity of goods actually received on the reverse of the checklist.

4.7.4 APPRAISAL OF SHIPPING BILLS

In many cases the shipping bill is processed by the system on the basis of declarations made by the exporters without any human intervention. In other cases where the shipping bill is processed on screen by the customs officer, he/she may call for the samples, if required for confirming the declared value or for checking drawback classification under the drawback schedule. He/she may also give special instructions for examination of goods if felt necessary.

4.7.5 STATUS OF SHIPPING BILLS

The Customs House Agents can checkup with the query counter at the service centre whether the shipping bill submitted by them in the system has been cleared or not, before the goods are brought to the docks for examination and export. In case any query is raised the same is
required to be replied through the service center or in case of Customs House Agents having Electronic Data Interchange connectivity through their respective terminals.

4.7.6 CUSTOMS EXAMINATION OF EXPORT CARGO

After the receipt of cargo in the docks the Customs House Agents contact the customs officer designated for the purpose and presents the checklist with the endorsement of port authority and other declarations as aforesaid along with all original documents such as Invoice, Packing list etc. Customs officer verifies the quantity of goods actually received and enter into the system and thereafter mark the electronic shipping bill and also handover all the original documents to the dock appraiser who assigns a customs officer for the examination and intimates the officer’s name and the packages to be examined, if any, on the check list and return it to the exporter or to his/her agent.

The customs officer inspects the shipment along with the dock appraiser. The customs officer enters the examination report in the system. He/she then marks the electronic bill along with the original documents and hands over the check list to the dock appraiser. If the dock appraiser is satisfied with the particulars, then enters it in the system to confirm to the description given in the original documents and as seen in
the physical examination. He/she now proceeds to allow “let export” for the shipment and informs the Clearing and Forwarding agent.

4.7.7 VARIATION BETWEEN THE DECLARATION AND PHYSICAL EDUCATION

The checklist and the declaration along with all documents are retained by the appraiser concerned. In case of any variation between the declaration in the shipping bill and physical documents the appraiser will instruct the clearing and forwarding agent to meet the assistant commissioner of customs for settlement of dispute or clarify the reason for the variation.

4.7.8 STUFFING AND LOADING OF GOODS IN CONTAINERS

The clearing and forwarding agent then handover the exporter copy of the shipping bill duly signed by the appraiser permitting “let export” to the steamer agent who approaches the preventive officer for allowing the shipment. In the case of container cargo, the stuffing of container at dock is done under preventive supervision. Loading of both containerized and bulk cargo is done under preventive supervision. The customs preventive superintendent enters the particulars of packages actually stuffed in the container along with the container and seal number into the system and endorses these details on the exporter copy of the
shipping bill presented to him/her by the steamer agent. If there is a
difference in the quantity of packages stuffed in the containers loaded on
vessel the superintendent puts a remark on the shipping bill in the system
and that shipping bill requires amendment or changed quantity. That
shipping bill will not be allowed for claiming drawback till the shipping
bill is suitably changed. The customs preventive officer supervising the
loading of container and general cargo into the vessel gives “shipped on
board” endorsement of the exporter’s copy of the shipping bill.

4.7.9 SHIPPING

Shipping is the last movement activity, consists of product staging
and physically moving the assembled orders onto carrier equipment,
adjusting inventory records, and checking orders to be shipped. It consists
of sorting and packaging of items for specific customers. Products are
placed in boxes, cartons, or other containers, placed on pallets, or shrink-
wrapped (the process of wrapping products in a plastic film), and are
marked with information necessary for shipment, such as origin,
destination, shipper, consignee and package contents.

Along with the above movement functions, the Clearing and
Forwarding agent is also made responsible for collection of receivables
from the customers who are being shipped various products on a day-to-day basis.

4.8 CUSTOMS CLEARANCE - IMPORT

Goods imported in a vessel or aircraft attracts customs duty and detailed customs formalities of the intended goods should be followed by the importers. With regard to transit goods so long as these are mentioned in import report / Import General Manifest for transit to any place outside India customs allows transit without payment of duty. Similarly the goods brought in for transport to other customs station detailed customs formalities are not prescribed.

For other goods which are offloaded, importers have the option to clear the goods for home consumption after payment of the duties leviable or to clear them for warehousing without immediate discharge of the duties in terms of the warehousing provisions in the customs act. All the clearing agents are required to file in terms of the section 46 an entry (which is called Bill of Entry) for home consumption or warehousing in the form as prescribed by regulations.

If the goods are to be cleared through Electronic Data Interchange no formal Bill of Entry is required as it is generated in the computer system. But the clearing agent is required to file a cargo declaration
having prescribed particulars required for processing of the entry for customs clearance.

If the goods are filed through non Electronic Data Interchange the Bill of Entry is filed in a set of different copies meant for different purposes and also given different color scheme, and on the body of the B/E the purpose for which it will be used is generally mentioned. The importer who is clearing the goods for home consumption has to file bill of entry in four copies; original and duplicate meant for customs; third copy for the importer and the fourth copy is for the bank remittances. In the Non Electronic Data Interchange system along with the bill of entry filed by the Clearing and Forwarding agent the following documents are generally required

1. Signed invoice
2. Packing list
3. Bill of lading / Delivery order
4. Declaration
5. License if necessary
6. letter of credit / bank draft
7. Insurance document
8. Test report in case of chemicals


10. Technical write-up in case of machineries

11. Separately split-up value of spares, component machineries

12. Certificate of origin if preferential rate of duty is claimed

Under the Electronic Data Interchange system the importer does not submit documents as such for assessment but submits declarations in electronic format containing all the relevant information to the service center. A check list is generated for verification of data by the importer’s Customs House Agent. After verification the data is submitted to the system by the service center operator and system then generates a Bill of Entry number which is endorsed on the printed check list and returned to the Customs House Agent. The Customs House Agent also needs to sign in the final document after customs clearance.

In the Electronic Data Interchange system the steamer agents get the manifest filed through Electronic Data Interchange which also generates Bill of Entry number. Appraising wing of the customs house has a number of groups dealing with earmarked commodities falling
under different chapter headings of the customs tariff and they take up further scrutiny for assessment, import permissibility etc.

4.9 ASSESSMENT

The basic function of the assessing officer in the appraising groups is to determine the duty liability taking due note of any exemptions or benefits claimed under different export promotion schemes. They have also to check whether there are any restrictions for the goods imported in the customs tariff. It also involves correct determination of value where the goods are assessable on advalorem basis. The assessing officer has to take note of the invoice and other declarations submitted along with the Bill of Entry to support the value claim.

When the appraising officer is not very clear about the description of the goods from the document or for some doubts about the proper classification which may be possible only to determine after detailed examination of the nature of the goods or testing of its samples, he/she may give an examination order in advance of finalization of assessment.

On receipt of the examination report the appraising officers in the group assess the Bill of Entry. He/she indicates the final classification and valuation in the Bill of Entry (B/E) indicating separately, the various duties such as basic, countervailing, anti-dumping etc.. Thereafter the
Bill of Entry goes to Assistant commissioner for confirmation depending upon certain value limits and sent to computist who calculates the duty amount taking into account the rate of exchange at the relevant day as provided in the customs act.

After the assessment and calculation of the duty liability, the clearing and forwarding agent has to deposit the duty calculated, in the treasury or nominated banks where after he/she can go and take delivery of the goods from the custodians.

**4.10 ELECTRONIC DATA INTERCHANGE ASSESSMENT**

In this system, handling of the documents/declarations for taking import clearances as mentioned earlier and the cargo declaration is transferred to the assessing officer in the group electronically.

The assessing officer processes the cargo declaration on screen with regard to all the parameters as given above for manual process. However in Electronic Data Interchange system, all the calculations are done by the system itself. In addition, the system also supplies useful information for calculation of duty. For example, when a particular exemption notification is accepted; the system itself gives the extent of exemption under that notification and calculates the duty accordingly.
After assessment, a copy of the assessed Bill of Entry is printed in the service centre. Under electronic data Interchange method, documents are normally examined at the time of examination of the goods. Final Bill of Entry is printed after “out of charge” is given by the customs officer.

4.11 EXAMINATION OF GOODS

All imported goods are required to be examined for verification of correctness of description given in the Bill of Entry. However a part of the consignment is selected on random selection basis and is examined. In case the importer did not have complete information with him at the time of import or if the customs appraiser feels the goods are required to be examined before assessment he/she may request for examination of the goods before assessing the duty liability. This is called first assessment.

The goods can also be examined subsequently during assessment and payment of duty. This is called second assessment. Most of the consignments are cleared on second assessment basis.

It is to be noted that whole of the consignment is not examined. Only those packages which are selected on random selection basis are examined in the shed.
4.12 GREEN CHANNEL FACILITY

Some major importers have been given the green channel clearance facility. It means clearance of goods is done without routine examination of goods. They have to make a declaration in the declaration form at the time of filing Bill of Entry. The appraisement is done as per normal procedure except that there would be no physical examination of the goods. Only marks and numbers are to be checked in such cases.

4.13 EXECUTION OF BONDS

Wherever and whenever necessary, for availing duty free assessment or concessional assessment under different schemes and notifications, execution of end use bonds with bank guarantee is required to be furnished.

4.14 PAYMENT OF CUSTOMS DUTY

The duty can be paid in the designated banks. Different customs houses have different authorized banks for payment of duty. It is necessary to check the name of the bank and the branch before depositing the duty. Bank endorses payment particulars in challan which is submitted to the customs.
To sum up, Clearing and Forwarding agents with their multiple tasks cover all the paper works and physical works connecting both the ends i.e. the buyers and sellers across the globe.

4.15 STATISTICS INDICATING GROWTH RATES IN CLEARING AND FORWARDING BUSINESS:

Freight management, accounts for about 15% growth. Growth rate for the freight forwarders, which operate internationally, especially in the zone where logistics operations take place between Asia and the United States of America, account for a growth rate of 15% to 20%. Trends of this industry also indicate that their operations which are port based was predicted to grow at 20% to 25%. The growth rate mentioned above has been ascertained for the year 2007.

The logistics industry in India has grown fast, overriding major sectors like metals and mining. Strategically located cities like Mumbai were earmarked for setting up logistics parks with investments to the tune of US$200 million. Export processing zones housing several companies ranging from garment to electronics have necessitated the need for a good logistics backbone to support the domestic market as well as international trade.

59 http://www.biztechreport.com/story/1551-importance-logistics-industry-growing-economies, 1st September 2011
The Indian logistics industry is poised to grow annually at the rate of 15-20 percent, reaching a revenue outcome of US$385 billion by 2015. The market share of the organized sector in logistics will also grow to 12 percent by 2015, opine market analysts.

### 4.16 USE OF TECHNOLOGY IN CLEARING AND FORWARDING INDUSTRY

Information technologies in the Clearing and Forwarding industry include the application of data collection technologies and the Internet. Data collection and exchange are critical for logistics information management and control, as they can be leveraged to deliver customers' goods more accurately and efficiently. The bar code system and radio frequency identification system (RFID) are data collection technologies that are used widely for this.

Companies rely on information technology to enable integration, order and transportation management and warehouse management. RFID technology is used to track vehicles, pallets, and even smaller units to gain greater visibility.

Electronic data interchange (EDI), electronic ordering system (EOS), logistics information system (LIS), enterprise information portals (EIP), and knowledge management (KM) are information technology
elements used in this industry. Electronic data interchange involves inter-
company computer-to-computer exchange of business documents in
standard formats.

A good clearing and forwarding company integrates all the supply
chain functions ranging from raw material sourcing and manufacturing to
the distribution of finished goods. The company has to control costs of
transportation and inventory while working out strategies to serve
customers optimally within set time periods and budgets.

All this makes clearing and forwarding complex, and therefore
companies need real-time visibility to gain optimal insights into the flow
of goods from suppliers and even suppliers' suppliers. Better visibility
reduces wait times, and helps manage inventory and costs. Different
companies need different solutions designed according to the product,
volumes involved, location, and so on. In order to maintain competitive
advantage, clearing and forwarding companies must leverage available
knowledge more efficiently to evolve into innovation-based logistics
service providers, say experts.

**4.17 FUTURE OF CLEARING AND FORWARDING IN INDIA**

India has hardly been able to position itself on the economic
market despite its favorable location between Asia and Europe and a
populace of 1.21 billion. The World Bank in its Global Logistics Report, 2007 has ranked India 39 among 150 countries in terms of logistics performance with its future potential. India needs an integrated infrastructure and logistics policy to keep up the growth of its gross domestic product. The major export countries for Indian products are the United States, the United Arab Emirates, China, Singapore and Great Britain. The major import trading partners are China, the United States, Switzerland, the United Arab Emirates and Belgium. In recent years, BRIC countries have become vital players in the world economy as a result of their high growth rates.

4.18 INFRASTRUCTURE NEED FOR FREIGHT FORWARDING

Infrastructure development is essential for the growth of an economy. Infrastructure covering the road, rail, waterways and air network is the base for Clearing and Forwarding business. India’s logistics infrastructure was developed in the colonial era to transport troops and agricultural products. Since then, India has become one of the fastest growing economies in the world, but its logistics infrastructure remains woefully inadequate to meet the demands bestowed on it by the country’s new-found status. Recognizing the importance of this sector,
the Indian government have trebled annual spending from about $10 billion in 2003 to $30 billion in 2010.

4.19 AIR TRANSPORT – ITS GROWTH

According to the Planning Commission, India’s air cargo movements would grow at over a CAGR of 11.5% from 2007-08 to 2011-12. Foreign Direct Investment (FDI) limit in cargo airlines having been raised by the Government from 49% to 74% is attracting major overseas players to expand their Indian networks and capacity. Air Cargo business has overtaken the ocean freight and rail freight market by expanding at nearly 19% in the last 3 years, as against 10.3% growth registered by ocean freight and 9.2% by railways.

Domestic air cargo traffic has been growing at CAGR of 12.80% from 2001-02 to 2006-07, whereas international air cargo traffic has been moving at CAGR of 13% during the same period. Riding high on export of gems and jewellery, special chemicals and high-value pharmaceuticals, international air cargo traffic at all Indian airports has been growing rapidly.

60 http://www.iseindia.com/ResearchPDF/Logistics_Update1.pdf
Table no. 4.1 highlights International as well as domestic Air Cargo traffic at six major airports which carry 88% of the total air cargo. More than 60% of the domestic as well as international cargo is handled at Delhi and Mumbai Airport.

4.19.1 DOMESTIC AIR CARGO TRAFFIC TRANSPORT

Delhi : 32%
Madras : 17%
Bangalore : 7%
Calcutta : 4%
Trivandrum : 4%
Bombay : 36%
4.19.2 INTERNATIONAL AIR CARGO TRAFFIC

Delhi : 30%
Madras : 11%
Bangalore : 16%
Calcutta : 12%
Trivandrum : 1%
Bombay : 30%

4.20 SEA TRANSPORT

India, which is bordered by Bay of Bengal, Arabian Sea and Indian Ocean, has a vast coastline of approx 7,600 kms, scattered with 12 major ports (Calcutta, Haldia, Paradip, Visakhapatnam, Ennore, Chennai, Tuticorin, Cochin, New Mangalore, Mormugao, JNPT, Mumbai, Kandla) and 187 minor ports that facilitate the movement of goods through sea. These ports handle more than 95 percent of the cargo entering into the India. The use of coastal shipping is limited to a few industries despite being reasonable and energy efficient mode of transportation. Costal shipping reports a very little share of the Indian freight forwarding industry. In 2008-09, costal shipping reported for merely 2% of the total industry.
Cargo throughout at the 12 major ports has been rising by a compound annual growth rate of 9.5% over the past three years. Container throughout at India's 12 major ports has increased by 19% in 2008. The 12 major ports handled 6.60 million TEUs (Twenty-Foot Equivalent Units) in the twelve months till March 2008.

Navi Mumbai's JNPT (Nhava Sheva) handled 4.06 million TEUs, which was above 61% of the overall throughout. The container traffic at JNPT port has increased by 23%, making it India's largest and busiest port. India’s overall container traffic posted a Y-O-Y growth of 19% during 2007–08, with the throughout touching 6.7 million TEU at its ports.

The value of coastal shipping industry is at Rs. 46.4 billion and it is believed to grow at a CAGR of 8.3% over the next 5 years to reach Rs. 69.3 billion in 2013-14.

4.21 COMPARISON OF MAJOR FACTORS: INDIA Vs GLOBAL

The below inefficiencies can be conquered by building the development in the freight infrastructure. The entry of experienced and more efficient overseas players into the Indian Market will assist to increase the efficiency.
### Table 4.2

**Comparison of Major Factors: India vs Global**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>India</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Road Transportation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. truck Speed (in kmph)</td>
<td>30 - 40</td>
<td>60 - 80</td>
</tr>
<tr>
<td>Four Lane road Length (in kms)</td>
<td>7,000</td>
<td>34,000</td>
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<tr>
<td>National Highway Length (in kms)</td>
<td>66,590</td>
<td>1,900,000</td>
</tr>
<tr>
<td>Avg. distance travelled by a truck per day (in kms)</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td><strong>Air Transportation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport waiting Time - Exports (in hrs)</td>
<td>50</td>
<td>12</td>
</tr>
<tr>
<td>Airport waiting Time - Imports (in hrs)</td>
<td>182</td>
<td>24</td>
</tr>
<tr>
<td>ATF as a % of Op. Cost</td>
<td>35 - 40%</td>
<td>20 - 25%</td>
</tr>
<tr>
<td><strong>Ports &amp; Sea Transportation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnaround time at ports (in hrs)</td>
<td>84</td>
<td>7</td>
</tr>
<tr>
<td>Annual container handling capacity</td>
<td>8.4 mm TEUs</td>
<td>60 mm TEUs</td>
</tr>
<tr>
<td>Container handled per ship, per hr (Max.)</td>
<td>15</td>
<td>25 - 30</td>
</tr>
</tbody>
</table>

#### 4.22 Consequence of FY 12 Budget on Logistics Sector

Few characters which impact on the freight forwarding sector with respect to FY 12 budget is as follows:
4.22.1 TAX:

The budget has set the ground for the roll-out of the much-awaited goods and services tax (GST), by bringing more goods and services in the tax net and removing exemptions. The government will introduce a bill to facilitate this new tax regime, expected to start from April 2012. The GST will replace a host of indirect taxes, central excise, service tax, and various state-level duties like sales tax and octroi with a single levy. GST is likely to emerge as an efficient system of taxation that works to the benefit of industry, consumers and the government.

4.22.2 CONCERNS FOR THE SECTOR

India’s spend on freight forwarding activities is equal to 13% of its GDP while it is 10% in Europe and 11% in Japan, it is also higher than most of the developed nations. The main reason for this is the relatively higher level of inefficiencies in the system, with lower average trucking speeds, higher turnaround time at ports and high cost of administrative delays. The required pace of efficiency and quality improvement will demand rapid development of capabilities of clearing and freight forwarding service providers. This industry provides lesser pay and progression incentives compared to other industries. It being a service oriented sector, skill development will emerge as a main capability.
4.23 ASSOCIATION FOR CLEARING AND FORWARDING AGENTS

4.23.1 HISTORY

Efforts to setup a national apex body in the form of federation were started when the Customs House Agent Associations of Bombay, Calcutta, Madras and Cochin held a joint conference in 1960.

The final decision was taken on 1st December 1962 at a joint conference at Bombay by the representatives of the associations of Bombay, Calcutta, Cochin, Jamnagar, Bhavanagar, Delhi and Goa. The next day on 2nd December 1962, Mr. Morarji Desai, the then Honorable Union Finance minister inaugurated Federation of Clearing and Forwarding agents Association of India.

On 5th November 1963, the federation was registered under the Societies Registration act, 1860 at Bombay. Mr. Karsandas Tulsidas Khimji of M/S Mr. Karsandas Tulsidas Khimji Pvt Ltd, was chosen to be the founder president of the federation.

Federation was enrolled as national member of FIATA – The International Federation of Freight Forwarders Association, at the world congress at Copenhagen on 9th September 1965.
4.23.2 OBJECTIVES

1. To encourage, support and organize training programmes at local, regional and national level.

2. To promote and educate the Trade and Industry to understand the necessity to engage only licensed and regulated Customs House Agents.

3. To focus attention and educate the members on the advantages of computer system over manual systems and move them ahead towards total automation.

4. To move towards establishing time frame for performance of duties that is undertaken by the members and brings transparency in transactions.